

**\$50,731,330.80****City and County of San Francisco Redevelopment Financing Authority  
2006 Series A Taxable Tax Allocation Revenue Bonds  
(San Francisco Redevelopment Projects)****\$19,955,000****Current Interest Bonds****\$30,776,330.80****Capital Appreciation Bonds****Dated: Date of Original 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 summary of all factors relevant to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decisions.

**INTRODUCTION**  
see pages 1-3

The 2006 Series A Taxable Tax Allocation Revenue Bonds (the "Bonds") are being issued by the City and County of San Francisco Redevelopment Financing Authority (the "Authority") pursuant to an Indenture of Trust, dated as of August 1, 2006, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). Pursuant to four loan agreements (each a "Loan Agreement") relating to the Bonds each dated as of August 1, 2006 by and among the Authority, the Redevelopment Agency of the City and County of San Francisco (the "Agency") and the Trustee, the Authority will loan the proceeds of the Bonds to the Agency.

**THE BONDS**  
see pages 6-10

The principal of the Bonds is payable upon their respective stated maturities on August 1 of each year. Interest on the Current Interest Bonds will be payable semiannually on February 1 and August 1, commencing February 1, 2007. Interest on the Capital Appreciation Bonds is payable only at maturity or upon earlier redemption.

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

**The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS—Redemption Provisions."**

The Agency will use the proceeds of the Bonds to (i) finance certain redevelopment activities of the Agency within or of benefit to the 2006 Related Project Areas (hereinafter defined) and certain low and moderate income housing developments, and (ii) pay certain costs related to the issuance of the Bonds, including the premium for a financial guaranty insurance policy and debt service reserve fund surety bonds.

**SECURITY FOR THE BONDS**  
see pages 11-15

The Bonds will be secured primarily by payments made by the Agency to the Authority pursuant to the related 2006 Loan Agreements entered into with respect to the respective 2006 Related Project Areas (as defined herein). The obligations of the Agency under the 2006 Loan Agreements are secured, and therefore the Bonds are secured, by a pledge of the Agency's share of certain property tax revenues derived from the respective 2006 Related Project Areas. While the Authority has agreed not to issue additional bonds secured by the 2006 Loan Agreements, the Agency may incur additional indebtedness which is payable from the same tax revenues as the 2006 Loan Agreements, and on an equal priority basis, so long as the coverage ratio of tax revenues to debt service is at least 1.25 to 1 at the time such indebtedness is incurred, as described herein. Certain tax revenues received by the Agency are subject to a prior lien. See "SECURITY FOR THE BONDS—Senior Obligations."

The scheduled payment of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by MBIA Insurance Corporation.

**MBIA****RISK FACTORS**  
see pages 25-29

An investment in the Bonds involves risk. Potential investors in the Bonds should review the entire Official Statement to evaluate an investment in the Bonds. See "CERTAIN RISKS TO BOND OWNERS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

**LIMITED LIABILITY**

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE PRIMARILY FROM AMOUNTS PAYABLE BY THE AGENCY TO THE AUTHORITY PURSUANT TO THE 2006 LOAN AGREEMENTS AND CERTAIN AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS HELD UNDER THE 2006 INDENTURE. NO OTHER PERSON OR GOVERNMENTAL ENTITY, INCLUDING THE CITY AND THE COUNTY OF SAN FRANCISCO (THE "CITY"), HAS ANY DUTY TO MAKE BOND PAYMENTS. NEITHER THE AUTHORITY NOR THE AGENCY WILL PLEDGE ANY OTHER TAX REVENUES, PROPERTY OR ITS FULL FAITH AND CREDIT. ALTHOUGH THE AGENCY RECEIVES TAX REVENUES FROM THE CITY, NEITHER THE AGENCY NOR THE AUTHORITY HAS TAXING POWER.

**BOND AND TAX OPINIONS**  
see pages 67-68

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from California personal income taxes. NO ATTEMPT HAS BEEN OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION OF SUCH INTEREST FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. See "TAX MATTERS" herein. The full text of Bond Counsel's proposed opinion appears in APPENDIX F to this Official Statement. The Authority will not issue the Bonds without Bond Counsel's approval of their legality and satisfaction of certain other conditions.

**DELIVERY**

The Bonds are offered when, as and if issued, subject to the approval as to their legality Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Agency by its General Counsel and for the Authority by its General Counsel and for the Authority, the Agency and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 24, 2006.

**UBS Investment Bank****Backstrom McCarley Berry & Co., LLC**

## MATURITY SCHEDULE

**\$50,731,330.80**

**City and County of San Francisco Redevelopment Financing Authority  
2006 Series A Taxable Tax Allocation Revenue Bonds  
(San Francisco Redevelopment Projects)**

**\$19,955,000**

**Current Interest Bonds**

**\$30,776,330.80**

**Capital Appreciation Bonds**

### **\$19,955,000 Current Interest Bonds**

\$7,065,000 5.618% Current Interest Bonds due August 1, 2016—Price 100%—CUSIP No.<sup>†</sup> 79771PD28  
\$9,805,000 5.888% Current Interest Bonds due August 1, 2021—Price 100%—CUSIP No.<sup>†</sup> 79771PD36  
\$3,085,000 6.185% Current Interest Bonds due August 1, 2036—Price 100%—CUSIP No.<sup>†</sup> 79771PD44

### **\$30,776,330.80 Capital Appreciation Bonds**

<u>Maturity Date</u> <u>(August 1)</u>	<u>Initial</u> <u>Amount</u>	<u>Yield to</u> <u>Maturity</u>	<u>Accreted</u> <u>Value</u> <u>at Maturity</u>	<u>CUSIP No.</u> <sup>†</sup>
2019	\$2,742,230.40	5.930%	\$5,840,000.00	79771PD51
2020	2,565,628.80	5.990	5,840,000.00	79771PD69
2021	2,410,938.20	6.000	5,830,000.00	79771PD77
2022	2,276,090.30	5.990	5,830,000.00	79771PD85
2023	2,135,062.60	6.020	5,830,000.00	79771PD93
2024	2,012,107.90	6.020	5,830,000.00	79771PE27
2025	1,892,767.80	6.030	5,830,000.00	79771PE35
2026	1,780,132.20	6.040	5,830,000.00	79771PE43
2027	1,673,909.60	6.050	5,830,000.00	79771PE50
2028	1,573,691.90	6.060	5,830,000.00	79771PE68
2029	1,482,452.40	6.060	5,830,000.00	79771PE76
2030	1,396,576.50	6.060	5,830,000.00	79771PE84
2031	1,315,597.80	6.060	5,830,000.00	79771PE92
2032	1,239,399.70	6.060	5,830,000.00	79771PF26
2033	1,167,574.10	6.060	5,830,000.00	79771PF34
2034	1,099,887.80	6.060	5,830,000.00	79771PF42
2035	1,036,165.90	6.060	5,830,000.00	79771PF59
2036	976,116.90	6.060	5,830,000.00	79771PF67

<sup>†</sup> Copyright 2006, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriter(s) take any responsibility for the accuracy of such numbers.

# CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY

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(Agency Commission Members)

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London Breed *Vice President*

Francee Covington

Leroy King

Ramon E. Romero

Darshan Singh

Benny Y. Yee

## REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

### Staff

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Ayisha Benham, *Deputy Executive Director, Finance and Administration*

James B. Morales, *Agency General Counsel*

Erwin R. Tanjuaquio, *Secretary*

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## SPECIAL SERVICES

### Trustee

The Bank of New York Trust Company, N.A.

San Francisco, California

### Bond Counsel

Quint & Thimmig LLP  
San Francisco, California

### Disclosure Counsel

Lofton & Jennings  
San Francisco, California

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

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 Authority, the 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 Authority, the 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 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 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 Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All summaries of the 2006 Indenture and the 2006 Loan Agreements (each as defined herein), and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the Authority, the Agency or the City.

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

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

Other than with respect to information concerning MBIA Insurance Corporation (the “Bond Insurer” or “MBIA”) contained under the caption “BOND INSURANCE” and APPENDIX H–“SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY” herein, none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

# TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION .....	1	Senate Bill 211 .....	23
General .....	1	Senate Bill 2113 .....	23
Purpose .....	1	CERTAIN RISKS TO BOND OWNERS .....	24
Security for the Bonds .....	1	Concentration of Tax Base .....	24
Reserve Account Cross-Collateralization .....	2	Estimates of Tax Revenues .....	24
Cross-Collateralization of Mission Bay North		Reduction in Tax Base .....	24
Redevelopment Project Area .....	2	Seismic Risk .....	25
Bond Insurance .....	3	State Budgets .....	25
Limited Obligation .....	3	Reductions in Unitary Values .....	26
Risk Factors .....	3	Appeals to Assessed Values .....	26
Continuing Disclosure .....	3	Hazardous Substances .....	27
Availability of Documents .....	4	Reduction in Inflation Rate .....	27
PLAN OF FINANCE .....	4	Delinquencies .....	27
SOURCES AND USES OF FUNDS .....	5	Bankruptcy and Foreclosure .....	27
DEBT SERVICE SCHEDULE .....	6	Levy and Collection of Taxes .....	27
THE BONDS .....	7	Changes in the Law .....	28
Description of the Bonds .....	7	LIMITATIONS ON TAX REVENUES AND	
Redemption Provisions .....	8	POSSIBLE SPENDING LIMITATIONS .....	28
General Redemption Provisions .....	10	Property Tax Limitations: Article XIII A .....	28
SECURITY FOR THE BONDS .....	11	Property Tax Collection Procedures .....	29
General .....	11	Limitations on Receipt of Additional Taxing	
The 2006 Indenture .....	11	Entity Revenue .....	31
The 2006 Loan Agreements .....	11	Taxation of Unitary Property .....	31
Reserve Accounts .....	11	Appropriations Limitations: Article XIII B of	
Cross-Collateralization of Reserve Accounts .....	12	the State Constitution .....	32
Cross-Collateralization of Mission Bay North		Low and Moderate Income Housing .....	32
Redevelopment Project Area .....	13	Limitation on Tax Revenues .....	33
Additional Bonds .....	13	Certain Required Payments of Tax Revenues	
Parity Debt .....	14	to Taxing Entities .....	33
Parity Prior Loan Obligations .....	15	THE AUTHORITY .....	36
Senior Obligations .....	15	THE AGENCY .....	36
BOND INSURANCE .....	15	TAX REVENUES AND DEBT SERVICE .....	36
The MBIA Insurance Corporation Insurance		Historical and Current Tax Revenues .....	36
Policy .....	15	Historical and Current Tax Revenues for Each	
MBIA Insurance Corporation .....	16	Project Area .....	37
Regulation .....	17	Pending Tax Appeals .....	66
Financial Strength Ratings of MBIA .....	17	TAX MATTERS .....	66
MBIA Financial Information .....	17	Backup Withholding .....	66
Incorporation of Certain Documents by		Foreign Investors .....	67
Reference .....	18	ERISA Considerations .....	67
THE PROJECT AREAS .....	19	NO LITIGATION .....	67
PLEDGE OF TAX REVENUES .....	20	CONTINUING DISCLOSURE .....	67
General .....	20	LEGAL OPINIONS .....	68
Tax Revenues .....	20	UNDERWRITING .....	68
Teeter Plan .....	21	RATINGS .....	68
Tax Revenues Allocable to the Agency .....	21	FINANCIAL STATEMENTS .....	69
Low and Moderate Income Housing		MISCELLANEOUS .....	69
Requirements .....	21		
Assembly Bill 1290 .....	22		

## APPENDICES

APPENDIX A	The Redevelopment Agency of the City and County of San Francisco and the Project Areas .....	A-1
APPENDIX B	City and County of San Francisco - Economy and General Information .....	B-1
APPENDIX C	Agency's Audited Financial Statements for the Year Ended June 30, 2005 .....	C-1
APPENDIX D	Summary of Principal Legal Documents .....	D-1
APPENDIX E	Form of Continuing Disclosure Certificate .....	E-1
APPENDIX F	Form of Bond Counsel Final Opinion .....	F-1
APPENDIX G	DTC and the Book-Entry Only System .....	G-1
APPENDIX H	Specimen Financial Guaranty Insurance Policy .....	H-1
APPENDIX I	Table of Accreted Values of Capital Appreciation Bonds .....	I-1

## **OFFICIAL STATEMENT**

**\$50,731,330.80**

**City and County of San Francisco Redevelopment Financing Authority  
2006 Series A Taxable Tax Allocation Revenue Bonds  
(San Francisco Redevelopment Projects)**

**\$19,955,000**

**Current Interest Bonds**

**\$30,776,330.80**

**Capital Appreciation Bonds**

## **INTRODUCTION**

### **General**

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 City and County of San Francisco Redevelopment Financing Authority (the “Authority”) of its \$50,731,330.80 aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) (the “Bonds”). The Bonds are being issued in accordance with Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”), and a resolution of the Authority adopted July 18, 2006 (the “Resolution”) and an Indenture of Trust relating to the Bonds, dated as of August 1, 2006 (the “2006 Indenture”), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”).

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated July 11, 1989 (the “Agreement”), between the City and County of San Francisco (the “City”) and the Redevelopment Agency of the City and County of San Francisco (the “Agency”). The Agreement was entered into pursuant to the provisions of Chapter 5, Division 7, Title 1 of the California Government Code, commencing with Section 6500 (the “Act”).

### **Purpose**

Pursuant to four different loan agreements with respect to the Bonds, each dated as of August 1, 2006 (the “2006 Loan Agreement”), by and among the Authority, the Agency and the Trustee, the Authority will loan the proceeds of the Bonds to the Agency. The Agency will use the proceeds of the Bonds to: (i) finance certain redevelopment activities of the Agency within or of benefit to the 2006 Related Project Areas (hereinafter defined) and certain low and moderate income housing developments, and (ii) pay certain costs related to the issuance of the Bonds including the premium for a financial guaranty insurance policy and debt service reserve fund surety bond.

### **Security for the Bonds**

The Bonds will be secured primarily by payments made by the Agency to the Authority pursuant to the 2006 Loan Agreements. The total amount payable by the Agency to the Authority under the 2006 Loan Agreements is equal to the amount necessary to pay the debt service on the Bonds.

The repayment obligation of the Agency under each 2006 Loan Agreement is secured by a pledge of and first lien upon certain tax revenues and other amounts allocated and paid to the Agency (the “Tax Revenues”) derived primarily from taxes assessed on property within various redevelopment project areas established by the Agency (the “Project Areas”). Each 2006 Loan Agreement is secured, respectively, by

a pledge of Tax Revenues from one of the following Project Areas: Yerba Buena Center Redevelopment Project Area except the portion known as the Emporium Site Area (as so described, the “Yerba Buena Center Redevelopment Project Area”); Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area; and Rincon Point-South Beach Redevelopment Project Area (hereinafter defined); and Housing Set Aside Revenues from the Mission Bay North Redevelopment Area (collectively, the “2006 Related Project Areas”). **All references to Tax Revenues levied from the 2006 Related Project Areas means, in the case of the Mission Bay North Redevelopment Project Area, Housing Set Aside Revenues.**

The California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Redevelopment Law”) provides a means for financing redevelopment projects through the use of tax revenues. Under this financing mechanism, the taxable valuation of the property within a project area last equalized prior to adoption of the redevelopment plan, or “base roll,” is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to the applicable redevelopment agency and, subject to certain limitations discussed herein, may be pledged by the redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as previously described. See “PLEDGE OF TAX REVENUES.”

#### **Reserve Account Cross-Collateralization**

Under each of the 2006 Loan Agreements, the Agency is required to maintain a Reserve Account in the amount of the Reserve Requirement as defined therein. The Agency has determined that, because a portion of the proceeds of the Bonds and of certain prior bonds used to finance and refinance low and moderate income housing through loans made with respect to the Agency’s merged Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area/South of Market Earthquake Recovery Redevelopment Project Area/Federal Office Building Redevelopment Project Area; Rincon Point-South Beach Redevelopment Project Area, Western Addition Redevelopment Project Area A-2, Yerba Buena Center Redevelopment Project Area, Hunters Point Redevelopment Project Area, and the India Basin Redevelopment Project Area (collectively, the “Reserve Account Cross-Collateralization Project Areas”) benefited all of the Agency’s Project Areas, Tax Revenues in the amount of approximately \$628,000,000 (excluding Tax Revenues pledged to the 2006 Loan Agreements) from these Project Areas may be used by the Agency to make up all or a portion of any deficiencies in the Reserve Accounts established under the 2006 Loan Agreements or in the reserve accounts established under loan agreements with the Authority previously entered into by the Agency to assist in the financing of redevelopment activities of the Agency in the Reserve Account Cross-Collateralization Project Areas (the “Prior Loan Agreements”). In the event of a deficiency in the Reserve Accounts, the Agency has covenanted to replenish such amounts to the extent of certain tax revenues from the Reserve Account Cross-Collateralization Project Areas. See “SECURITY FOR THE BONDS—Cross Collateralization of Reserve Accounts.”

#### **Cross-Collateralization of Mission Bay North Redevelopment Project Area**

One of the 2006 Loan Agreements is secured by a pledge of Housing Set-Aside Revenues derived from the Agency’s Mission Bay North Redevelopment Project Area. The Redevelopment Law requires redevelopment agencies to set aside 20% of its Tax Revenues received in each year from each redevelopment project area in a low and moderate income housing fund to be applied to low and moderate income housing purposes (“Housing Set Aside Revenues”).



The Agency has determined that, because a portion of the proceeds of the Bonds and of certain prior bonds used to finance low and moderate income housing through loans made with respect to the Cross-Collateralization Project Areas, that Tax Revenues from these Project Areas may be used to make up all or a portion of and deficiencies in Housing Set Aside Revenues from the Mission Bay North Project Area securing the 2006 Mission Bay North Loan Agreement. See “SECURITY FOR THE BONDS–Cross Collateralization of Mission Bay North Redevelopment Project Area.”

### **Bond Insurance**

As additional security for the Bonds, payment of the principal of and interest on the Bonds when due will be insured by financial guaranty insurance policy to be issued by the Bond Insurer simultaneously with the delivery of the Bonds. See “BOND INSURANCE” and APPENDIX H–“SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.”

### **Limited Obligation**

The Bonds are limited obligations of the Authority entitled, ratably and equally, to the benefits of the 2006 Indenture and are payable solely from and secured by an assignment and pledge of the Authority’s interest in certain loan repayments (the “2006 Loans”) to be made by the Agency under the 2006 Loan Agreements. The Agency’s obligations under the 2006 Loan Agreements are secured, on a parity with the Agency’s obligations under other existing loan agreements, by a pledge of Tax Revenues derived from the 2006 Related Project Areas. See “SECURITY FOR THE BONDS–Parity Prior Loan Obligations–Cross-Collateralization of Reserve Accounts” and “–Senior Obligations.” Under the conditions stated herein, the Agency may create additional indebtedness payable on a parity with the Agency’s obligations under the 2006 Loan Agreements. See “SECURITY FOR THE BONDS–Parity Debt.”

### **Risk Factors**

Certain events could affect the ability of the Agency to make the payments under the 2006 Loan Agreements and the ability of the Authority to pay debt service on the Bonds when due. See “CERTAIN RISKS TO BOND OWNERS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluation an investment in the Bonds.

### **Continuing Disclosure**

The Agency on behalf of the Authority has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Authority not later than six months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2006 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with each Nationally Recognized Municipal Securities Repository and with any then existing State Repository (collectively, the “Repositories”). The notices of material events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) and to the State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX E–“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The Agency has never failed to comply in any material respect with any previous undertaking in accordance with S.E.C. Rule 15c2-12 to provide Annual Disclosure Reports or notices of material events.

## Availability of Documents

This Official Statement contains brief descriptions of, among other things, the Bonds, the 2006 Loan Agreements, the 2006 Indenture, the 2006 Related Project Areas, the Reserve Account Cross Collateralization Project Areas, the security and sources of payment for the Bonds, the Continuing Disclosure Certificate, the Authority, the Agency and certain other documents. Such summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, and the descriptions herein are qualified in their entirety by the forms thereof and the information with respect thereto included in such documents and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Any capitalized term used herein and not otherwise shall have the meanings given to such terms as set forth in the 2006 Indenture or the 2006 Loan Agreements. Copies of the 2006 Indenture and the 2006 Loan Agreements are available for inspection during business hours at the office of the Trustee in San Francisco, California. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

## PLAN OF FINANCE

The Bonds are being issued by the Authority for the purpose of making the loans of the proceeds to the Agency secured by Tax Revenues from the 2006 Related Project Areas. Each 2006 Loan is separately secured by a separate 2006 Loan Agreement, as described below. A Reserve Account is established under each of the 2006 Loan Agreements. Each Reserve Account is required to be maintained at a level at least equal to the applicable Reserve Requirement as defined therein. The Reserve Requirements for the 2006 Loan Agreements will be satisfied by a separate Reserve Policy for each Loan. See "SECURITY FOR THE BONDS—Reserve Accounts" and "BOND INSURANCE."

Proceeds from the sale of the Bonds in the amount of \$44,785,000, are expected to be used to finance the construction, rehabilitation, and preservation of low-income housing and \$4,700,000 are expected to be used for general redevelopment purposes.

The following lists the Related Project Areas and the par amounts of the related 2006 Loan Agreements:

### 2006 Loan Agreements

<u>2006 Related Project Areas</u>	<u>2006 Loan Amount</u>
Yerba Buena Center	\$10,235,000.00
Golden Gateway	32,801,330.80
Rincon Point South Beach	3,795,000.00
Mission Bay North	3,900,000.00

Amounts payable under the 2006 Loan Agreements related to each 2006 Related Project Area are secured by a pledge of Tax Revenues from such 2006 Related Project Area, which pledge is on a parity with the pledge of such Tax Revenues securing other loan agreements related to such 2006 Related Project Area, including the pledge of such Tax Revenues (to secure Parity Prior Loans and any future Parity Debt). See "SECURITY FOR THE BONDS—Parity Prior Loan Obligations" and "—Parity Debt." See also "SECURITY FOR THE BONDS—Senior Obligations."

In the event of a deficiency in any Reserve Account, the Agency has covenanted to replenish such amounts to the extent of certain Tax Revenues from the Reserve Account Cross-Collateralization Project Areas. See “SECURITY FOR THE BONDS–Cross-Collateralization of Reserve Accounts.”

### SOURCES AND USES OF FUNDS

Following is a table of sources and uses of funds with respect to the Bonds.

	<u>Total</u>
<b>Sources:</b>	
Par Amount	\$50,731,330.80
TOTAL SOURCES	\$50,731,330.80
<b>Uses:</b>	
Redevelopment Fund	\$4,700,000.00
Low and Moderate Income Housing Fund	44,785,000.00
Costs of Issuance <sup>†</sup>	<u>1,246,330.80</u>
TOTAL USES	\$50,731,330.80

<sup>†</sup> Includes legal, financing and consultant fees, including Underwriters’ discount, premiums for the Policy and the Reserve Policies, and other miscellaneous fees and expenses.

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## DEBT SERVICE SCHEDULE

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

<u>Date</u> <u>(August 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2007	\$900,000.00	\$1,091,400.57	\$1,991,400.57
2008	345,000.00	1,115,325.86	1,460,325.86
2009	570,000.00	1,095,943.76	1,665,943.76
2010	620,000.00	1,063,921.16	1,683,921.16
2011	595,000.00	1,029,089.56	1,624,089.56
2012	510,000.00	995,662.46	1,505,662.46
2013	560,000.00	967,010.66	1,527,010.66
2014	860,000.00	935,549.86	1,795,549.86
2015	855,000.00	887,235.06	1,742,235.06
2016	935,000.00	839,201.16	1,774,201.16
2017	875,000.00	786,672.86	1,661,672.86
2018	1,080,000.00	735,152.86	1,815,152.86
2019	10,052,230.40	3,769,332.06	13,821,562.46
2020	2,980,628.80	3,515,520.86	6,496,149.66
2021	2,850,938.20	3,635,776.26	6,486,714.46
2022	2,741,090.30	3,744,716.96	6,485,807.26
2023	2,260,062.60	3,856,984.40	6,117,047.00
2024	2,142,107.90	3,972,207.86	6,114,315.76
2025	2,032,767.80	4,083,507.46	6,116,275.26
2026	1,925,132.20	4,187,484.06	6,112,616.26
2027	1,828,909.60	4,284,738.40	6,113,648.00
2028	1,738,691.90	4,375,369.36	6,114,061.26
2029	1,657,452.40	4,456,403.60	6,113,856.00
2030	1,581,576.50	4,531,455.76	6,113,032.26
2031	1,515,597.80	4,600,992.20	6,116,590.00
2032	1,449,399.70	4,664,820.30	6,114,220.00
2033	1,392,574.10	4,723,657.40	6,116,231.50
2034	1,339,887.80	4,777,427.46	6,117,315.26
2035	1,291,165.90	4,826,305.36	6,117,471.26
2036	<u>1,246,116.90</u>	<u>4,870,582.60</u>	<u>6,116,699.50</u>
TOTAL	\$50,731,330.80	\$88,419,448.19	\$139,150,778.99

## THE BONDS

### Description of the Bonds

The Bonds will be dated their date of delivery (the “Dated Date”) and will be delivered through the facilities of DTC in book-entry only form. The Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

***Terms Applicable to All Bonds.*** The Bonds will be issued in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Bonds purchased. Payments of principal of and interest on the Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX G—“DTC AND THE BOOK-ENTRY SYSTEM.”

Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Bond registration books kept by the Trustee as the registered owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such registered owner at the address as it appears in such books except that in the case of an Owner of \$1,000,000 or greater in aggregate principal amount of Outstanding Bonds, such payment shall, at such Owner’s written request, provided by such Owner prior to the 15th day of the month preceding such Interest Payment Date, be made by wire transfer of immediately available funds in accordance with written instructions provided by such Owner; any such written request shall remain in effect until rescinded in writing by the Owner.

***Current Interest Bonds.*** The Current Interest Bonds will be issued only in fully registered form, in denominations of \$5,000 and any integral multiple thereof and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover of this Official Statement. Interest on the Current Interest Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2007 (each, an “Interest Payment Date”).

***Capital Appreciation Bonds.*** No payments with respect to the Capital Appreciation Bonds will be made prior to the respective maturity dates, or dates of earlier optional redemption, thereof. The Capital Appreciation Bonds will be issued in amounts which have an Accreted Value of each such Capital Appreciation Bond on the stated maturity date thereof equal to \$5,000 (the “Maturity Amount”) or any integral multiple thereof. The Capital Appreciation Bonds of each maturity will accrete in value from their date of issuance at the Accreted Value and will mature on dates, all as indicated on the inside cover of this Official Statement, compounded semi-annually on February 1 and August 1 of each year, commencing February 1, 2007 until maturity. Such compounding will be calculated on the basis of a 360-day year comprised of twelve 30-day months, and the Accreted Value shall be payable only at maturity or upon earlier optional redemption. The Accreted Value on any date other than February 1 and August 1 of any year shall be calculated as described in the definition of Accreted Value in the 2006 Indenture. See APPENDIX I—“TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS” for the Accreted Values as of each February 1 and August 1 for each Maturity Amount. Such Table of Accreted Values is presented for illustrative purposes only. Any Accreted Value shall be determined in accordance with the terms of the 2006 Indenture which shall control over any different Accreted Value determined by reference to such Table.

## Redemption Provisions

**Optional Redemption.** The Bonds maturing on or prior to August 1, 2016, and the Capital Appreciation Bonds are not subject to optional redemption. The Current Interest Bonds maturing on or after August 1, 2017 are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, by such maturity or maturities as shall be directed by the Agency (or in the absence of such direction, *pro rata* by maturity and by lot within a maturity), from prepayments of any 2006 Loan made at the option of the Agency pursuant to the terms of any 2006 Loan Agreement or from any other source of available moneys. Such optional redemptions may be made on or after August 1, 2016, on any date with respect to which such 2006 Loan prepayments or other moneys shall have been made available subject to prior notice as provided in the 2006 Indenture, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, without premium, plus accrued, but unpaid interest to the date fixed for redemption.

**Mandatory Sinking Fund Redemption.** The Term Bonds maturing on August 1, 2016, are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), 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, on each August 1 during the period from August 1, 2007 through August 1, 2016, in the aggregate principal amounts set forth in the following table.

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2007	\$900,000
2008	555,000
2009	595,000
2010	575,000
2011	490,000
2012	535,000
2013	830,000
2014	830,000
2015	905,000
2016 <sup>†</sup>	850,000

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<sup>†</sup> Maturity.

The Term Bonds maturing on August 1, 2021, are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), 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, on each August 1 during the period from August 1, 2017 through August 1, 2021, in the aggregate principal amounts set forth in the following table.

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2017	\$1,045,000
2018	7,510,000
2019	395,000
2020	415,000
2021 <sup>†</sup>	440,000

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<sup>†</sup> Maturity.

The Term Bonds maturing on August 1, 2036, are subject to mandatory sinking fund redemption in part, by lot (as determined by the Trustee), 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, on each August 1 during the period from August 1, 2022 through August 1, 2036, in the aggregate principal amounts set forth in the following table.

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2022	\$465,000
2023	125,000
2024	130,000
2025	140,000
2026	145,000
2027	155,000
2028	165,000
2029	175,000
2030	185,000
2031	200,000
2032	210,000
2033	225,000
2034	240,000
2035	255,000
2036 <sup>†</sup>	270,000

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<sup>†</sup> Maturity.

The Trustee will effect each mandatory sinking fund redemption of the Term Bonds by redeeming from each person who is the registered owner of a Term Bond on the Record Date immediately preceding a redemption date, an amount of such Term Bonds determined by (1) multiplying the principal amount of the Term Bonds to be redeemed on the applicable redemption date by a fraction the numerator of which is the principal amount of the Term Bonds owned by such registered owner and the denominator of which is the principal amount of the Term Bonds outstanding immediately prior to such date of redemption, and (2) then rounding the product down to the next lower integral multiple of \$5,000. The Trustee will apply, to the extent possible, any remaining amount of a sinking fund installment to redeem \$5,000 units of the Term Bonds and will select by lot the units to be redeemed from all such Term Bonds registered owners.

In lieu of redemption of the Term Bonds pursuant to the preceding paragraphs, the Authority may purchase such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Authority 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.

***No Mandatory Sinking Fund Redemption of Capital Appreciation Bonds.*** The Capital Appreciation Bonds are not subject to mandatory sinking fund redemption prior to maturity.

## **General Redemption Provisions**

For purposes of selecting Bonds for redemption, the Bonds will be deemed to be composed of \$5,000 portions and any such portions may be redeemed separately. If less than all of the Bonds of any Series of any maturity are called for redemption at any one time, and so long as such Bonds are in book-entry form with DTC as the owner, DTC will determine by lot the amount of interests of each Direct Participant in such maturity to be redeemed. In the case of a partial redemption of the Bonds, the Trustee, if such Bonds are no longer held in book-entry form, will select the Bonds within each maturity to be redeemed by lot.

***Notice of Redemption; Effect of Redemption; Rescission.*** Notice of redemption will be mailed by first class mail no less than 15 (or 30, if required by a Depository) nor more than 60 days prior to the redemption date (i) to DTC or (ii) in the event that the book-entry only system is discontinued, to the respective registered owners of the Bonds designated for redemption at their addresses appearing on the bond registration books and to certain securities depositories and information services. Neither failure to receive such notice nor any defect in the notice so mailed nor any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner to notify the Beneficial Owner so affected will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of interest on the redemption date.

From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the 2006 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. The Authority may rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the 2006 Indenture. If any redemption is rescinded or canceled in accordance with the 2006 Indenture, the Trustee will mail notice of such rescission or cancellation in the same manner as notice of such redemption was originally provided.

***Transfer and Exchange.*** If the Bonds are not in book-entry form, then the Bonds may be transferred or exchanged at the Trust Office of the Trustee, provided that the Trustee shall not be required to register the transfer or exchange of (i) any Bonds during the period established by the Trustee for selection of the Bonds for redemption, or (ii) any Bonds selected by the Trustee for redemption pursuant to the related Indenture, or (iii) any during the period after the 15th day of the month preceding an Interest Payment Date through and including such Interest Payment Date. So long as Cede & Co. is the registered owner of the Bonds, transfers and exchanges of the Bonds will be subject to book-entry procedures. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

***Mutilated, Lost, Destroyed or Stolen Bonds.*** The Authority and the Trustee will, under certain circumstances, replace Bonds which have been mutilated, lost, destroyed or stolen. The Authority may require payment of a reasonable fee and of the expenses which may be incurred by the Authority and the Trustee for each such new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.



## **SECURITY FOR THE BONDS**

### **General**

Under the 2006 Indenture, all of the Authority's right, title and interest in and to the Agency's payments of principal and interest under the 2006 Loan Agreements are pledged to secure the payment of the principal, premium, if any, and interest payable with respect to the Bonds. Such payments under the 2006 Loan Agreements constitute the sole source of payment of principal, redemption premium, if any, and interest payable with respect to the Bonds (except to the extent amounts, including the proceeds of such Bonds and investment earnings on amounts held under the 2006 Indenture, are available for such payment).

Any substantial reduction of the amount of Tax Revenues available to the Agency as a source of repayment of the 2006 Loans may have a material adverse impact on the ability of the Authority to pay the principal of and interest on the Bonds. See "PLEDGE OF TAX REVENUES." The 2006 Indenture provides the Trustee with the power to enforce, either jointly with the Authority or separately, all of the rights of the Authority under the related 2006 Loan Agreements.

### **The 2006 Indenture**

The Bonds are limited obligations of the Authority entitled to the benefits of the 2006 Indenture, and are payable solely from and secured by the funds and accounts held by the Trustee pursuant to the 2006 Indenture, and by an assignment and pledge of the Authority's interest in the payments of principal and interest made by the Agency under the 2006 Loan Agreements. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF 2006 INDENTURE." The 2006 Loans are secured, and therefore the Bonds are secured, by a pledge of the Tax Revenues. See "PLEDGE OF TAX REVENUES" herein.

### **The 2006 Loan Agreements**

The 2006 Loan Agreements and all Parity Debt, including existing Parity Debt, are secured by a pledge of and first lien on the Tax Revenues allocated and paid to the Agency from the 2006 Related Project Areas. Each 2006 Loan is secured additionally by a pledge of and first lien upon all of the moneys in the Reserve Account established pursuant to the related 2006 Loan Agreement. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF 2006 LOAN AGREEMENTS—Reserve Accounts." The Bonds are secured by a pledge of Revenues, consisting primarily of the loan payment installments which the Agency is required to pay to the Authority pursuant to the related 2006 Loan Agreement. See "PLAN OF FINANCE."

Under the terms of each 2006 Loan Agreement, the Agency may issue or incur Parity Debt with respect to the related 2006 Project Area. See "SECURITY FOR THE BONDS—Parity Debt" herein.

### **Reserve Accounts**

Each of the 2006 Loan Agreements establishes a Reserve Account to be held by the Trustee for the benefit of the Authority and the Owners of the Bonds. The amount on deposit in each Reserve Account is required to be maintained at the applicable Reserve Requirement at all times prior to the payment of the related 2006 Loan in full. The Agency has elected to fund the Reserve Requirements under the 2006 Loan Agreements with Reserve Policies. See "BOND INSURANCE." See also APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF 2006 LOAN AGREEMENTS—Reserve Accounts" and "SECURITY FOR THE BONDS—Cross-Collateralization of Reserve Accounts" below.

## **Cross-Collateralization of Reserve Accounts**

The Agency has determined that approximately 55.9% of the aggregate proceeds of the loans made pursuant to the Prior Loan Agreements (the “Prior Loans”) have been or will be used for low and moderate income housing purposes to benefit all of the Reserve Account Cross-Collateralization Project Areas. Consequently, each 2006 Loan Agreement provides that, if at any time or from time to time, there are insufficient moneys in the Reserve Account under such 2006 Loan Agreement or any Prior Loan Agreement, to transfer to the Trustee when due the full amount required to be so transferred to the Trustee in accordance with the applicable provisions of such 2006 Loan Agreement or Prior Loan Agreements, the Agency shall cause Tax Revenues in the amount of such insufficiency to be paid to the Trustee from another Reserve Account Cross-Collateralization Project Area; provided, however, that the obligation to pay any such insufficiency shall be a pro rata share of the total insufficiency, calculated as an amount determined by multiplying a fraction, the numerator of which is the amount of the total excess Allocable Tax Revenues of the applicable Reserve Account Cross-Collateralization Project Area and the denominator of which is the total excess Allocable Tax Revenues available for the Reserve Account Cross-Collateralization Project Areas that do not have insufficiencies, by the amount of such insufficiency, and, provided, further, that the aggregate obligation of the applicable Project Area and the other Reserve Account Cross-Collateralization Project Areas to pay such insufficiencies shall not exceed the aggregate of the amount of moneys deposited in the Low and Moderate Income Housing Fund of the Agency pursuant to the 2006 Loan Agreements and the Prior Loan Agreements (plus applicable reserves and financing costs, including, without limitation, interest paid on such amounts).

Based upon the foregoing, the Agency has concluded that an aggregate amount of approximately \$628,000,000 (excluding Tax Revenues pledged to the 2006 Loan Agreements and which amount does not exceed the debt service applicable to the moneys deposited in the Low and Moderate Income Housing Fund as provided above) in tax revenues from all of the Agency’s Reserve Account Cross-Collateralization Project Areas would be currently available to replenish the Reserve Accounts established under the 2006 Loan Agreements. The obligation to use tax revenues from any Reserve Account Cross-Collateralization Project Area to reimburse the reserve accounts established under other Loan Agreements is, in all respects, junior and subordinate to the obligation of the Agency to apply Tax Revenues for a particular Project Area to the payment of indebtedness including a Loan, any parity debt and any other form of indebtedness including bonded indebtedness, if any, related specifically to that Project Area. Upon the issuance of the Bonds, the Tax Revenues that may be used for the Project Area to maintain a Reserve Account in the amount of the Reserve Requirement for the 2006 Loan Agreements or Prior Loan Agreements are limited to the following maximum amounts (which have been computed by taking the maximum of tax increment available to each such Project Area and subtracting therefrom an amount equal to the sum of (i) the amount of tax increment previously collected by the Agency with respect to such Project Area and (ii) the amount of tax increment that will be needed to pay debt service on all outstanding indebtedness with respect to such Project Area): Rincon Point-South Beach Redevelopment Project Area, in the amount of \$13,665,000; the Western Addition Redevelopment Project Area A-2, in the amount of \$22,329,000; the Yerba Buena Center Redevelopment Project Area, in the amount of \$158,595,000. For the Golden Gateway, the Hunters Point and the India Basin Project Areas, the tax increment revenues are not limited, except as set forth in SB 2113. See “PLEDGE OF TAX REVENUES—Senate Bill 2113.” See “THE PROJECT AREAS—Project Area Plan Summaries” herein.

If the Agency does not have sufficient Tax Revenues from a particular Project Area to transfer an amount equal to the portion of the insufficiencies for the other Reserve Accounts that have been apportioned to that Project Area, then the Agency will have an obligation to continue making transfers of Tax Revenues to the Trustee as such Tax Revenues become available until an amount equal to such apportionment has been transferred to the Trustee. Such obligation to pay Tax Revenues shall be an indebtedness of the Agency within the meaning of the Redevelopment Law.

In the event there shall be, at any time or from time to time, insufficient moneys in a Reserve Account to transfer to the Trustee when due the full amount required to be so transferred to the Trustee in accordance with the applicable provisions of the related Loan Agreement and such insufficiency shall be paid pursuant to one or more of the unrelated 2006 Loan Agreements or Prior Loan Agreements, the Agency will thereafter cause the first available surplus Tax Revenues in the amount of such insufficiency to be returned to the applicable Special Funds of the unrelated 2006 Loan Agreements or Prior Loan Agreements.

If the Agency and the Board of Supervisors of the City (the “Board of Supervisors”) determine with respect to any future Parity Debt that any portion of a redevelopment project to be financed with the proceeds of such Parity Debt are of benefit to the Reserve Account Cross-Collateralization Project Areas, then the Agency may provide in the proceedings for the issuance of such Parity Debt that the provisions of the 2006 Loan Agreements previously described shall apply with respect to any reserve fund established for such Parity Debt, and such provisions of such Parity Debt instrument shall be deemed to be on a parity with the provisions of the 2006 Loan Agreements. See APPENDIX D–“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

**Pursuant to Assembly Bill 1290 adopted by the California Legislature in 1993, every redevelopment project in the State was required to have adopted a Debt Repayment limit after which bonded indebtedness may no longer be paid, subject to certain pre-existing debt. Pursuant to SB 2113, the Redevelopment Plans for the Golden Gateway, Hunters Point and India Basin Redevelopment Project Areas were amended to extend the date to incur and repay indebtedness and to eliminate the limit on the receipt of tax increment for the exclusive purpose of financing low- and moderate income housing. For the Western Addition Redevelopment Project Area A-2, the Debt Repayment Date is January 1, 2019. For the Golden Gateway portion of the Merged Project Area, the Hunters Point and India Basin Project Areas, the Debt Repayment date is January 1, 2044, but for the South of Market portion of the Merged Project Area, the Debt Repayment Date is June 11, 2030, and for Yerba Buena Project Area, the Debt Repayment Date is January 1, 2020. For the Rincon Point – South Beach Project Area, the Debt Repayment Date is January 5, 2031. As a result, the effect of the Cross Collateralization described herein will decline as Project Areas reach their respective Debt Repayment Limits.**

#### **Cross-Collateralization of Mission Bay North Redevelopment Project Area**

One of the 2006 Loan Agreements is secured by a pledge of Housing Set-Aside Revenues derived from the Agency’s Mission Bay North Redevelopment Project Area. The Redevelopment Law requires redevelopment agencies to set aside 20% of its Tax Revenues received in each year from each redevelopment project area in a low and moderate income housing fund to be applied to low and moderate income housing purposes (“Housing Set Aside Revenues”).

The Agency has determined that, because a portion of the proceeds of the Bonds and of certain prior bonds used to finance low and moderate income housing through loans made with respect to the Cross-Collateralization Project Areas, that Tax Revenues from these Project Areas may be used to replenish the Reserve Account established under the 2006 Mission Bay North Loan Agreement.

#### **Additional Bonds**

Under the 2006 Indenture, the Authority has covenanted that no additional bonds, notes or other indebtedness will be issued or incurred which are payable in whole or in part out of the Revenues. Under each of the 2006 Loan Agreements, the Agency has covenanted not to enter into any obligations which are secured by a pledge of any Tax Revenues senior to the pledge of Tax Revenues under the 2006 Loan Agreement. However, in addition to the 2006 Loan, and subject to the requirements of the 2006 Loan Agreement, the Agency may issue or incur Parity Debt with respect to such 2006 Loan in such principal

amount as shall be determined by the Agency. See “SECURITY FOR THE BONDS–Parity Debt” and “–Parity Prior Loan Obligations” herein.

### **Parity Debt**

In addition to the 2006 Loans and the Parity Prior Loans (defined below), the Agency may issue or incur bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which are secured by a lien on all or any part of the Tax Revenues with respect to any of the 2006 Related Project Areas which is on a parity with the lien established under the 2006 Loan Agreement for that 2006 Related Project Area (“Parity Debt”) in such principal amount as shall be determined by the 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 applicable 2006 Loan Agreement or the applicable Parity Prior Loan Agreements (defined below) shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in such 2006 Loan Agreement.

(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 related Project Area as evidenced in a written document from an appropriate official of the City, exclusive of State subventions and taxes levied to pay outstanding bonded indebtedness, shall at least be equal to one hundred percent (100%) of Maximum Annual Debt Service on the 2006 Loan and Parity Debt which 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 related Project Area as evidenced in written documentation from an appropriate official of the City shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Loans and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt. Notwithstanding the foregoing, with respect to the Mission Bay North Loan Agreement, if the assessed valuation of the property owned by the taxpayer with the largest assessed valuation of property within the Mission Bay North Project Area is greater than 33% of the remainder of (i) the total assessed valuation of property within the Project Area less (ii) the base year assessed valuation of property within the Project Area, then the amount of Allocable Tax Revenues, as provided above, shall be at least equal to 200% of Maximum Annual Debt Service on the Loan and Parity Debt which will be outstanding immediately upon the issuance of such Parity Debt, and if the assessed valuation of the property owned by the taxpayer with the largest assessed valuation of property within the Mission Bay North Project Area is greater than 20% and less than or equal to 33% of the remainder of (i) the total assessed valuation of property within the Project Area less (ii) the base year assessed valuation of property within such Project Area, then the amount of Allocable Tax Revenues, as provided above, shall be at least equal to 150% of Maximum Annual Debt Service on the Loan and Parity Debt which will be outstanding immediately upon the issuance of such Parity Debt.

(c) The Agency shall certify that the aggregate principal of and interest on the Loan, any Parity Debt (including the Parity Debt to be incurred) and Subordinate Debt coming due and payable will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency with respect to the Project Area after the issuance of such Parity Debt.

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

(e) The Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement therefore.

## **Parity Prior Loan Obligations**

***Reserve Account Cross-Collateralization Project Areas.*** In addition to the 2006 Loan Agreements, the Agency has previously entered into certain parity prior loan agreements (the “Parity Prior Loan Agreements”) creating its obligations under Prior Loans (the “Parity Prior Loans”) with respect to the Reserve Account Cross-Collateralization Project Areas in connection with the issuance by the Authority of certain tax allocation revenue bonds (the “Parity Prior Bonds”). The Agency’s obligation under the Parity Prior Loan Agreements are set forth in the Estimated Annual Debt Service Coverage Table for each Project Area set forth under the caption “TAX REVENUES AND DEBT SERVICE—Historical and Current Revenues for Each Project Area.” The obligations of the Agency under the Parity Prior Loans, which have an aggregate principal amount of \$532,961,826 (as of July 1, 2006) are on a parity with the obligations of the Agency under the 2006 Loan Agreements.

***Mission Bay North Redevelopment Project Area.*** The Agency has previously entered into a Parity Prior Loan Agreement with respect to the Mission Bay North Redevelopment Project Area. Such Loan Agreement is dated as of July 1, 2005, is in the aggregate amount of \$16,230,000 and has a final due date of August 1, 2035. The obligations under this Prior Parity Loan Agreement is included in the table for the Mission Bay North Redevelopment Project Area set forth under the caption “TAX REVENUES AND DEBT SERVICE—Historical and Current Tax Revenues for Each Project Area.”

## **Senior Obligations**

***South Beach Harbor Bonds.*** In December 1986, the Agency issued \$23,900,000 Variable Rate Demand Refunding Bonds, 1986 Issue A (Refunding Bonds) (the “South Beach Harbor Bonds”). The pledge of the Agency to pay Tax Revenues under the Prior Loan Agreements and the 2006 Loan Agreements relating to the Rincon Point-South Beach Redevelopment Project Area are subordinate to the pledge of such Tax Revenues for the South Beach Harbor Bonds. As of July 1, 2006, the South Beach Harbor Bonds had a remaining principal balance of \$8,500,000. The South Beach Harbor Bonds mature on December 1, 2016.

The payment of principal, premium, if any, and interest on the South Beach Harbor Bonds are required to be secured by a letter of credit until such time as the South Beach Harbor Bonds are converted to a fixed rate. The South Beach Harbor Bonds are special, limited obligations of the Agency and, except to the extent payable out of moneys attributable to the South Beach Harbor Bonds proceeds, are payable solely from an account secured by a first pledge on the revenues and Tax Revenues generated by the South Beach Harbor Project, consisting of a small boat harbor comprised of approximately 695 berths. The South Beach Harbor Bonds are not secured by Tax Revenues generated by other areas within the Rincon Point–South Beach Project Area.

## **BOND INSURANCE**

*In connection with the issuance of the Bonds, MBIA Insurance Corporation (“MBIA”) will be issuing a financial guaranty insurance policy (the “Policy”) and a debt service reserve fund surety bond (the “Reserve Policy”). Neither the Authority nor the Agency make any representations as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.*

### **The MBIA Insurance Corporation Insurance Policy**

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to APPENDIX H for a specimen of MBIA’s policy (the “Policy”).

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading “BOND INSURANCE.” Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority 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 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 MBIA 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 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 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 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 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Bonds.

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 MBIA from the Trustee or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA 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 Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, 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 Trustee payment of the insured amounts due on such Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

### **MBIA Insurance Corporation**

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and 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, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the

Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

## **Regulation**

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

The 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 MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA 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 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 Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

## **MBIA Financial Information**

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (unaudited), total liabilities of \$7.2 billion (unaudited), and total capital and surplus of \$3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2006 MBIA had admitted assets of \$11.2 billion (unaudited), total liabilities of \$7.5 billion (unaudited), and total capital and surplus of \$3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K/A of the Company for the year ended December 31, 2005

and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2006 and for the three month period ended March 31, 2006 and March 31, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

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

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K/A for the year ended December 31, 2005; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K/A, and prior to the termination of the offering of the 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.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K/A for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 (included as restated in third quarter 10-Q) and September 30, 2005) 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 the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

In the event the Company 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 PROJECT AREAS

The Agency is undertaking redevelopment in the eleven Project Areas (three of which have been merged as described below) known as: the Rincon Point-South Beach Redevelopment Project Area; the Yerba Buena Center Redevelopment Project Area; the Western Addition Redevelopment Project Area A-2; the Hunters Point Redevelopment Project Area; the South of Market Earthquake Recovery Redevelopment Project Area; the India Basin Redevelopment Project Area; the Hunters Point Naval Shipyard Redevelopment Project Area; the Embarcadero-Lower Market (“Golden Gateway”) Redevelopment Project Area, the Federal Office Building Redevelopment Project Area (the “FOB Project Area”), the Mission Bay North Redevelopment Project Area and the Mission Bay South Redevelopment Project Area (individually, a “Project Area” and collectively, the “Project Areas”).

The following Table 2 provides plan limitation and other summary information regarding the Project Areas that currently generate tax increment revenues for the Agency.

**TABLE 2**  
**Project Area Plan Summaries**

Project Area	Approximate Area Size (acres)	Plan Adoption Date	Plan Limit Termination Dates			Revenue Limits (\$ 000)		Bonded Indebtedness Limit (\$ 000)	
			Debt Incurrence	Plan Duration	Debt Repayment	Total Tax Increment	Approximate Amount Remaining <sup>(5)</sup>	Limit Amount <sup>(6)</sup>	Indebtedness Outstanding <sup>(7)</sup>
Golden Gateway <sup>(1)</sup>	51	05/25/59	01/01/14	01/01/09	01/01/44	No limit <sup>(1)</sup>	N/A	N/A	N/A
Hunters Point <sup>(1)</sup>	137	01/20/69	01/01/14	01/20/09	01/01/44	No limit <sup>(1)</sup>	N/A	N/A	N/A
India Basin <sup>(1)</sup>	126	01/20/69	01/01/14	01/20/09	01/01/44	No limit <sup>(1)</sup>	N/A	N/A	N/A
Rincon Point-South Beach	120	01/05/81	01/05/21	01/05/21	01/05/31	\$230,000	\$13,665	\$100,000	\$88,150
South of Market <sup>(2)</sup>	62	06/11/90	06/11/20	06/11/20	06/11/30	200,000	147,216	80,000	9,083
Western Addition, A2	277	10/13/64	01/01/09	01/01/09	01/01/19	270,000	22,329	N/A	N/A
Yerba Buena Center <sup>(3)</sup>	87	04/25/66	01/01/09	01/01/10	01/01/20	600,000	158,595	N/A	N/A
Mission Bay North <sup>(4)</sup>	65	10/26/98	10/26/18	10/26/28	10/26/43	N/A	N/A	190,000	29,856

- (1) The redevelopment plans of Golden Gateway, Hunters Point, and India Basin were amended in January 2005 pursuant to Section 33333.7 of the Community Redevelopment Law to extend the date to incur indebtedness and the debt repayment period as well as to eliminate the limit on the receipt of tax increment for the exclusive purpose of financing low and moderate income housing. See “PLEDGE OF TAX REVENUES—Senate Bill 2113.” For each project, the date to incur indebtedness was extended to January 1, 2014, and the repayment period to January 1, 2044.
  - (2) South of Market total tax increment was raised to \$200 million pursuant to amendment of the Plan adopted December 6, 2005.
  - (3) Yerba Buena Center’s plan duration and debt repayment period extended by one year pursuant to Section 33333.6(2)(C) of the Community Redevelopment Law.
  - (4) Mission Bay North is not subject to a limit on the amount of tax increment receipts. However, Mission Bay North’s Redevelopment Plan limits the amount of indebtedness to be repaid from tax increments which can be outstanding to \$190,000,000. No amount of bonded indebtedness secured by Housing Set Aside Revenues was outstanding prior to issuance of the Bonds.
  - (5) Prior to issuance of the Bonds. Amount remaining consists of the total tax increment under the Plan revenue limit less the sum of (i) tax increment received to date and (ii) debt service to be paid under existing loan agreements.
  - (6) This limit represents the amount of bonded indebtedness that can be outstanding at any one time.
  - (7) Bonded indebtedness outstanding prior to issuance of the Bonds.
- Source: Redevelopment Agency of the City and County of San Francisco.

For a description of each of the Project Areas, see APPENDIX A—“THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE PROJECT AREAS.”

## PLEDGE OF TAX REVENUES

### General

The Redevelopment Law authorizes the financing of redevelopment projects through the use of tax revenues. This financing mechanism provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Thereafter, the increase in taxable valuation becomes the increment upon which taxes are levied and allocated to the applicable agency. Redevelopment agencies have no authority to levy property taxes, but must instead look to this allocation of tax revenues to finance their activities.

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, city and county, district or other public corporation (the “Taxing Agencies”) when collected are divided as follows:

- (i) 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
- (ii) That portion of the levied taxes in excess of the amount described in paragraph (i) 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.

### Tax Revenues

The term “Tax Revenues” as defined in each 2006 Loan Agreement means: all taxes annually allocated within the limitation of the Redevelopment Plan of, and paid to the Agency with respect to, the related Project Area following the date of delivery of the Bonds, pursuant to the Redevelopment Law and Section 16 of Article XVI of the State Constitution and other applicable State laws and as provided in the Redevelopment Plan for such Project Area, including all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations (but excluding subvention payments to the Agency with respect to personal property within the related Project Area) and including that portion of such taxes (if any) otherwise required by 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 related 2006 Loan 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 related Project Area, but excluding all other amounts of taxes required to be deposited into the Low and Moderate Income Housing Fund, Investment Earnings and all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due under the Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Certain Required Payments of Tax Revenues to Taxing Entities” hereinafter. Each 2006 Loan is secured by and payable from the Tax Revenues from the 2006 Related Project Area and the amounts held in the Reserve Account established under the related 2006 Loan Agreement.

## **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. 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 unless the City 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 City 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.

## **Tax Revenues Allocable to the Agency**

The Agency Tax Rate calculated by the City for fiscal year 2005-06 is 1.021% for the secured roll and 1.026% for the unsecured roll. In accordance with Health and Safety Code Section 33670(e) the Agency Tax Rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City and issued for the acquisition or improvement of real property after January 1, 1989. The Agency Tax Rate reported by the City for the prior fiscal year, 2004-05 was 1.026% for the secured roll and 1.033% for the unsecured roll. Future reductions in the Tax Rate will offset, to a certain extent, increases in assessed valuation experienced in Project Areas and result in a lower allocable tax increment number. The Agency anticipates that the Agency Tax Rate will converge to 1% by 2012. The Agency does not receive, on an annual basis, all Tax Revenue allocable to it (“Allocable Tax Revenues”), unless required to pay debt service. See the tables for each Project Area under the caption “TAX REVENUES AND DEBT SERVICE–Historical and Current Tax Revenues for Each Project Area.”

## **Low and Moderate Income Housing Requirements**

The lien on the Tax Revenues created by the 2006 Loan Agreements are subject to provisions of the Redevelopment Law described below requiring that the Agency make deposits to a low and moderate income housing fund; provided that to the extent Loan proceeds are used to fund low and moderate income housing activities, such deposits may instead be used to make payments on such Loan.

Sections 33334.2 and 33334.3 of the Redevelopment Law require redevelopment agencies to set aside not less than 20% of all tax revenues derived from a redevelopment project area for which a final redevelopment plan has been adopted on or after January 1, 1977 or for any area which has been added to a project area by amendment to a redevelopment plan adopted on or after January 1, 1977 in a low and moderate income housing fund. Section 33334.2 provides that this low and moderate income housing requirement can be reduced or eliminated if a redevelopment agency finds annually by resolution the following: (i) that, consistent with the housing element of the community’s general plan, no need exists in the community to improve or increase the supply of low and moderate income housing in a manner which would benefit the project area; (ii) that, consistent with the housing element of the community’s general plan, some stated percentage less than 20% of the tax revenues is sufficient to meet the housing needs of the community; or (iii) that the community is making substantial efforts of equivalent impact, consisting of

direct financial contributions of funds from local, State and federal sources for low and moderate income housing, to meet its existing and projected housing needs (including its share of regional housing needs).

Chapter 1135, Statutes of 1985, amended Section 33334.3 and added Sections 33334.6 and 33334.7 to the Redevelopment Law, extending to project areas established prior to January 1, 1977, beginning with fiscal year 1985-86 revenues, the requirement that redevelopment agencies set aside into a low and moderate income housing fund not less than 20% of tax revenues allocated to redevelopment project areas. A redevelopment agency may make the same findings described above to reduce or eliminate the low and moderate income housing requirement for such areas.

Additionally, as provided in Section 33334.6, for project areas (or portions thereof) established prior to January 1, 1977, a redevelopment agency may defer its low and moderate income housing deposit requirements in any fiscal year that the agency finds that such deferral is necessary to make payments on certain existing obligations. A redevelopment agency that defers its low and moderate income housing fund deposit requirement due to existing obligations must have adopted prior to September 1, 1986, by resolution, after a noticed public hearing, a statement of existing obligations and/or a statement of existing programs describing each such obligation, project, program and activity. Pursuant to Resolution No. 253-86 adopted on August 19, 1986, the Agency adopted a statement of existing obligations with respect to the Yerba Buena Center Project Area.

Since fiscal year 1989-90, the Agency has annually set aside Tax Revenues in the Low and Moderate Income Housing Fund that are approximately double the 20% that is required by California law.

### **Assembly Bill 1290**

Assembly Bill 1290 (being Chapter 942, Statutes of 1993) ("AB 1290") was adopted by the California Legislature and became law on January 1, 1994. The enactment of AB 1290 created several significant changes in the Redevelopment Law, including the following:

(i) time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See "THE PROJECT AREAS—Project Area Plan Summaries" for a discussion of the time limitations.

(ii) 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.

(iii) 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 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.

(iv) 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 statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after

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 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the 30th year must be so paid. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Certain Required Payments of Tax Revenues to Taxing Entities.”

The Agency is of the opinion that the provisions of AB 1290, including the time limitations provided in AB 1290, will not have an adverse impact on the payment of debt service on the Bonds.

The tax sharing payments described above are required to be made prior to payment of debt service on Loans secured by tax increment from Project Areas which are subject to AB 1290. However, pursuant to Section 33607.5(e) of the Redevelopment Law, upon approval of the affected taxing entities, such payments may be subordinated to debt service on newly-issued bonds or loans. Pursuant to this procedure, the AB 1290 payments for the Golden Gateway Redevelopment Project Area have been subordinated to Loan Payments for that Project Area.

### **Senate Bill 211**

Senate Bill 211 (being Chapter 741, Statutes of 2001) (“SB 211”) was adopted by the California Legislature and became law on January 1, 2002. Among other things SB 211 authorizes a redevelopment agency that adopted a redevelopment plan on or before December 31, 1993, to amend that plan in accordance with specified procedures to extend its effectiveness and receive tax increment revenues with respect to the plan for not more than 10 years if specified requirements are met. If a plan is so amended, the requirement for allocating tax increment revenues to low and moderate income housing is increased from 20% to 30%. SB 211 also allows redevelopment agencies to amend redevelopment plans to extend the time limit for the establishment of loans, advances and indebtedness. On August 12, 2003, the City’s Board of Supervisors adopted Ordinance No. 211-03, which eliminated the existing time limits for the establishment of loans, advances and indebtedness in the following redevelopment plans: the Western Addition Area A-2 Redevelopment Plan, the Yerba Buena Center Redevelopment Plan, the Rincon Point-South Beach Redevelopment Plan and the Embarcadero-Lower Market Redevelopment Plan. The elimination of such time limits triggered statutory tax sharing requirements for the Yerba Buena Center Redevelopment Project Area. The other redevelopment projects areas previously referred to are already subject to the statutory tax sharing requirements. See “—Certain Required Payments of Tax Revenue to Taxing Entities.” Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective. The Agency has covenanted in each 2006 Loan Agreement that it will not approve any amendment to the applicable redevelopment plan which would, in and of itself, cause the amount of Tax Revenues available to the Agency for application under such 2006 Loan Agreement in any succeeding Fiscal Year to fall below 125% of maximum annual debt service under such 2006 Loan Agreement without written consent of the Insurer.

### **Senate Bill 2113**

Senate Bill 2113 (Chapter 661, Statutes of 2000) (“SB 2113”) was adopted by the California Legislature and became law on January 1, 2001. Among other things, SB 2113 authorized the Agency, notwithstanding existing time limits for the payment of debt and the receipt of tax revenues, to incur indebtedness until the earlier of January 1, 2014 or until the Agency replaces all of the housing units demolished prior to January 1, 1976, the effective date of the replacement housing obligations adopted in 1975 and to repay indebtedness until January 1, 2044, in each case for the exclusive purpose of providing low and moderate income. The adoption of an extension of time to receive tax revenues under SB 2113 does not constitute an extension of redevelopment plans for purposes of AB 1290 or SB 211. The Board of Supervisors approved an SB 2113 extension of the Agency’s ability to receive tax increment to be used exclusively for low and moderate income housing for the India Basin, Hunters Point and Golden Gateway

Project Areas. The extension of time to receive tax revenues for low and moderate income housing purposes under SB 2113 does not impair the ability of the Agency to pay debt service on the Bonds. SB 2113 requires that if an extension of time is adopted thereunder, there must be allocated to school entities all amounts to which they would be entitled without regard to the existence of a redevelopment project area (following payment of debt service on tax allocation bonds outstanding prior to plan extension) in accordance with California law. The Agency's obligations to make payments to the school entities will be subordinate to the Agency's obligations incurred prior to amendment and will not be subordinate under the 2006 Loan Agreements.

See "CERTAIN RISKS TO BOND OWNERS--State Budgets" for a description of additional legislation affecting redevelopment agencies.

## **CERTAIN RISKS TO BOND OWNERS**

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

### **Concentration of Tax Base**

In several of the 2006 Related Project Areas, a major portion of the assessed value is attributable to relatively few assesses. In such an area, the failure or financial difficulty of one or more of such large developments could have a significant detrimental impact on their assessed value and consequently on the amount of Allocable Tax Revenues of such Project Area available to secure the related 2006 Loans. See "TAX REVENUES AND DEBT SERVICE."

### **Estimates of Tax Revenues**

In estimating that the total Tax Revenues to be received by the Agency will be sufficient to pay debt service on the 2006 Loans, the Agency has relied on actual historical Tax Revenues and made certain assumptions with regard to future assessed valuations in the 2006 Related Project Areas, future tax rates and the percentage of taxes collected. See "TAX REVENUES AND DEBT SERVICE" The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the total Tax Revenues available to pay debt service on the 2006 Loans will be reduced. Such reduced Tax Revenues may be insufficient to provide for the payment of debt service on the 2006 Loans and hence the Bonds. See "PLEDGE OF TAX REVENUES" herein.

### **Reduction in Tax Base**

Tax Revenues allocated to the Agency by the State and the City constitute the ultimate source of payment on the Bonds. Such Tax Revenues are determined by the amount of the incremental taxable value of property in the 2006 Related Project Areas, the current rate or rates at which property in the 2006 Related Project Areas is taxed and the percentage of taxes collected in the 2006 Related Project Areas. A reduction of the taxable values of property in the 2006 Related Project Areas could occur as a result of numerous factors beyond the Agency's control, including but not limited to, a general economic downturn, availability and cost of electric power, natural gas and other fuel sources, political and economic obstacles to additional development and redevelopment activities in the 2006 Related Project Areas, relocation out of the 2006 Related Project Areas by one or more major property owners, or the

complete or partial destruction of property caused by, among other calamities, an earthquake, fire, flood or other natural disaster. In addition, taxable values may be reduced pursuant to successful appeals of assessed valuations. Any such reductions in taxable values could cause a reduction in the Tax Revenues securing the Bonds and could have an adverse effect on the Agency's ability to make timely payments with respect to such Bonds. In recent years, real property values and taxable valuations of real property in some parts of California have declined. The Agency does not expect any such reductions to materially affect its ability to pay the Bonds on a timely basis. See "TAX REVENUES AND DEBT SERVICE" herein.

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 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 received by it to make payments with respect to the Bonds, the Agency has not assumed 2% inflationary increases. The projected Tax Revenues are based on the latest actual amounts received by the Agency. However, future deflation could cause decreases in property values, a reduction in tax revenues received by the Agency and reduced Tax Revenues. See "PLEDGE OF TAX REVENUES" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

### **Seismic Risk**

San Francisco 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 Loma Prieta fault line. Sizable earthquakes can cause significant damage to people and property and possibly result in a substantial reduction in property values. Earthquake damage is frequently uninsured, so repair efforts could require funding from federal and State agencies in order to restore property values.

### **State Budgets**

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95, 2002-03, and 2003-04 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. The State Legislature adopted and the Governor of the State signed legislation, SB 1045 requiring redevelopment agencies to pay into ERAF in Fiscal Year 2003-04 an aggregate amount of \$135 million. SB 1045, signed by the Governor in September, 2003 required the payment into ERAF in Fiscal Year 2003-04 only. SB 1045 provides that one-half of the ERAF obligation of the Agency is calculated based on the gross tax increment received by the Agency and the other one-half of the ERAF obligation of the Agency is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities), as such tax increment revenues are shown in Table 1 of the Fiscal Year 2001-02 Annual Report of the California State Controller. Based on the tax increment revenues shown in Table 1 of the State Controller's Annual Report as being retained by the Agency, the Agency has paid \$3,583,348.40 into ERAF by May 10, 2006. No other payments beyond Fiscal Year 2005-06 are currently mandated. In the opinion of the Agency the required ERAF payments have not and will not impair its ability to pay debt service on its outstanding bonds.

Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer.

## **Reductions in Unitary Values**

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the county-wide unitary values assigned to public utilities was allocated to the 2006 Related Project Areas. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. However, any such impact with respect to utility properties within the 2006 Related Project Areas will be lessened because the impact will be spread on a Countywide basis. For further information concerning unitary values, see “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures” and “–Taxation of Unitary Property.”

## **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 of the City and County of San Francisco (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 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 form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the City and County of San Francisco (the “City”), a property owner desiring a Proposition 8 reduction of the assessed value of such owner’s property in any one year must submit an application to the City’s Assessment Appeals Board (the “Appeals Board”). Applications for any tax year must be submitted by November 30 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 Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two 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) following the year for which the reduction application is filed. However, the County 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 AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures” 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 taxable values within the 2006 Related Project Areas and the refund of taxes which may arise out of successful appeals by these owners will affect the amount 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 the 2006 Related Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the 2006 Related Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

## **Reduction in Inflation Rate**

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

## **Delinquencies**

The 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 Agency’s ability to make timely debt service payments. However, the City has adopted the Teeter Plan and provides 100% of Tax Revenues to the Agency regardless of delinquencies. See “PLEDGE OF TAX REVENUES.” Such plan may be discontinued at any time.

## **Bankruptcy and Foreclosure**

The rights of the Owners of the Bonds and the enforceability of the obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX F–“FORM OF BOND COUNSEL FINAL OPINION.”

Further, the payment of the tax increment revenues and the ability of the City to timely foreclose the line of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. Any delay in prosecuting superior court foreclosure proceedings would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full.

## **Levy and Collection of Taxes**

The 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 Agency to repay the 2006 Loans and on the Authority to pay debt service on the Bonds. Likewise, delinquencies in the

payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make timely 2006 Loan payments. The City allocates property taxes to the Agency based on 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 such 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 Agency from such project area.

### **Changes in the Law**

In addition to the other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" the California electorate or Legislature could adopt a constitutional or legislative change that decreases property taxes or the amount thereof allocable to the Agency with the effect of reducing Tax Revenues payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce such Tax Revenues and adversely affect the security for the Bonds.

## **LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS**

### **Property Tax Limitations: Article XIII A**

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 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 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, and (ii) 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. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 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 previously described. 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.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Article XIII A and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XII A. In March 2004, the Court of Appeal held that the trial court erred in ruling that assessed value determinations are always limited to no more than 2% of the previous year's assessed value and reversed the judgment of the trial court. The ruling of the Court of Appeal was appealed to the State Supreme Court which denied the appeal for review in August 2004.

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 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.

### **Property Tax Collection Procedures**

**Classifications.** In California, property that is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. 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. Every tax that becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer.

**Collections.** The method of collecting delinquent taxes is substantially different for the two classifications of property.

The taxing authority has four ways of collecting unsecured personal property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) 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; (3) filing a certificate of delinquency for record in the County Recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of a personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes that are delinquent.

Except for property assessed by the State, the valuation of property is determined as of December 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 December 1 and become delinquent August 31, and such taxes are levied at the prior year’s secured tax rate.

Current tax payment practices by the City provide for payment to the Agency of Tax Revenues of approximately 50% of the Tax Revenues allocated to the project areas by December of each year, an additional 45% of Tax Revenues allocated to the project areas by April of each year and the balance of Tax Revenues allocated to the project areas by June.

**Penalty.** A 10% penalty is added to delinquent taxes that have been levied in respect of property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector. A 10% penalty also attached to delinquent taxes in respect of property on the unsecured roll and an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Assembly Bill (“AB”) 2372 (Chapter 1230, Statutes of 1989) provides that each county is to distribute property tax revenues to local agencies (such as the Agency) in accordance with certain provisions of the California Revenue and Taxation Code, but that penalties and interest on property tax delinquencies are to be deposited in the county’s general fund.

***Delinquencies.*** The valuation of property and corresponding tax lien are determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. As described above under “Collections,” It is the City’s practice to retain all such penalties and interest. The City currently allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. See “PLEDGE OF TAX REVENUES–Teeter Plan.” Taxes on unsecured property are due July 1 and become delinquent August 31.

***Supplemental Assessments.*** A bill enacted in 1983, SB 813 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Collection of taxes based on supplemental assessments will occur throughout the year. Previously, statutes enabled the assessment of such changes only as of the next annual tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments. As enacted, Chapter 498 provided increased revenue to redevelopment agencies 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 2006 Related Project Areas, Tax Revenues may increase.

***Filing of Statement of Indebtedness.*** Section 33675 of the Redevelopment Law provides for the filing not later than the first day of October of each year with the City Controller of a statement of indebtedness certified by the chief fiscal officer of the Agency for each redevelopment plan which provides for the allocation of taxes. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of such bonds and the outstanding balance and amount due on such bonds. Similar information must be given for each loan, advance or indebtedness that the redevelopment agency has incurred or entered into to be payable from tax revenues.

Section 33675 also provides that the payments of the tax revenues from the City Controller may not exceed the amounts shown on the Agency’s statement of indebtedness. The Section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the Agency, but that the City Controller may dispute the amount of indebtedness shown on the statement in certain cases and the disputed amount may be withheld from allocation and payment to the Agency. Provision is made for time limits under which the dispute can be made by the City Controller as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action shall involve only the amount of the indebtedness, and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. Payments to a public agency in connection with a bond issue, shall not be disputed in any action under the Section.

***Property Tax Administrative Charges.*** In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990), now codified in Section 97.5 of the California Revenue and Taxation Code, which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. The City Controller has not imposed on the Agency the property tax administrative charges authorized by Section 97.5, although the City Controller could elect to do so in the future.

## **Limitations on Receipt of Additional Taxing Entity Revenue**

Chapter 147, Statutes of 1984, modified Section 33676 of the Redevelopment Law and allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Section 33676 allows an affected taxing entity to elect, by resolution prior to the adoption of a redevelopment plan, to receive property taxes generated from (i) increases in the tax rate levied by the affected entity; and (ii) annual increases in the real property portion of the base year value up to the inflation limit of 2% provided in Article XIII A of the State Constitution.

Section 33676 provides that each school district shall adopt such a resolution and that other taxing entities may do so. Section 33676 is not valid in a project area for any taxing entity which has entered into an agreement to receive payments of tax revenue from a redevelopment agency, as allowed by Section 33401 of the Redevelopment Law to alleviate fiscal detriment resulting from a project area.

## **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 cash 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 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 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 has estimated that the Agency is qualified to receive approximately \$1,635,754 of allocable tax revenues in fiscal year 2005-06 from unitary property tax revenues. To the extent unitary values decrease county-wide, the Agency's allocable tax revenues resulting from unitary assessments can be expected to decrease.

## **Appropriations Limitations: Article XIII B of the State Constitution**

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the State Constitution. 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 the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices 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, and benefit payments from retirement, unemployment insurance and disability insurance funds. Proceeds of taxes include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the costs of providing the service or regulation) and (2) the investment of tax revenues.

Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. While the tax rate is assumed to decline to 1% of taxable value and remain constant in subsequent years, current law permits taxing entities deriving revenues from the 1% rate to reduce their levies under certain circumstances. It is the apparent intent of the law to insulate the other taxing entities and redevelopment agencies from the effects of such reductions on their property tax revenues.

Effective September 30, 1980, the State Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and the laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions: *Brown v. Community Redevelopment Agency of the City of Santa Ana*, 168 Cal. App. 3d 1014 (1985) and *Bell Community Redevelopment Agency v. Woosley*, 169 Cal. App. 3d 24 (1985). The plaintiff in *Brown* petitioned the State Supreme Court for a hearing of this case. The State Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Agency has not adopted such an appropriations limit.

## **Low and Moderate Income Housing**

Section 33334.6 of the Redevelopment Law requires redevelopment agencies to set aside 20% of all tax revenues derived from redevelopment project areas adopted after January 1, 1977, into a low and moderate income housing fund to be used within the jurisdiction of the redevelopment agency to increase and improve the supply of low and moderate income housing. See “PLEDGE OF TAX REVENUES–Low and Moderate Income Housing Requirements” herein.

## **Limitation on Tax Revenues**

SB 690 (Chapter 639, Statutes 1985) requires each legislative body of a redevelopment agency which, prior to November 1, 1976, adopted a final redevelopment plan that provides for tax allocation financing to adopt an ordinance containing, among other things, a limitation on the number of tax dollars which may be divided and allocated to the redevelopment agency pursuant to the plan.

The Yerba Buena Center Redevelopment Plan was amended on November 21, 1994, and contains a limitation of \$600,000,000 in tax dollars which may be divided and allocated to the Agency. The Rincon Point-South Beach Redevelopment Plan contains a limitation of \$230,000,000 in tax dollars which may be divided and allocated to the Agency for fiscal year 1981-82 and thereafter. The Western Addition Area A-2 Redevelopment Plan was amended on November 9, 1987, to incorporate tax revenue provisions, on August 10, 1992, and again on October 3, 1994, to include a limitation of \$270,000,000 in tax dollars which may be divided and allocated to the Agency. The South of Market Earthquake Recovery Redevelopment Project Area was established effective June 11, 1990, and contains a limitation of \$102,000,000 in tax dollars which may be divided and allocated to the Agency. The India Basin, Hunters Point and Golden Gateway Project Areas are not subject to limitation on receipt of tax increment. See "PLEDGE OF TAX REVENUES—Senate Bill 2113."

The Agency does not believe that the foregoing limitations will materially adversely affect the Agency's ability to repay the 2006 Loans.

## **Certain Required Payments of Tax Revenues to Taxing Entities**

**AB 1290.** AB 1290 (Chapter 942, Statutes 1993), among other things added Sections 33607.5 and 33607.7 to the Redevelopment Law. Section 33607.5, as subsequently amended, applies to redevelopment project areas that are adopted on or after January 1, 1994, or are amended on or after January 1, 1994 to include new territory. If the statutory payment requirements are triggered by an amendment to include new territory, the payments are required only with respect to the new territory. Commencing with the first fiscal year in which a redevelopment agency receives tax increments from an affected redevelopment project area and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, a redevelopment agency is required to pay to the affected taxing entities, including the community that has adopted the redevelopment project area if the community elects to receive a payment, an amount equal to 25 percent of the tax increments received by the redevelopment agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. Commencing with the 11th fiscal year in which the redevelopment agency receives such tax increments and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, the redevelopment agency is required to pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid as described in the preceding sentence and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the redevelopment agency, which is calculated by applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the first adjusted base year assessed value. The first adjusted base year assessed value is the assessed value of the redevelopment project area in the 10th fiscal year in which the redevelopment agency receives affected tax increment revenues. Finally, commencing with the 31st fiscal year in which the redevelopment agency receives tax increments and continuing through the last fiscal year in which the redevelopment agency receives tax increments, a redevelopment agency shall pay to the affected taxing entities, other than the community which adopted the project, in addition to the amounts paid pursuant to the previously described provisions, and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the redevelopment agency, which is calculated by applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is

the assessed value of the project area in the 30th fiscal year in which the redevelopment agency receives affected tax increments.

Section 33607.7 generally makes the requirement of payments by a redevelopment agency of tax increment to affected taxing entities applicable to redevelopment project areas for which the redevelopment plan is amended on or after January 1, 1994, to increase the limitation on the number of dollars to be allocated to the redevelopment agency or the time limit on the establishing of loans, advances, and indebtedness established pursuant to certain provisions of the Redevelopment Law or that lengthens the period during which the redevelopment plan is effective unless the redevelopment agency and the affected taxing entity had prior to January 1, 1994, entered into an agreement requiring payments from the redevelopment agency to the affected taxing entity. The amount to be paid by the redevelopment agency is calculated by the amount of assessed value by which the then current year assessed value exceeds an adjusted base year assessed value. The adjusted base year assessed value is the assessed value of the project area in the year in which the limitation amended would have taken effect without the amendment or, if more than one limitation is amended, the first year in which one or more of the limitation would have taken effect without the amendment. The redevelopment agency is required to commence making payments in the first fiscal year following the fiscal year in which the adjusted base year value is determined.

Section 33607.5 permits a redevelopment agency to subordinate the payments required to be paid to an affected taxing entity to loans, bonds, or other indebtedness of the redevelopment agency, except loans or advances from the community which adopted the redevelopment project area, if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such indebtedness. The Agency's payments under Sections 33607.5 and 33607.7 have been subordinated to the Agency's obligations under the Loan Agreements relating to the Golden Gateway, Yerba Buena Center and Mission Bay North Redevelopment Project Areas.

Pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, a total of \$6,683,000 was deducted from the Agency's Fiscal Year 2005-06 gross tax increment. On a per Project Area basis, these adjustments were as follows: the merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area, \$414,000 (relates solely to the South of Market and the Federal Office Building Project Areas); Golden Gateway Redevelopment Project Area, \$1,396,000; Rincon Point-South Beach Redevelopment Project Area, \$2,879,000; Western Addition Redevelopment Project Area A-2, \$1,270,000; India Basin Redevelopment Project Area, \$9,000; Yerba Buena Redevelopment Project Area, \$715,000; and the Hunters Point Redevelopment Project Area, \$0. The coverage tables under the caption "TAX REVENUES AND DEBT SERVICE—Historical and Current Tax Revenues for Each Project Area" have been computed based on tax increment numbers net of the Fiscal Year 2005-06 deductions.

***Proposition 1A.*** The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.



On November 3, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to reduce significantly the State's authority over major local government revenue sources. Proposition 1A prohibits the State from reducing any local sales tax rate, limiting existing local government authority to levy a sales tax rate or changing the allocation of local sales tax revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. First, beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. Second, Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Specifically, beginning July 1, 2006, the measure requires the State to either fully fund each mandate affecting cities, counties, and special districts or suspend the mandate's requirements for the fiscal year. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A also appears to expand the circumstances under which the State would be responsible for reimbursing cities, counties, and special districts for carrying out new State requirements. Specifically, Proposition 1A defines as a mandate State actions that transfer to local governments financial responsibility for a required program for which the State previously had complete or partial financial responsibility.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

**SB 2113.** Pursuant to SB 2113 (See "PLEDGE OF TAX REVENUES—Senate Bill 2113") the Agency extended the time to receive tax revenues for the India Basin, Hunters Point and Golden Gateway Project Areas. SB 2113 also eliminates the limit on tax revenues which may be collected from these Project Area. The law does require that certain tax revenues received pursuant to such extension of time be allocated to school entities. The Agency's obligations to make payments to the school entities will be subordinate to the Agency's obligations prior to amendment and will not be subordinate under the 2006 Loan Agreements.

## **THE AUTHORITY**

The Authority is a separate entity constituting a public instrumentality of the State and was formed for the public purpose of establishing a vehicle which could reduce the borrowing costs of the Agency and promote the greater use by the Agency of existing and new financial instruments and mechanisms.

## **THE AGENCY**

The Board of Supervisors organized the Agency in 1948 to exercise the powers granted by the Redevelopment Law. Information concerning the Agency, including a description of the Project Areas, is contained in APPENDIX A—"THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO AND PROJECT AREAS." See also APPENDIX B—"CITY AND COUNTY OF SAN FRANCISCO - ECONOMY AND GENERAL INFORMATION." The Agency's Audited Financial Statements for the year ended June 30, 2005 appears as APPENDIX C hereto.

## **TAX REVENUES AND DEBT SERVICE**

### **Historical and Current Tax Revenues**

The purpose of redevelopment is to revitalize deteriorated or underdeveloped areas within a community. As new construction progresses, property values normally increase and the ultimate result is a proportionate increase in *ad valorem* property tax revenues.

The total taxable value of all properties within a given Project Area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such Project Area establishes a base from which increases in taxable value are computed. The base established for the Rincon Point-South Beach Redevelopment Project Area is the 1979-80 assessment roll. The base established for the Yerba Buena Center Redevelopment Project Area is the 1964-65 assessment roll. The base for the Western Addition Redevelopment Project Area A-2 is the 1967-68 assessment roll. The base for the South of Market Earthquake Recovery Redevelopment Project Area is the 1989-90 assessment roll. The base year for the Mission Bay North Redevelopment Project Area is the 1998-99 assessment roll. The base for the Golden Gateway Redevelopment Project Area is the 1958-59 assessment roll. The base established for the Hunters Point Redevelopment Project Area is the 1967-68 assessment roll, and the base for the India Basin Redevelopment Project Area is the 1968-69 assessment roll.

Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment rolls, plus a portion of taxes levied in excess of the foregoing amount sufficient to pay debt service on voter-approved bonded indebtedness of the Taxing Agencies, will continue to be paid to and retained by all Taxing Agencies levying property taxes in the Project Areas. Taxes levied by the respective Taxing Agencies on any increases in taxable value realized in any Project Area ordinarily would be allocated to the Agency to the extent requested by the Agency to pay indebtedness incurred with respect to the Project Area and certain other costs.

The allocation of tax revenues does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year shall be apportioned to the Taxing Agencies levying the taxes and to the Agency on the basis described previously. After all loans, advances and other indebtedness, including interest, incurred by the Agency in connection with the Project Area have been paid from amounts requested, the tax revenues will be paid to and retained by the respective Taxing Agencies in the normal manner.

Total Tax Revenues for all Project Areas for Fiscal Year 2005-06 are estimated at \$73,535,274 net of certain required payments of Tax Revenues to affected taxing entities. However, assessment appeals are pending which would reduce the aggregate assessor's values of certain property in the Agency's Project Areas from \$3,247,709,614 to \$2,249,343,808. If the full amount of the appeals is granted, total Tax Revenues for all project areas would be reduced by \$7,440,115. See "–Pending Tax Appeals."

#### **Historical and Current Tax Revenues for Each Project Area**

**General.** The tables set forth for each Project Area the following information for the 2006 Related Project Areas and the remaining Reserve Account Cross-Collateralization Project Areas: (i) the property taxable values and the tax revenues received from the Project Areas for Fiscal Years 2001-02 to 2005-06; (ii) information on concentration of assessed value for Fiscal Year 2005-06; and (iii) estimated debt service coverage. Assuming the 2005-06 Agency Tax Rate and 2005-06 assessed values, the Agency expects that Tax Revenues (or Housing Set Aside Revenues in the case of the Mission Bay North Redevelopment Project Area) will be sufficient to pay amounts due on the 2006 Loans and the Prior Loans as and when they become due.

**AB 1290 Payment Subordination for Certain Project Areas.** For the Golden Gateway, Yerba Buena Center and Mission Bay North Project Areas, the AB 1290 obligations have been subordinated to debt service payments relative to the 2006 Bonds in accordance with the statutory procedure therefor. Such AB 1290 obligations are therefore not reflected in the various tables below for those Project Areas.

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***Golden Gateway Redevelopment Project Area.***

**Golden Gateway Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

	<u><b>2001-02</b></u>	<u><b>2002-03</b></u>	<u><b>2003-04</b></u>	<u><b>2004-05</b></u>	<u><b>2005-06</b></u>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$1,686,236	\$1,698,441	\$1,747,333	\$1,780,233	\$1,812,087
State Unitary Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Secured Assessed Values	\$1,686,236	\$1,698,441	\$1,747,333	\$1,780,233	\$1,812,087
Unsecured Assessed Values	<u>219,489</u>	<u>211,950</u>	<u>222,077</u>	<u>218,033</u>	<u>232,284</u>
Total Assessed Values	\$1,905,725	\$1,910,390	\$1,969,410	\$1,998,266	\$2,044,371
<b>Base Year Values:</b>					
Secured	\$18,824	\$18,824	\$18,824	\$18,824	\$18,824
Unsecured	\$2,348	\$2,348	\$2,348	\$2,348	\$2,348
<b>Increase Over Base Year Values:</b>					
Secured	\$1,667,412	\$1,679,617	\$1,728,509	\$1,761,409	\$1,793,263
Unsecured	\$217,141	\$209,602	\$219,729	\$215,685	\$229,936
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Increment Revenue<sup>(2)</sup>:</b>					
Secured Property	\$17,041	\$17,283	\$17,855	\$18,072	\$18,309
Unsecured Property	<u>2,245</u>	<u>2,142</u>	<u>2,261</u>	<u>2,228</u>	<u>2,359</u>
Gross Tax Revenue	\$19,286	\$19,425	\$20,117	\$20,300	\$20,668
Less School District Allocation <sup>(3)</sup>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,245</u>	<u>3,058</u>
Allocable Tax Revenue	\$19,286	\$19,425	\$20,117	\$18,055	\$17,610
Delinquency Rate <sup>(4)</sup>	0.2%	0.08%	0.04%	0.2%	N/A

(1) Assessed valuations shown are “full cash value” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) Required pursuant to SB 2113. See “PLEDGE OF TAX REVENUES–Senate Bill 2113.”

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.

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**Golden Gateway Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Excludes Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b><u>Assessed Value Fiscal Year 2005-06</u></b>	<b><u>% of Total Fiscal Year 2005-06 Assessed Value</u></b>
Four Embarcadero Center(Office and Retail) <sup>(1)</sup>	\$356,617,097	17.4%
One Embarcadero (Office and Retail) <sup>(2)</sup>	304,831,392	14.9
Three Embarcadero Center(Office and Retail) <sup>(3)</sup>	286,638,699	14.0
Two Embarcadero (Office and Retail) <sup>(4)</sup>	285,736,794	14.0
Five Embarcadero (Hotel) <sup>(5)</sup>	193,444,665	9.5
300 Clay St. (Office Building)	109,833,848	5.4
Golden Gateway Center (Commercial and Residential)	60,971,587	3.0
Carramerica Realty (75 Broadway Office/Retail) <sup>(6)</sup>	33,224,844	1.6
Carramerica Realty (Embarcadero Office/Retail) <sup>(7)</sup>	25,698,697	1.3
Carramerica Realty (One Jackson St. Office/Retail) <sup>(8)</sup>	<u>24,638,895</u>	<u>1.2</u>
TOTAL TEN LARGEST	1,681,636,518	82.3
All Others	<u>362,778,482</u>	<u>17.7</u>
TOTAL PROJECT AREA ASSESSED VALUE	\$2,044,415,000	100.0%

(1) Assessed value is being appealed. Appeal value is \$345,300,000.

(2) Assessed value is being appealed. Appeal value is \$293,200,000.

(3) Assessed value is being appealed. Appeal value is \$275,500,000.

(4) Assessed value is being appealed. Appeal value is \$274,550,000.

(5) Assessed value is being appealed. Appeal value is \$52,398,021.

(6) Assessed value is being appealed. Appeal value is \$23,882,000.

(7) Assessed value is being appealed. Appeal value is \$17,912,000.

(8) Assessed value is being appealed. Appeal value is \$17,935,000.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Golden Gateway Redevelopment Project Area**  
**Estimated Annual Debt Service Coverage by Project Area**  
**Prior Obligations and the Bonds<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service</b>	<b>2006 Series A Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Project Area Tax Revenue<sup>(2)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$12,288,189	—	\$12,288,189	\$17,610,467	1.43x
2007	14,247,275	\$237,596	14,484,871	18,276,903	1.26
2008	14,284,395	237,636	14,522,030	18,287,836	1.26
2009	14,261,961	235,332	14,497,293	18,275,931	1.26
2010	14,353,445	237,748	14,591,192	18,320,054	1.26
2011	14,383,999	234,602	14,618,601	18,327,525	1.25
2012	14,411,571	236,175	14,647,746	18,343,428	1.25
2013	14,430,309	237,186	14,667,495	18,350,865	1.25
2014	14,342,758	237,635	14,580,393	18,318,192	1.26
2015	14,265,784	237,523	14,503,307	18,298,930	1.26
2016	14,253,679	236,849	14,490,528	18,296,559	1.26
2017	14,257,118	235,613	14,492,731	18,296,021	1.26
2018	13,313,733	238,248	13,551,981	17,971,260	1.33
2019	1,658,782	5,840,000	7,498,782	13,559,525	1.81
2020	722,530	5,840,000	6,562,530	13,560,559	2.07
2021	696,500	5,830,000	6,526,500	13,544,272	2.08
2022	670,900	5,830,000	6,500,900	13,544,272	2.08
2023	665,820	5,830,000	6,495,820	13,544,272	2.09
2024	680,220	5,830,000	6,510,220	13,544,272	2.08
2025	748,060	5,830,000	6,578,060	13,544,272	2.06
2026	746,480	5,830,000	6,576,480	13,544,272	2.06
2027	753,860	5,830,000	6,583,860	13,544,272	2.06
2028	764,680	5,830,000	6,594,680	13,544,272	2.05
2029	773,680	5,830,000	6,603,680	13,544,272	2.05
2030	780,860	5,830,000	6,610,860	13,544,272	2.05
2031	801,220	5,830,000	6,631,220	13,544,272	2.04
2032	798,980	5,830,000	6,628,980	13,544,272	2.04
2033	810,180	5,830,000	6,640,180	13,544,272	2.04
2034	819,040	5,830,000	6,649,040	13,544,272	2.04
2035	820,560	5,830,000	6,650,560	13,544,272	2.04
2036	—	5,830,000	5,830,000	13,544,272	2.32
<b>TOTAL</b>	<b>\$196,806,565</b>	<b>\$107,802,142</b>	<b>\$304,608,707</b>	<b>\$480,802,407</b>	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

***Yerba Buena Center Redevelopment Project Area.***

**Yerba Buena Center Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

	<u><b>2001-02</b></u>	<u><b>2002-03</b></u>	<u><b>2003-04</b></u>	<u><b>2004-05</b></u>	<u><b>2005-06</b></u>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$819,986	\$1,117,922	\$1,265,976	\$1,651,160	\$1,609,495
State Unitary Property	<u>159,846</u>	<u>179,574</u>	<u>152,620</u>	<u>139,525</u>	<u>134,530</u>
Total Secured Assessed Values	\$979,832	\$1,297,496	\$1,418,596	\$1,790,684	\$1,744,025
Unsecured Assessed Values	<u>549,687</u>	<u>583,944</u>	<u>549,604</u>	<u>552,447</u>	<u>574,371</u>
Total Assessed Values	\$1,529,519	\$1,881,440	\$1,968,200	\$2,343,132	\$2,318,396
<b>Base Year Values:</b>					
Secured	\$45,019	\$45,019	\$45,019	\$45,019	\$45,019
Unsecured	\$7,637	\$7,637	\$7,637	\$7,637	\$7,637
<b>Increase Over Base Year Values:</b>					
Secured	\$934,813	\$1,252,477	\$1,373,577	\$1,745,665	\$1,699,006
Unsecured	\$542,050	\$576,307	\$541,967	\$544,810	\$566,734
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Revenue<sup>(2)</sup>:</b>					
Secured Property	\$9,554	\$12,888	\$14,189	\$17,911	\$17,354
Unsecured Property	<u>5,605</u>	<u>5,890</u>	<u>5,577</u>	<u>5,628</u>	<u>5,815</u>
Gross Tax Revenue	<u>\$15,159</u>	<u>\$18,778</u>	<u>\$19,766</u>	<u>\$23,538</u>	<u>\$23,169</u>
Allocable Tax Revenue	\$15,159	\$18,778	\$19,766	\$23,538	\$23,169
Delinquency Rate <sup>(3)</sup>	0.4%	0.9%	0.4%	1.8%	N/A

(1) Assessed valuations shown are “full cash values” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.

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**Yerba Buena Center Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b><u>Assessed Value Fiscal Year 2005-06</u></b>	<b><u>% of Total Fiscal Year 2005-06 Assessed Value</u></b>
Marriott Hotel <sup>(1)</sup>	\$389,794,688	16.8%
St. Regis Hotel	211,798,594	9.1
SLT Realty Limited (W Hotel) <sup>(2)</sup>	139,211,407	6.0
Meridien Hotel	133,173,516	5.7
Third & Mission Assoc. LLC (Apartment Building) <sup>(3)</sup>	123,665,381	5.3
Metreon, Inc. (Entertainment Complex) <sup>(4)</sup>	121,019,474	5.2
Four Seasons Hotel	92,340,926	4.0
Greit-Hawthorne Plaza	91,494,626	3.9
St. Francis Place (Office and Retail)	71,952,145	3.1
G & G Mart Co. (Office Building)	<u>59,175,815</u>	<u>2.6</u>
TOTAL TEN LARGEST	1,433,626,572	61.8
All Other	<u>884,769,428</u>	<u>38.2%</u>
TOTAL PROJECT AREA ASSESSED VALUE	\$2,318,396,000	100.0%

(1) Assessed value is being appealed. Appealed value is \$186,000,000.

(2) Assessed value is being appealed. Appealed value is \$68,614,359.

(3) Assessed value is being appealed. Appealed value is \$70,000,000.

(4) Assessed value is being appealed. Appealed value is \$50,000,000.

(5) Assessed value is being appealed. Appealed value is \$45,550,000.

(6) Assessed value is being appealed. Appealed value is \$45,583,987.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Yerba Buena Center Redevelopment Project Area**  
**Estimated Annual Debt Service Coverage by Project Area**  
**Prior Obligations and the Bonds<sup>(1), (2)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service<sup>(2)</sup></b>	<b>2006 Series A Debt Service</b>	<b>Total Debt Service<sup>(2)</sup></b>	<b>Allocable Project Area Tax Revenue<sup>(3)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$15,576,251	—	\$15,576,251	\$23,168,842	1.49x
2007	16,946,408	\$1,117,766	18,064,174	23,168,842	1.28
2008	17,761,582	564,372	18,325,954	23,168,842	1.26
2009	17,430,532	774,372	18,204,904	23,168,842	1.27
2010	17,412,299	787,574	18,199,874	23,168,842	1.27
2011	17,494,483	729,372	18,223,855	23,168,842	1.27
2012	17,661,204	613,698	18,274,901	23,168,842	1.27
2013	17,636,261	633,922	18,270,183	23,168,842	1.27
2014	17,257,738	897,743	18,155,481	23,168,842	1.28
2015	17,332,313	846,394	18,178,707	23,168,842	1.27
2016	17,290,080	876,731	18,166,812	23,168,842	1.28
2017	17,438,576	769,259	18,207,835	23,168,842	1.27
2018	17,228,374	920,712	18,149,086	23,168,842	1.28
2019	8,115,871	7,322,155	15,438,026	23,168,842	1.50
2020	4,451,073	—	4,451,073	23,168,842	5.21
2021	7,225,247	—	7,225,247	23,168,842	3.21
2022	7,775,000	—	7,775,000	23,168,842	2.98
2023	7,780,000	—	7,780,000	23,168,842	2.98
2024	7,775,000	—	7,775,000	23,168,842	2.98
<b>TOTAL:</b>	<b>\$267,588,292</b>	<b>\$16,854,070</b>	<b>\$284,442,362</b>	<b>\$440,207,998</b>	

(1) Numbers are rounded.

(2) Debt service that extends beyond the applicable plan limits represents debt service for bonds (including subsequent refundings of such bonds) originally issued prior to enactment of such plan limits.

(3) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

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***Mission Bay North Redevelopment Project Area - Housing.***

**Mission Bay North Redevelopment Project Area - Housing<sup>(1)</sup>  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(2)</sup>  
(Dollars in Thousands)**

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$41,599	\$78,292	\$366,652	\$458,772	\$512,447
State Unitary Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Secured Assessed Values	\$41,599	\$78,292	\$366,652	\$458,772	\$512,447
Unsecured Assessed Values	<u>1,198</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,674</u>
Total Assessed Values	\$42,797	\$78,292	\$366,652	\$458,772	\$516,121
<b>Base Year Values:</b>					
Secured <sup>(2)</sup>	\$31,446	\$31,446	\$27,756	\$27,756	\$27,756
Unsecured	\$818	\$818	\$818	\$818	\$818
<b>Increase Over Base-Year Values:</b>					
Secured	\$10,153	\$46,846	\$338,896	\$431,016	\$484,692
Unsecured	\$379	(\$818)	(\$818)	(\$818)	\$2,856
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Increment Revenue<sup>(3)</sup>:</b>					
Secured Property	\$104	\$482	\$3,501	\$4,422	\$4,949
Unsecured Property	<u>4</u>	<u>(8)</u>	<u>(8)</u>	<u>(8)</u>	<u>29</u>
Gross Tax Increment Revenue	\$108	\$474	\$3,492	\$4,414	\$4,978
Less: Tax Revenues not Related to Housing (80%) <sup>(4)</sup>	<u>86</u>	<u>379</u>	<u>2,794</u>	<u>3,531</u>	<u>3,984</u>
Allocable Tax Increment Revenue	\$22	\$95	\$698	\$883	\$994
Delinquency Rate <sup>(5)</sup>	0.0%	0.0%	0.0%	0.2%	N/A

(1) Assessed valuations shown are “full cash value” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) Reduction in base year value shown in fiscal year 2003-04 reflects transfer of private property to the City and County of San Francisco.

(4) See “PLEDGE OF TAX REVENUES–Low and Moderate Income Housing Requirements.”

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.

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**Mission Bay North Redevelopment Project Area - Housing  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b>Assessed Value Fiscal Year 2005-06</b>	<b>% of Total Fiscal Year 2005-06 <u>Assessed Value</u></b>
Third & King Investors (Apts) <sup>(1)</sup>	\$237,822,735	45.9%
Avalon Bay Communities, Inc. (Apts and Commercial) <sup>(2)</sup>	95,807,153	18.5
235 Berry LLC	26,763,907	5.2
MVP 1 LLC Delaware	16,539,617	3.2
FOCIL-MB LLC / Farallon Capital Mgmnt	6,496,954	1.3
Glassworks-Com LLC (Undeveloped Land)	4,081,427	0.8
FOCIL-MB LLC	3,619,096	0.7
Mission Bay N2 Parcel 1, LLC / Catellus Urban Development	2,720,950	0.5
Mission Bay Affordable Housing	2,594,492	0.5
Signature Properties (Undeveloped Land)	<u>2,573,923</u>	<u>0.5</u>
TOTAL TEN LARGEST	399,020,254	77.0
All Other	<u>119,428,746</u>	<u>23.0%</u>
TOTAL PROJECT ASSESSED VALUE	\$518,449,000	100.0%

(1) Being converted to condos.

(2) Assessed value is being appealed. Appeal value is \$70,000,000.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Mission Bay North Redevelopment Project Area - Housing**  
**Estimated Annual Debt Service Coverage by Project Area**  
**Prior Obligations and the Bonds<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>2006 Series A Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Project Area Tax Revenue<sup>(2)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	—	—	\$994,301	N/A
2007	\$285,859	\$285,859	994,301	3.48x
2008	287,281	287,281	994,301	3.46
2009	284,191	284,191	994,301	3.50
2010	286,101	286,101	994,301	3.48
2011	287,730	287,730	994,301	3.46
2012	284,078	284,078	994,301	3.50
2013	285,427	285,427	994,301	3.48
2014	286,494	286,494	994,301	3.47
2015	287,281	287,281	994,301	3.46
2016	287,786	287,786	994,301	3.45
2017	283,011	283,011	994,301	3.51
2018	283,006	283,006	994,301	3.51
2019	287,707	287,707	994,301	3.46
2020	286,819	286,819	994,301	3.47
2021	285,637	285,637	994,301	3.48
2022	284,160	284,160	994,301	3.50
2023	287,047	287,047	994,301	3.46
2024	284,316	284,316	994,301	3.50
2025	286,275	286,275	994,301	3.47
2026	282,616	282,616	994,301	3.52
2027	283,648	283,648	994,301	3.51
2028	284,061	284,061	994,301	3.50
2029	283,856	283,856	994,301	3.50
2030	283,032	283,032	994,301	3.51
2031	286,590	286,590	994,301	3.47
2032	284,220	284,220	994,301	3.50
2033	286,232	286,232	994,301	3.47
2034	287,315	287,315	994,301	3.46
2035	287,471	287,471	994,301	3.46
2036	286,700	286,700	994,301	3.47
<b>TOTAL</b>	<b>\$8,565,947</b>	<b>\$8,565,947</b>	<b>\$30,823,331</b>	

(1) Numbers are rounded.

(2) Housing Set-Aside Revenues. Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

***Rincon Point-South Beach Redevelopment Project Area.***

**Rincon Point-South Beach Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

	<b><u>2001-02</u></b>	<b><u>2002-03</u></b>	<b><u>2003-04</u></b>	<b><u>2004-05</u></b>	<b><u>2005-06</u></b>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$817,130	\$934,486	\$1,069,490	\$1,179,944	\$1,328,794
State Unitary Property	<u>10,409</u>	<u>11,694</u>	<u>9,938</u>	<u>9,086</u>	<u>8,760</u>
Total Secured Assessed Values	\$827,539	\$946,180	\$1,079,428	\$1,189,029	\$1,337,554
Unsecured Assessed Values	<u>293,108</u>	<u>294,606</u>	<u>351,362</u>	<u>363,296</u>	<u>371,733</u>
Total Assessed Values	\$1,120,647	\$1,240,786	\$1,430,790	\$1,552,325	\$1,709,287
<b>Base Year Values:</b>					
Secured	\$11,572	\$11,572	\$11,572	\$11,572	\$11,572
Unsecured	\$6,521	\$6,521	\$6,521	\$6,521	\$6,521
<b>Increase Over Base Year Values:</b>					
Secured	\$815,967	\$934,608	\$1,067,856	\$1,177,457	\$1,325,982
Unsecured	\$286,588	\$288,085	\$344,841	\$356,775	\$365,212
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Revenue<sup>(2)</sup>:</b>					
Secured Property	\$8,339	\$9,617	\$11,031	\$12,081	\$13,538
Unsecured Property	<u>2,963</u>	<u>2,944</u>	<u>3,548</u>	<u>3,685</u>	<u>3,747</u>
Gross Tax Revenue	\$11,302	\$12,561	\$14,579	\$15,766	\$17,285
Less AB 1290 Obligation	<u>1,620</u>	<u>1,872</u>	<u>2,329</u>	<u>2,574</u>	<u>2,879</u>
Allocable Tax Revenue	\$9,683	\$10,690	\$12,250	\$13,192	\$14,406
Delinquency Rate <sup>(3)</sup>	1.5%	1.3%	1.5%	1.4%	N/A

(1) Assessed valuations shown are “full cash value” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.

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**Rincon Point-South Beach Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b><u>Assessed Value Fiscal Year 2005-06</u></b>	<b><u>% of Total Fiscal Year 2005-06 Assessed Value</u></b>
China Basin Ballpark Company LLC <sup>(1)</sup>	\$358,391,163	20.6%
GAP, Inc.	199,383,745	11.5
Bre/Rincon LLC (Office, Retail and Condo's) <sup>(2)</sup>	195,167,472	11.2
Bayside Village (Apartment Complex)	116,771,866	6.7
South Beach Marina (Apartment Complex)	91,519,214	5.3
LNR - Lennar Brannan St. LLC	65,131,891	3.7
Bayside Plaza (Apartment Complex) <sup>(3)</sup>	35,962,639	2.1
Private Individual(s)	4,302,462	0.2
Private Individual(s)	2,702,550	0.2
Private Individual(s)	<u>2,445,542</u>	<u>0.1</u>
TOTAL TEN LARGEST	1,071,778,544	61.6
All Others	<u>666,912,456</u>	<u>38.4</u>
TOTAL PROJECT ASSESSED VALUE	\$1,738,691,000	100.0%

(1) Assessed value is being appealed. Appeal value is \$160,000,000.

(2) Assessed value is being appealed. Appeal value is \$157,500,000.

(3) Assessed value is being appealed. Appeal value is \$30,190,000.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Rincon Point-South Beach Redevelopment Project Area**  
**Estimated Annual Debt Service Coverage by Project Area**  
**Prior Obligations and the Bonds<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service</b>	<b>2006 Series A Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Project Area Tax Revenue<sup>(2)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$7,053,061	—	\$7,053,061	\$14,405,904	2.04x
2007	6,963,961	\$350,180	7,314,141	14,405,904	1.97
2008	6,856,332	371,038	7,227,369	14,405,904	1.99
2009	6,860,923	372,049	7,232,972	14,405,904	1.99
2010	7,212,786	372,498	7,585,284	14,405,904	1.90
2011	7,249,897	372,386	7,622,283	14,405,904	1.89
2012	7,245,569	371,712	7,617,281	14,405,904	1.89
2013	7,237,545	370,476	7,608,020	14,405,904	1.89
2014	6,707,178	373,678	7,080,855	14,405,904	2.03
2015	7,019,159	371,037	7,390,196	14,405,904	1.95
2016	7,022,502	372,835	7,395,337	14,405,904	1.95
2017	7,019,528	373,790	7,393,318	14,405,904	1.95
2018	6,769,330	373,187	7,142,516	14,405,904	2.02
2019	6,573,379	371,700	6,945,079	14,405,904	2.07
2020	6,612,249	369,331	6,981,580	14,405,904	2.06
2021	7,029,936	371,078	7,401,014	14,405,904	1.95
2022	5,485,449	371,648	5,857,096	14,405,904	2.46
2023	4,309,879	—	4,309,879	14,405,904	3.34
2024	4,315,475	—	4,315,475	14,405,904	3.34
2025	2,186,240	—	2,186,240	14,405,904	6.59
2026	1,981,850	—	1,981,850	14,405,904	7.27
2027	1,986,050	—	1,986,050	14,405,904	7.25
2028	1,985,100	—	1,985,100	14,405,904	7.26
2029	1,983,950	—	1,983,950	14,405,904	7.26
2030	1,982,350	—	1,982,350	14,405,904	7.27
<b>TOTAL</b>	<b>\$137,649,676</b>	<b>\$5,928,620</b>	<b>\$143,578,296</b>	<b>\$360,147,600</b>	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues and reflects payment of the senior South Beach Harbor Bonds. (See "SECURITY FOR THE BONDS—Senior Obligations")

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

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***Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area.***

Pursuant to ordinances of the City, the Agency has merged the Golden Gateway Project Area with the South of Market Earthquake Recovery Redevelopment Project Area and the FOB Project Area. The effect of this merger is that tax increment revenue attributable to property within those Project Areas may be used, after payment of indebtedness of the Project Area incurred prior to the merger, to pay indebtedness of any of such Project Areas or of the Merged Project Area.

**Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

<b>Secured Property Assessed Values:</b>	<b><u>2001-02</u></b>	<b><u>2002-03</u></b>	<b><u>2003-04</u></b>	<b><u>2004-05</u></b>	<b><u>2005-06</u></b>
County Rolls	\$1,924,194	\$1,994,076	\$2,072,495	\$2,133,605	\$2,174,613
State Unitary Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Secured Assessed Values	\$1,924,194	\$1,994,076	\$2,072,495	\$2,133,605	\$2,174,613
Unsecured Assessed Values	<u>237,903</u>	<u>230,716</u>	<u>240,083</u>	<u>234,171</u>	<u>247,839</u>
Total Assessed Values	\$2,162,097	\$2,224,791	2,312,578	\$2,367,776	\$2,422,452
<b>Base Year Values:</b>					
Secured	\$114,680	\$114,680	\$114,680	\$114,680	\$114,680
Unsecured	\$19,883	\$19,883	\$19,883	\$19,883	\$19,883
<b>Increase Over Base Year Values:</b>					
Secured	\$1,809,514	\$1,879,395	\$1,957,815	\$2,018,925	\$2,059,933
Unsecured	\$218,020	\$210,832	\$220,200	\$214,288	\$227,956
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Revenue<sup>(2)</sup>:</b>					
Secured Property	\$18,493	\$19,389	\$20,224	\$20,714	\$21,032
Unsecured Property	<u>2,254</u>	<u>2,155</u>	<u>2,266</u>	<u>2,214</u>	<u>2,339</u>
Gross Tax Revenue	\$20,748	\$21,494	\$22,490	\$22,928	\$23,371
Less AB 1290 Obligation <sup>(3)</sup>	165	287	347	398	414
Less School District Allocation <sup>(4)</sup>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,245</u>	<u>3,058</u>
Allocable Tax Revenue	\$20,582	\$21,207	\$22,144	\$20,285	\$19,899
Delinquency Rate <sup>(5)</sup>	5.6%	0.9%	0.8%	1.1%	N/A

(1) Assessed valuations shown are “full cash values” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) The AB1290 obligation solely relating to the South of Market and the Federal Office Building Redevelopment Project Areas. The AB1290 obligation for the Golden Gateway Redevelopment Project Area has been expressly subordinated to the 2006 Series A Loan Agreement and the Prior Parity Loan Agreement.

(4) Required pursuant to SB 2113. See “PLEDGE OF TAX REVENUES–Senate Bill 2113.”

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.



**Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Excludes Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b><u>Assessed Value Fiscal Year 2005-06</u></b>	<b><u>% of Total Fiscal Year 2005-06 Assessed Value</u></b>
Four Embarcadero Center (Office and Retail) <sup>(1)</sup>	\$356,617,097	14.7%
One Embarcadero (Office and Retail) <sup>(2)</sup>	304,831,392	12.6
Three Embarcadero Center (Office and Retail) <sup>(3)</sup>	286,638,699	11.8
Two Embarcadero (Office and Retail) <sup>(4)</sup>	285,736,794	11.8
Five Embarcadero (Hotel) <sup>(5)</sup>	193,444,665	8.0
300 Clay St. (Office Building)	109,833,848	4.5
Golden Gateway Center (Commercial and Residential)	60,971,587	2.5
Carramerica Realty (75 Broadway Office/Retail) <sup>(6)</sup>	33,224,844	1.4
1045 Mission LP (Commercial and Residential)	32,975,454	1.4
Carramerica Realty (Embarcadero Office/Retail) <sup>(7)</sup>	<u>25,698,697</u>	<u>1.1</u>
TOTAL TEN LARGEST	1,689,973,077	69.8%
All Others	<u>732,275,923</u>	<u>30.2</u>
TOTAL PROJECT AREA ASSESSED VALUE	\$2,422,249,000	100.0%

(1) Assessed value is being appealed. Appeal value is \$345,300,000.

(2) Assessed value is being appealed. Appeal value is \$293,200,000.

(3) Assessed value is being appealed. Appeal value is \$275,500,000.

(4) Assessed value is being appealed. Appeal value is \$274,550,000.

(5) Assessed value is being appealed. Appeal value is \$52,398,021.

(6) Assessed value is being appealed. Appeal value is \$23,882,000.

(7) Assessed value is being appealed. Appeal value is \$17,912,000.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area  
Estimated Annual Debt Service Coverage by Project Area  
Prior Obligations and the Bonds<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Pre-SB 2113 Project Area Parity Prior Debt Service<sup>(3)</sup></b>	<b>Allocable Project Area Tax Revenue<sup>(2)(3)</sup></b>	<b>Less 2005 Series C Debt Service Coverage<sup>(4)</sup></b>	<b>Less 2006 Series A Debt Service Coverage<sup>(4)</sup></b>	<b>Adjusted Allocable Project Area Tax Revenue<sup>(5)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$11,855,131	\$22,956,928	\$614,826	—	\$22,342,102	1.88x
2007	14,186,039	22,956,928	646,959	\$311,545	21,998,424	1.55
2008	14,421,482	22,956,928	653,710	315,072	21,988,146	1.52
2009	14,435,415	22,956,928	668,838	311,295	21,976,795	1.52
2010	14,911,844	22,956,928	623,188	313,396	22,020,344	1.48
2011	14,936,906	22,956,928	634,291	308,505	22,014,132	1.47
2012	14,982,052	22,956,928	611,083	309,492	22,036,353	1.47
2013	15,001,666	22,956,928	607,538	309,737	22,039,653	1.47
2014	14,709,880	22,956,928	616,582	309,239	22,031,107	1.50
2015	14,351,727	22,956,928	590,215	314,248	22,052,465	1.54
2016	14,347,552	22,956,928	583,684	311,893	22,061,351	1.54
2017	14,343,441	22,956,928	589,934	308,795	22,058,199	1.54
2018	12,903,736	22,956,928	588,396	311,205	22,057,327	1.71
2019	105,738	22,956,928	2,018,165	7,681,250	13,257,513	125.38
2020	107,250	22,956,928	844,100	7,681,250	14,431,578	134.56
2021	65,000	22,956,928	870,625	7,675,000	14,411,303	221.71
2022	65,000	22,956,928	838,625	7,675,000	14,443,303	222.20
2023	65,000	22,956,928	832,275	7,675,000	14,449,653	222.30
2024	65,000	22,956,928	850,275	7,675,000	14,431,653	222.03
2025	—	22,956,928	935,075	7,675,000	14,346,853	N/A
2026	—	22,956,928	933,100	7,675,000	14,348,828	N/A
2027	—	22,956,928	942,325	7,675,000	14,339,603	N/A
2028	—	22,956,928	955,850	7,675,000	14,326,078	N/A
2029	—	22,956,928	967,100	7,675,000	14,314,828	N/A
2030	—	22,956,928	976,075	7,675,000	14,305,853	N/A
2031	—	22,956,928	1,001,525	7,675,000	14,280,403	N/A
2032	—	22,956,928	998,725	7,675,000	14,283,203	N/A
2033	—	22,956,928	1,012,725	7,675,000	14,269,203	N/A
2034	—	22,956,928	1,023,800	7,675,000	14,258,128	N/A
2035	—	22,956,928	1,025,700	7,675,000	14,256,228	N/A
<b>TOTAL</b>	<b>\$185,859,859</b>	<b>\$688,707,840</b>	<b>\$25,055,309</b>	<b>\$134,221,921</b>	<b>\$529,430,610</b>	

(1) Numbers are rounded.

(2) See “PLEDGE OF TAX REVENUES—Senate Bill 2113.”

(3) Allocable Project Area Tax Revenues available for Pre-SB 2113 Project Area parity prior debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Gross Tax Revenues less AB 1290 payments which are not subordinated to Pre-SB 2113 outstanding obligations.

(4) Equal to 125% of debt service on the 2005 Series C Bonds and 125% of the 2006 Series A Bonds. See “—Golden Gateway Redevelopment Project Area” below.

(5) Adjusted Allocable Project Area Tax Revenue less 2005 Series C Debt Service Coverage and 2006 Series A Debt Service Coverage, which is payable from the Golden Gateway Project Area on a stand-alone basis.

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

***South of Market Redevelopment Project Area.***

**South of Market Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

	<u><b>2001-02</b></u>	<u><b>2002-03</b></u>	<u><b>2003-04</b></u>	<u><b>2004-05</b></u>	<u><b>2005-06</b></u>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$237,958	\$295,635	\$325,162	\$353,372	\$362,526
State Unitary Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Secured Assessed Values	\$237,958	\$295,635	\$325,162	\$353,372	\$362,526
Unsecured Assessed Values	<u>18,414</u>	<u>18,766</u>	<u>18,006</u>	<u>16,138</u>	<u>15,536</u>
Total Assessed Values	\$256,372	\$314,401	\$343,168	\$369,510	\$378,062
<b>Base Year Values:</b>					
Secured	\$91,050	\$91,050	\$91,050	\$91,050	\$91,050
Unsecured	\$17,535	\$17,535	\$17,535	\$17,535	\$17,535
<b>Increase Over Base Year Values:</b>					
Secured	\$146,908	\$204,585	\$234,112	\$262,322	\$271,476
Unsecured	\$879	\$1,231	\$471	(\$1,397)	(\$1,999)
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Increment Revenue<sup>(2)</sup>:</b>					
Secured Property	\$1,501	\$2,105	\$2,418	\$2,691	\$2,772
Unsecured Property	<u>9</u>	<u>13</u>	<u>5</u>	<u>(14)</u>	<u>(21)</u>
Gross Tax Revenue	\$1,510	\$2,118	\$2,423	\$2,677	\$2,751
Less AB 1290 Obligation	<u>175</u>	<u>296</u>	<u>356</u>	<u>408</u>	<u>424</u>
Allocable Tax Revenue	\$1,335	\$1,822	\$2,067	\$2,269	\$2,327
Delinquency Rate <sup>(3)</sup>	5.6%	6.4%	5.6%	6.5%	N/A

(1) Assessed valuations shown are "full cash value" and exclude homeowner subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See "–Pending Tax Appeals" below.

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

(3) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See "PLEDGE OF TAX REVENUES–Teeter Plan."

Source: City and County of San Francisco.

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**South of Market Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Excludes Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b><u>Assessed Value Fiscal Year 2005-06</u></b>	<b><u>% of Total Fiscal Year 2005-06 Assessed Value</u></b>
1045 Mission LP (Commercial and Residential)	\$32,975,454	8.7%
34 - 40 6TH Street LLC	4,790,619	1.3
Mercy Properties California/SF Medical Center	4,446,180	1.2
Private Individual(s)	3,722,985	1.0
Unity Pacific Inc./Liu Annie	3,594,602	1.0
Bill Graham Enterprises Inc.	3,255,665	0.9
450 Clementina St. Associates	3,189,010	0.8
Private Individual(s)	2,970,000	0.8
900 Folsom Street Partnership	2,864,573	0.8
Private Individual(s)	<u>2,695,328</u>	<u>0.7</u>
TOTAL TEN LARGEST	64,504,416	17.1%
All Others	<u>313,328,584</u>	<u>82.9</u>
TOTAL PROJECT AREA ASSESSED VALUE	\$377,833,000	100.0%

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**South of Market Redevelopment Project Area  
Estimated Annual Debt Service Coverage by Project Area  
Prior Obligations and the Bonds<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service<sup>(2)</sup></b>	<b>Allocable Project Area Tax Revenue<sup>(3)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$58,803	\$2,327,170	39.58x
2007	456,331	2,327,170	5.10
2008	660,056	2,327,170	3.53
2009	708,525	2,327,170	3.28
2010	1,056,950	2,327,170	2.20
2011	1,060,340	2,327,170	2.19
2012	1,058,500	2,327,170	2.20
2013	1,056,620	2,327,170	2.20
2014	859,720	2,327,170	2.71
2015	557,560	2,327,170	4.17
2016	560,400	2,327,170	4.15
2017	557,950	2,327,170	4.17
2018	60,500	2,327,170	38.47
2019	58,959	2,327,170	39.47
2020	60,000	2,327,170	38.79
2021	65,000	2,327,170	35.80
2022	65,000	2,327,170	35.80
2023	65,000	2,327,170	35.80
2024	65,000	2,327,170	35.80
<b>TOTAL</b>	<b>\$9,901,214</b>	<b>\$44,216,230</b>	

(1) Numbers are rounded.

(2) Debt service that extends beyond the applicable plan limits represents debt service for bonds (including subsequent refundings of such bonds) originally issued prior to enactment of such plan limits.

(3) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

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***Hunters Point Redevelopment Project Area.***

**Hunters Point Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

	<u><b>2001-02</b></u>	<u><b>2002-03</b></u>	<u><b>2003-04</b></u>	<u><b>2004-05</b></u>	<u><b>2005-06<sup>(2)</sup></b></u>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$93,410	\$101,443	\$105,619	\$107,063	\$109,481
State Unitary Property	<u>1,840</u>	<u>2,067</u>	<u>1,757</u>	<u>1,606</u>	<u>1,549</u>
Total Secured Assessed Values	\$95,250	\$103,510	\$107,376	\$108,669	\$111,030
Unsecured Assessed Values	<u>0</u>	<u>0</u>	<u>258</u>	<u>0</u>	<u>0</u>
Total Assessed Values	\$95,250	\$103,510	\$107,634	\$108,669	\$111,030
<b>Base Year Values:</b>					
Secured	\$2,847	\$2,847	\$2,847	\$2,847	\$2,847
Unsecured	\$0	\$0	\$0	\$0	\$0
<b>Increase Over Base Year Values:</b>					
Secured	\$92,402	\$100,662	\$104,529	\$105,822	\$108,183
Unsecured	0	0	258	0	0
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Revenue<sup>(3)</sup>:</b>					
Secured Property	\$944	\$1,036	\$1,080	\$1,086	\$1,105
Unsecured Property	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>
Gross Tax Revenue	\$944	\$1,036	\$1,083	\$1,086	\$1,105
Less School District Allocation <sup>(4)</sup>	0	0	0	232	241
Less AB 1290 Pass Through Obligation	<u>8</u>	<u>26</u>	<u>40</u>	<u>42</u>	<u>0</u>
Allocable Tax Revenue	\$937	\$1,010	\$1,043	\$811	\$863
Delinquency Rate <sup>(5)</sup>	1.4%	1.7%	2.6%	2.3%	N/A

(1) Assessed valuations shown are "full cash values" and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See "–Pending Tax Appeals" below.

(2) The Agency has become aware that certain properties may be transferred to entities that may seek exemption from property taxes, which if granted, could result in a significant decline in Project Area annual valuation. See the table of ten largest assessees on the following page.

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

(4) Required pursuant to SB 2113. See "PLEDGE OF TAX REVENUES–Senate Bill 2113."

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See "PLEDGE OF TAX REVENUES–Teeter Plan."

Source: City and County of San Francisco.

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**Hunters Point Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b>Assessed Value Fiscal Year <u>2005-06</u></b>	<b>% of Total Fiscal Year 2005-06 <u>Assessed Value</u></b>
Northridge Cooperative Homes	\$26,833,951	24.2%
La Salle Apartments	5,161,103†	4.6
All Hollows Associates	3,110,986†	2.8
Shoreview Apartments	2,706,070†	2.4
Bayview Hunters Point Apts.	2,571,610†	2.3
1340 Hudson Ave.	2,121,745	1.9
Unity Homes Inc.	1,608,838	1.4
Ridgeview Terrace Affordable Housing	667,690	0.6
Private Individual(s)	570,000	0.5
Private Individual(s)	<u>568,000</u>	<u>0.5</u>
TOTAL TEN LARGEST	45,919,993	41.4
All Other	<u>65,110,007</u>	<u>58.6</u>
TOTAL PROJECT ASSESSED VALUE	\$111,030,000	100.0%

† The Agency has become aware that these properties may be conveyed to entities which might seek property tax exemption therefor. An exemption from property tax for these properties could result in a significant decline in Project Area assessed valuation.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Hunters Point Redevelopment Project Area  
Annual Debt Service Coverage by Project Area  
Prior Obligations<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Project Area Tax Revenue<sup>(2)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$562,207	\$562,207	\$863,297	1.54x
2007	633,196	633,196	863,381	1.36
2008	624,773	624,773	870,155	1.39
2009	587,056	587,056	869,930	1.48
2010	593,794	593,794	872,470	1.47
2011	574,165	574,165	867,650	1.51
2012	608,991	608,991	860,845	1.41
2013	613,857	613,857	861,785	1.40
2014	630,136	630,136	854,694	1.36
2015	616,317	616,317	837,802	1.36
2016	618,568	618,568	840,904	1.36
2017	610,049	610,049	840,295	1.38
2018	642,099	642,099	858,891	1.34
2019	560,486	560,486	793,271	1.42
2020	330,822	330,822	794,162	2.40
2021	459,455	459,455	832,146	1.81
2022	582,560	582,560	892,711	1.53
2023	582,560	582,560	892,711	1.53
2024	582,560	582,560	892,711	1.53
2025	237,560	237,560	723,808	3.05
2026	235,020	235,020	723,808	3.08
2027	227,220	227,220	723,808	3.19
2028	224,420	224,420	723,808	3.23
2029	216,360	216,360	723,808	3.35
2030	213,300	213,300	723,808	3.39
2031	209,980	209,980	723,808	3.45
2032	201,400	201,400	723,808	3.59
2033	197,820	197,820	723,808	3.66
2034	193,980	193,980	723,808	3.73
2035	199,880	199,880	723,808	3.62
<b>TOTAL</b>	<b>\$13,370,591</b>	<b>\$13,370,591</b>	<b>\$24,221,705</b>	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues. See the table of ten largest assesseees on the previous page regarding a potential significant reduction in Project Area assessed valuation and therefore a potential significant reduction in Tax Revenues. Such reduction would not reduce coverage below 1.20x.

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



***India Basin Industrial Redevelopment Project Area.***

**India Basin Industrial Redevelopment Project Area  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

<b>Secured Property Assessed Values:</b>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
County Rolls	\$88,406	\$85,671	\$87,113	\$90,167	\$91,630
State Unitary Property	<u>6,225</u>	<u>6,993</u>	<u>5,944</u>	<u>5,434</u>	<u>5,239</u>
Total Secured Assessed Values	\$94,631	\$92,664	\$93,057	\$95,600	\$96,869
Unsecured Assessed Values	<u>17,941</u>	<u>17,351</u>	<u>10,819</u>	<u>12,527</u>	<u>8,742</u>
Total Assessed Values	\$112,572	\$110,015	\$103,876	\$108,128	\$105,611
<b>Base Year Values:</b>					
Secured	\$12,575	\$12,575	\$12,575	\$12,575	\$12,575
Unsecured	\$1,116	\$1,116	\$1,116	\$1,116	\$1,116
<b>Increase Over Base Year:</b>					
Secured	\$82,056	\$80,089	\$80,482	\$83,025	\$84,294
Unsecured	\$16,825	\$16,235	\$9,703	\$11,411	\$7,626
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Revenue<sup>(2)</sup>:</b>					
Secured Property	\$839	\$824	\$831	\$852	\$861
Unsecured Property	<u>174</u>	<u>166</u>	<u>100</u>	<u>118</u>	<u>78</u>
Gross Tax Revenue	\$1,013	\$990	\$931	\$970	\$939
Less School District Allocation <sup>(3)</sup>	0	0	0	224	190
Less AB 1290 Pass Through Obligation	<u>62</u>	<u>57</u>	<u>50</u>	<u>58</u>	<u>9</u>
Allocable Tax Revenue	\$951	\$933	\$881	\$688	\$740
Delinquency Rate <sup>(4)</sup>	5.7%	0.6%	2.0%	5.0%	N/A

(1) Assessed valuations shown are “full cash value” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) Required pursuant to SB 2113. See “PLEDGE OF TAX REVENUES–Senate Bill 2113.”

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.

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**India Basin Industrial Park Redevelopment Project Area  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b><u>Assessed Value Fiscal Year 2005-06</u></b>	<b><u>% of Total Fiscal Year 2005-06 Assessed Value</u></b>
Private Individual(s)	\$8,600,599	8.1%
Mission Taylor Properties	7,497,958	7.1
White Cap Const Supply Inc.	5,847,800	5.5
Plant Construction Co.	5,704,639	5.4
Private Individual(s)	4,493,231	4.3
Private Individual(s)	4,008,951	3.8
Private Individual(s)	3,442,500	3.3
1 Newhall LLC	2,924,201	2.8
Bayview Plaza LLC	2,882,050	2.7
Private Individual(s)	<u>2,765,062</u>	<u>2.6</u>
TOTAL TEN LARGEST	48,166,991	45.6
All Other	<u>57,444,009</u>	<u>54.4</u>
TOTAL PROJECT ASSESSED VALUE	\$105,611,000	100.0%

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**India Basin Industrial Park Redevelopment Project Area**  
**Annual Debt Service Coverage by Project Area**  
**Prior Obligations <sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Project Area Tax Revenue<sup>(2)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$55,228	\$55,228	\$739,716	13.39x
2007	545,571	545,571	747,763	1.37
2008	561,812	561,812	753,361	1.34
2009	565,614	565,614	754,671	1.33
2010	564,008	564,008	754,118	1.34
2011	554,168	554,168	750,726	1.35
2012	534,158	534,158	743,829	1.39
2013	539,008	539,008	745,501	1.38
2014	510,500	510,500	735,674	1.44
2015	483,879	483,879	726,497	1.50
2016	476,848	476,848	724,074	1.52
2017	490,021	490,021	725,168	1.48
2018	614,027	614,027	754,283	1.23
2019	493,830	493,830	705,031	1.43
2020	525,324	525,324	705,089	1.34
2021	524,901	524,901	705,192	1.34
2022	303,000	303,000	615,252	2.03
2023	294,680	294,680	615,252	2.09
2024	296,360	296,360	615,252	2.08
2025	287,520	287,520	615,252	2.14
2026	283,680	283,680	615,252	2.17
2027	294,580	294,580	615,252	2.09
2028	284,440	284,440	615,252	2.16
2029	279,300	279,300	615,252	2.20
2030	273,900	273,900	615,252	2.25
2031	273,240	273,240	615,252	2.25
2032	267,060	267,060	615,252	2.30
2033	260,620	260,620	615,252	2.36
2034	248,920	248,920	615,252	2.47
2035	247,220	247,220	615,252	2.49
<b>TOTAL</b>	<b>\$11,933,418</b>	<b>\$11,933,418</b>	<b>\$20,384,221</b>	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

***Western Addition Redevelopment Project Area A-2.***

**Western Addition Redevelopment Project Area A-2  
Property Taxable Values, Tax Revenues, and Delinquency Rates<sup>(1)</sup>  
(Dollars in Thousands)**

	<u><b>2001-02</b></u>	<u><b>2002-03</b></u>	<u><b>2003-04</b></u>	<u><b>2004-05</b></u>	<u><b>2005-06</b></u>
<b>Secured Property Assessed Values:</b>					
County Rolls	\$1,122,391	\$1,226,751	\$1,280,035	\$1,344,653	\$1,376,641
State Unitary Property	<u>12,040</u>	<u>13,526</u>	<u>11,496</u>	<u>10,509</u>	<u>10,133</u>
Total Secured Assessed Values	\$1,134,431	\$1,240,277	\$1,291,531	\$1,355,162	\$1,386,774
Unsecured Assessed Values	<u>33,071</u>	<u>27,768</u>	<u>28,414</u>	<u>30,308</u>	<u>48,478</u>
Total Assessed Values	\$1,167,502	\$1,268,045	\$1,319,945	\$1,385,470	\$1,435,252
<b>Base Year Values:</b>					
Secured	\$46,390	\$46,390	\$46,390	\$46,390	\$46,390
Unsecured	\$14,850	\$14,850	\$14,850	\$14,850	\$14,850
<b>Increase Over Base Year Values:</b>					
Secured	\$1,088,041	\$1,193,887	\$1,245,141	\$1,308,772	\$1,340,384
Unsecured	\$18,221	\$12,918	\$13,564	\$15,458	\$33,628
Secured Tax Rate	0.01022	0.01029	0.01033	0.01026	0.01021
Unsecured Tax Rate	0.01034	0.01022	0.01029	0.01033	0.01026
<b>Tax Revenue<sup>(2)</sup>:</b>					
Secured Property	\$11,120	\$12,285	\$12,862	\$13,428	\$13,685
Unsecured Property	<u>188</u>	<u>132</u>	<u>140</u>	<u>160</u>	<u>345</u>
Gross Tax Revenue	\$11,308	\$12,417	\$13,002	\$13,588	\$14,030
Less AB 1290 Obligation <sup>(3)</sup>	<u>601</u>	<u>823</u>	<u>1,047</u>	<u>1,174</u>	<u>1,270</u>
Allocable Tax Revenue	\$10,707	\$11,594	\$11,955	\$12,414	\$12,760
Delinquency Rate <sup>(4)</sup>	3.0%	1.8%	1.8%	3.4%	N/A

(1) Assessed valuations shown are “full cash values” and exclude Homeowner Subventions. Assessed values do not take into account the effect, if any, of pending appeals for reduction. See “–Pending Tax Appeals” below.

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

(3) No AB1290 obligation in fiscal year 2005-06 because school district allocation reduces allocable tax increment.

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.”

Source: City and County of San Francisco.

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**Western Addition Redevelopment Project Area A-2  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<b><u>Property/Taxpayer</u></b>	<b>Assessed Value Fiscal Year 2005-06</b>	<b>% of Total Fiscal Year 2005-06 <u>Assessed Value</u></b>
Fillmore Properties LLC (Apartment Bldg)	\$97,289,879	6.8%
1550 Sutter Assoc.	26,019,964	1.8
United Bank of California (Office) <sup>†</sup>	23,029,450	1.6
Young Broadcasting of SF	22,811,990	1.6
California Pacific Medical Center	21,517,210	1.5
Wealth Properties Inc. (Office)	19,823,941	1.4
601 Van Ness - Opera Plaza (Office and Retail)	16,964,317	1.2
Sutter Place LLC (Office & Retail)	15,914,415	1.1
WCP I (Apartment Bldg)	15,139,209	1.1
Daniel Burnham Court (Office and Retail)	<u>15,029,405</u>	<u>1.0</u>
TOTAL TEN LARGEST	273,539,780	19.1
All Other	<u>1,158,712,220</u>	<u>80.9</u>
TOTAL PROJECT ASSESSED VALUE	\$1,432,252,000	100.0%

<sup>†</sup> Assessed value is being appealed. Appealed value is \$18,500,000.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

**Western Addition Redevelopment Project Area A-2  
Estimated Annual Debt Service Coverage by Project Area  
Prior Obligations and the Bonds<sup>(1)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Project Area Parity Prior Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Project Area Tax Revenue<sup>(2)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$8,275,913	\$8,275,913	\$12,760,279	1.54x
2007	9,239,826	9,239,826	12,760,279	1.38
2008	8,118,919	8,118,919	12,760,279	1.57
2009	8,000,430	8,000,430	12,760,279	1.59
2010	8,034,804	8,034,804	12,760,279	1.59
2011	7,905,362	7,905,362	12,760,279	1.61
2012	7,728,527	7,728,527	12,760,279	1.65
2013	7,800,844	7,800,844	12,760,279	1.64
2014	8,861,882	8,861,882	12,760,279	1.44
2015	6,778,317	6,778,317	12,760,279	1.88
2016	5,881,060	5,881,060	12,760,279	2.17
2017	5,956,815	5,956,815	12,760,279	2.14
2018	6,994,535	6,994,535	12,760,279	1.82
2019	3,088,823	3,088,823	12,760,279	4.13
2020	3,089,824	3,089,824	12,760,279	4.13
2021	3,128,352	3,128,352	12,760,279	4.08
2022	4,240,000	4,240,000	12,760,279	3.01
2023	4,245,000	4,245,000	12,760,279	3.01
2024	4,245,000	4,245,000	12,760,279	3.01
TOTAL:	\$121,614,231	\$121,614,231	\$242,445,301	

(1) Excludes effects of the refunding financed by the Bonds. Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

**Consolidated Information.**

**Consolidated  
Merged Golden Gateway/South of Market/Federal Office Building, Hunters Point, India Basin,  
Rincon Point-South Beach, Western Addition A-2 and Yerba Buena Center Project Areas  
Ten Largest Assesseees for Fiscal Year 2005-06  
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Project Area</u>	<u>Assessed Value Fiscal Year 2005-06</u>	<u>% of Total Fiscal Year 2005-06 Assessed Value</u>
Marriott Hotel <sup>(1)</sup>	Yerba Buena Center	\$389,794,688	4.8%
China Basin Ballpark Company LLC <sup>(2)</sup>	Rincon Point-South Beach	358,391,163	4.4
Four Embarcadero (Office and Retail) <sup>(3)</sup>	Golden Gateway	356,617,097	4.4
One Embarcadero (Office and Retail) <sup>(4)</sup>	Golden Gateway	304,831,392	3.8
Three Embarcadero Center (Office and Retail) <sup>(5)</sup>	Golden Gateway	286,638,699	3.5
Two Embarcadero(Office & Retail) <sup>(6)</sup>	Golden Gateway	285,736,794	3.5
St. Regis Hotel	Yerba Buena Center	211,798,594	2.6
GAP, Inc. (Office)	Rincon Point-South Beach	199,383,745	2.5
Bre/Rincon Point LLC (Office, Retail and Condos) <sup>(7)</sup>	Rincon Point-South Beach	195,167,472	2.4
Five Embarcadero (Hotel) <sup>(8)</sup>	Golden Gateway	<u>193,444,665</u>	<u>2.4</u>
TOTAL TEN LARGEST		2,781,804,309	34.2
All Other		<u>5,346,424,691</u>	<u>63.7</u>
TOTAL ASSESSED VALUE OF SIX PROJECT AREAS PRODUCING TAX REVENUES		\$8,128,229,000	100.0%

(1) Assessed value is being appealed. Appeal value is \$186,000,000.

(2) Assessed value is being appealed. Appeal value is \$160,000,000.

(3) Assessed value is being appealed. Appeal value is \$345,300,000.

(4) Assessed value is being appealed. Appeal value is \$293,200,000.

(5) Assessed value is being appealed. Appeal value is \$275,500,000.

(6) Assessed value is being appealed. Appeal value is \$274,550,000.

(7) Assessed value is being appealed. Appeal value is \$157,500,000.

(8) Assessed value is being appealed. Appeal value is \$52,398,021.

Source: Redevelopment Agency of the City and County of San Francisco based upon information provided by the City and County of San Francisco.

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**Consolidated<sup>(1)</sup>**  
**Merged Golden Gateway/South of Market/Federal Office Building, Hunters Point, India Basin,  
Rincon Point-South Beach, Western Addition A-2 and Yerba Buena Center Project Areas**  
**Estimated Annual Debt Service Coverage by Project Area**  
**Prior Obligations and the Bonds<sup>(2)</sup>**

<b>Bond Year Ending (August 1)</b>	<b>Parity Prior Debt Service<sup>(3)</sup></b>	<b>2006 Series A Debt Service</b>	<b>Total Debt Service</b>	<b>Allocable Tax Revenue<sup>(2),(4)</sup></b>	<b>Debt Service Coverage Ratio</b>
2006	\$43,869,651	—	\$43,869,651	\$72,869,975	1.66x
2007	49,032,567	\$1,991,401	51,023,968	73,544,543	1.44
2008	48,867,867	1,460,326	50,328,193	73,567,848	1.46
2009	48,415,040	1,665,944	50,080,983	73,557,028	1.47
2010	49,228,086	1,683,921	50,912,008	73,603,138	1.45
2011	49,222,414	1,624,090	50,846,504	73,602,397	1.45
2012	49,248,520	1,505,662	50,754,182	73,604,598	1.45
2013	49,314,444	1,527,011	50,841,454	73,614,647	1.45
2014	49,169,912	1,795,550	50,965,462	73,565,056	1.44
2015	47,053,329	1,742,235	48,795,564	73,519,725	1.51
2016	46,103,137	1,774,201	47,877,338	73,518,033	1.54
2017	46,330,057	1,661,673	47,991,730	73,517,980	1.53
2018	45,622,598	1,815,153	47,437,750	73,240,930	1.54
2019	20,550,130	13,821,562	34,371,692	68,714,323	2.00
2020	15,791,821	6,496,150	22,287,971	68,716,306	3.08
2021	19,129,391	6,486,714	25,616,105	68,738,106	2.68
2022	19,121,909	6,485,807	25,607,716	68,708,731	2.68
2023	17,942,939	6,117,047	24,059,986	68,708,731	2.86
2024	17,959,615	6,114,316	24,073,931	68,708,731	2.85
2025	3,459,380	6,116,275	9,575,655	30,283,537	3.16
2026	3,247,030	6,112,616	9,359,646	30,283,537	3.24
2027	3,261,710	6,113,648	9,375,358	30,283,537	3.23
2028	3,258,640	6,114,061	9,372,701	30,283,537	3.23
2029	3,253,290	6,113,856	9,367,146	30,283,537	3.23
2030	3,250,410	6,113,032	9,363,442	30,283,537	3.23
2031	1,284,440	6,116,590	7,401,030	15,877,633	2.15
2032	1,267,440	6,114,220	7,381,660	15,877,633	2.15
2033	1,268,620	6,116,232	7,384,852	15,877,633	2.15
2034	1,261,940	6,117,315	7,379,255	15,877,633	2.15
2035	1,267,660	6,117,471	7,385,131	15,877,633	2.15
2036	—	6,116,700	6,116,700	14,538,573	2.38
<b>TOTAL</b>	<b>\$758,053,986</b>	<b>\$139,150,779</b>	<b>\$897,204,765</b>	<b>\$1,643,248,792</b>	

- (1) The consolidated table is presented for informational purposes only, in that Project Area revenues are limited to paying debt service applicable to each respective Project Area, but further subject to benefit of the Agency Reserve Account Cross-Collateralization. The effect of the Cross Collateralization will substantially decline after January 1, 2019. See "SECURITY FOR THE BONDS—Cross-Collateralization of Reserve Accounts."
- (2) Numbers are rounded.
- (3) Takes into account the refunding accomplished from proceeds of the Bonds. Debt service that extends beyond the applicable plan limits represents debt service for bonds (including subsequent refundings of such bonds) originally issued prior to enactment of such plan limits.
- (4) Estimated amounts of Tax Revenues available for parity debt service, based on Fiscal Year 2005-06 assessed valuation and Fiscal Year 2005-06 Allocable Tax Revenues.

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

## Pending Tax Appeals

A total of 51 tax appeals were recorded in the Agency's Project Areas for tax year 2005-06, none of which had been heard as of February 28, 2006. The following table presents for each Project Area a comparison of the assessed values and claimed values for known pending Tax Appeals as of February 28, 2006 and their estimated impact on tax increment. Historically, tax appeals within the City have resulted in an average reduction of 25% of the reduction in value sought.

### Pending Tax Appeals As of February 28, 2006

<u>Project Area</u>	<u>Assessor's Value</u>	<u>Owner's Appeal Value</u>	<u>Difference</u>	<u>Maximum Potential Loss in Tax Increment</u>	
				<u>Dollars</u>	<u>Percent</u>
GG/SOMA/FOB†	\$1,521,765,800	\$1,312,025,113	\$209,740,687	(\$979,697)	(5.28%)
Western Addition, A-2	26,855,786	20,849,000	6,006,786	(49,063)	(0.39%)
Rincon Point--South Beach	592,424,886	349,850,000	242,574,886	(1,989,287)	(1.36%)
Yerba Buena Center	1,106,663,142	566,619,695	540,043,447	(4,422,067)	(19.69%)
Mission Bay North	95,807,153	70,000,000	25,807,153	(210,793)	(5.27%)
Hunters Point	No Appeals				
India Basin	No Appeals				
<b>TOTAL</b>	<b>\$3,343,516,767</b>	<b>\$2,319,343,808</b>	<b>(1,024,172,959)</b>	<b>(\$7,650,908)</b>	<b>(10.50%)</b>

† Represents the Merged Project Area comprising Embarcadero-Lower Market ("Golden Gateway"), South of Market and Federal Office Building project areas. Information for the Golden Gateway and South of Market Project Areas are as follows:

<u>Project Area</u>	<u>Assessor's Value</u>	<u>Owner's Appeal Value</u>	<u>Difference</u>	<u>Maximum Potential Loss in Tax Increment</u>	
				<u>Dollars</u>	<u>Percent</u>
Golden Gateway	\$1,519,496,837	\$1,311,035,113	\$208,461,724	(\$969,250)	(5.98%)
South of Market	2,268,963	990,000	1,278,963	(10,446)	(0.45)

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

## TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from California personal income taxes. NO ATTEMPT HAS BEEN OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION OF SUCH INTEREST FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F hereto.

## Backup Withholding

Payments of principal, Accreted Value and interest (including original issue discount) on the Bonds, as applicable, may be subject to the "backup withholding tax" under Section 3406 of the Code at a rate of 28% in 2005-06 if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payer certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.



## **Foreign Investors**

An owner of a Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose, the term “United States person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Bonds owned by foreign investors. In those instances in which payments of interest on the Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Bond.

## **ERISA Considerations**

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds.

## **NO LITIGATION**

There is no litigation now pending or, to the best knowledge of the Authority and the Agency, as applicable, threatened to restrain or enjoin the execution or delivery of the Bonds, the 2006 Indenture, or the 2006 Loan Agreements or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the Bonds.

## **CONTINUING DISCLOSURE**

The Agency has covenanted on behalf of the Authority for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than six months after the end of the Agency’s Fiscal Year (presently June 30) in each year commencing with its report for the 2004-05 fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is summarized in APPENDIX E—“FORM OF CONTINUING DISCLOSURE

CERTIFICATE.” The Agency has not defaulted on its obligation to provide continuing disclosure about the Agency or any material events affecting its bonds under any existing Continuing Disclosure Agreement or Continuing Disclosure Certificate to which it is a party.

## **LEGAL OPINIONS**

Certain legal matters incident to the issuance, sale and delivery of the Bonds are subject to the approving legal opinion of Quint & Thimmig LLP, as Bond Counsel. Certain legal matters incident to the issuance of the Bonds will be passed upon for the Agency by its General Counsel and for the Authority by its General Counsel and for the Authority, the Agency and the Underwriters by Lofton & Jennings, Disclosure Counsel.

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

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

## **UNDERWRITING**

Pursuant to the terms of a Bond Purchase Contract dated August 10, 2006 (the “Purchase Contract”), among the Redevelopment Agency, the Authority and, UBS Securities LLC and Backstrom McCarley Berry & Co., LLC (the “Underwriters”), the Underwriter purchased the Bonds, at a price of \$50,559,351.59 (representing the principal amount of the Bonds less an Underwriters’ discount in the amount of \$171,979.21). The Purchase Contract provides that the Underwriters will purchase all of the Bonds, if any are purchased, however, the obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement.

The public offering prices of the Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page hereof.

## **RATINGS**

Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc. (“S&P”) have assigned ratings to the Bonds of “Aaa” and “AAA,” respectively, with the understanding that simultaneously with the delivery of the Bonds the Policy insuring the payment of principal and interest on the Bonds when due will be issued by the Bond Insurer. Moody’s and S&P have assigned underlying ratings to the Bonds of “A2” and “A,” respectively. Such ratings reflect only the view of such organizations, and an explanation of the significance of the ratings may be obtained by contacting them at: Moody’s Investors Service, 99 Church Street, New York, New York 10007, and Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc., 25 Broadway, New York, New York 10004. Such ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either ratings 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 Bonds.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Agency for the Fiscal Year ended June 30, 2005 are included as part of APPENDIX C—"AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005." Such financial statements have been audited by Williams, Adley & Company, LLP, independent certified public accountants, whose report also appears in APPENDIX C.

## **MISCELLANEOUS**

All the summaries contained herein of the 2006 Indenture, the 2006 Loan Agreements, 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 Authority or the Agency for further information in connection therewith. The 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 Bond Owners or Beneficial Owners.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the Agency.

CITY AND COUNTY OF SAN FRANCISCO  
REDEVELOPMENT FINANCING AUTHORITY

By: /s/ Ayisha Benham  
Treasurer

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## APPENDIX A

### THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE PROJECT AREAS

#### History and Purpose

The Agency was organized in 1948 by the Board of Supervisors of the City pursuant to the Community Redevelopment Law, Part 1 of Division 24 of the California Health and Safety Code (the “Redevelopment Law”). The Agency’s mission is to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. Included within that mission is the Agency’s role to enhance the supply of affordable housing Citywide. Since its organization, the Agency has completed redevelopment plans for three redevelopment project areas, and currently has 13 redevelopment plans in various stages of implementation.

#### Authority and Personnel

The powers of the Agency are vested in its Commission, which has a maximum of seven 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, must reside within the City limits and must not be officials or employees of the City. Once appointed, members serve until replaced or reappointed.

The current members of the 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>
Richard H. Peterson, Jr.	Businessman	2005	9/3/08
London Breed	Executive	2005	9/3/07
Francee Covington	Businesswoman	2005	9/3/08
Leroy King	Labor Official Retired	1980	9/3/06
Ramon E. Romero	Attorney	1998	9/3/09
Darshan Singh	Businessman	1995	9/3/07
Benny Y. Yee	Real Estate Broker	1994	9/3/06

The Redevelopment Agency currently employs approximately 115 persons in full-time positions. The Executive Director, Marcia Rosen, was appointed to that position in June 2001. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration, the Deputy Executive Director, Housing and the Agency General Counsel. Each project area is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Agency has its own fiscal, legal, administrative and property management staffs, including a separate staff to manage the South Beach Harbor Marina.

## **Powers and Controls**

Redevelopment in the State is carried out pursuant to the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Agency is charged with the responsibility for the elimination of blight using the powers and processes of redevelopment. Generally, this begins with a community planning process, encompasses land acquisition and construction of public improvements and culminates when the Agency disposes of land for development by the private sector. The Agency exercises governmental functions in carrying out projects and has sufficiently broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds, with the approval of the City, and expend their proceeds. To accomplish this the Agency acquires land and assembles necessary sites, offers opportunities to participate in redevelopment to existing property owners and businesses, relocates residents and businesses as necessary, demolishes deteriorated improvements, prepares sites for purchase by developers and provides for off-site improvements.

The following Redevelopment Plans have been adopted since 1997 by the Board of Supervisors: The Hunters Point Naval Shipyard Redevelopment Plan was adopted in March 1997. The Federal Office Building Redevelopment Plan was adopted in October 1997. The Mission Bay North and Mission Bay South Redevelopment Plans were respectively adopted in October and November 1998. The Transbay Terminal Redevelopment Plan was adopted on June 20, 2005. The South of Market Earthquake Recovery Redevelopment Project Area was recently converted to the South of Market Redevelopment Project Area pursuant to an ordinance adopted in December 2005.

The Agency has expanded its study of areas for potential adoption as project areas. Currently, three survey areas are in various stages of analysis and environmental review. They include the Bayview Hunters Point (formerly known as South Bayshore), the Mid-Market and the Visitacion Valley Survey Areas.

All real property in each of the Project Areas is subject to the controls and restrictions of the Redevelopment Plans for each of the Project Areas. The Redevelopment Plans require that new construction comply with all applicable State statutes and local laws in effect including the building, electrical, heating and ventilation, housing and plumbing codes of the City which, among other things, impose certain seismic risk requirements with respect to new construction.

The various Redevelopment Plans establish limits, restrictions and controls including design standards affecting the height of buildings, land coverage, setback requirements, design criteria, traffic circulation, traffic access and other development and design controls necessary for proper development of each of the Project Areas.

Under certain circumstances, the Agency is authorized to permit a variation from the limits, restrictions and controls established by the Redevelopment Plans. No variation will be granted that permits more than a minor deviation from the provisions of the Redevelopment Plans. In permitting a variation, the Agency will impose such conditions as are necessary to protect the public health, safety and welfare and to assure compliance with the purposes of the Redevelopment Plans.

## **Project Areas with Prior Loans**

### ***Embarcadero-Lower Market (“Golden Gateway”) Redevelopment Project Area***

The Redevelopment Plan for the Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area was adopted by the Board of Supervisors on May 25, 1959, and subsequently amended nine times. The most recent amendment became effective in January 2005 pursuant to SB 2113, Section 33333.6(e)(A) of the Redevelopment Law, to extend the time limits for the establishment of indebtedness and repayment of indebtedness for the exclusive purpose of financing low and moderate income housing.

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

While the project is completed, additional public funds will be needed over the next several years to accomplish the provision of affordable housing. Based on the Board of Supervisors’ adoption on January 11, 2005, of an ordinance pursuant to Health and Safety Code section 33333.7 (an “SB 2113 ordinance”), the Agency is authorized to issue new debt through 2014, the payment of which may be secured by Tax Revenues from the Embarcadero-Lower Market (Golden Gateway) Project Area, solely for the purpose of financing affordable housing.

### ***Hunters Point Redevelopment Project Area***

The Board of Supervisors of the City approved the Hunters Point Redevelopment Plan for the Hunters Point Redevelopment Project Area on January 20, 1969, and amended the Redevelopment Plan on August 24, 1970, December 1, 1986, and December 12, 1994. Effective January 21, 2005, the Hunters Point Redevelopment Plan was amended pursuant to SB 2113, Section 33333.6(e) of the Redevelopment Law, to extend the time limits for the establishment of indebtedness and repayment of indebtedness for the exclusive purpose of financing low- and moderate-income housing.

The Hunters Point Redevelopment Project Area is a 137-acre, hilly tract located in the southeastern sector of San Francisco. It is bounded by Fairfax Avenue on the north, Griffith Street on the east, Palou Avenue on the south and Mendell Street on the west. It extends five blocks on its east-west axis and ten blocks in the north-south direction. The areas west and south of the Hunters Point Redevelopment Project Area consist of modest, well-maintained single-family homes. Low-income public housing is situated east and northeast of the Hunters Point Redevelopment Project Area, while the India Basin Industrial Park Redevelopment Project Area abuts to the north.

The purpose of the Redevelopment Plan for the Hunters Point Redevelopment Project Area is the rehabilitation of a residential neighborhood of mixed-income housing. Pursuant to the Redevelopment Plan, 1,554 new rental, co-op, condominium and ownership units have been constructed and 122 homes have been rehabilitated. Based on the Board of Supervisors’ adoption on January 11, 2005, of an ordinance pursuant to Health and Safety Code section 33333.7 (an “SB 2113 ordinance”), the Agency is authorized to issue new debt through 2014, the payment of which may be secured by Tax Revenues from the Hunters Point Project Area for the exclusive purpose of financing low- and moderate-income housing.

### ***India Basin Industrial Park Redevelopment Project Area***

The Board of Supervisors of San Francisco approved the India Basin Industrial Park Redevelopment Plan on January 20, 1969, and amended it on May 20, 1987, and December 12, 1994. The Redevelopment Plan was adopted to remove blight that was characterized by unsafe, incompatible and overcrowded commercial and residential buildings; inadequate utilities and drainage; dilapidated streets and poor soil conditions; and economic stagnation. Effective January 21, 2005, the India Basin Redevelopment Plan was amended pursuant to SB 2113, Section 33333.6(e) of the Redevelopment Law, to extend the time limits for the establishment of indebtedness and repayment of indebtedness for the exclusive purpose of financing low- and moderate-income housing.

The India Basin Industrial Park Project Area encompasses about 126 acres in the southeastern section of San Francisco. It is bounded by Third Street on the west, Jennings Street on the east, Arthur Avenue on the north and Hudson Avenue and Galvez Avenue on the south.

The Agency's principal objectives in this Project Area were to encourage labor-intensive industries and to improve soil conditions in the area to allow for commercial and residential development. With the recent completion of Bayview Plaza, a commercial/retail development, the India Basin redevelopment project is substantially completed. Based on the Board of Supervisors' adoption on January 11, 2005, of an ordinance pursuant to Health and Safety Code section 33333.7 (an "SB 2113 ordinance"), the Agency is authorized to issue new debt through 2014, the payment of which may be secured by Tax Revenues from the India Basin Industrial Park Project Area to generate funds for the exclusive purpose of financing low- and moderate-income housing.

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

The Redevelopment Plan for the Mission Bay Project Area was adopted by the Board of Supervisors on October 26, 1998.

The Mission Bay North Redevelopment Project Area is an approximately 65-acre area located in the southeastern section of the City, bounded by Seventh Street on the west, Fourth and Third Streets on the east, Townsend and King Streets on the North and the China Basin Channel on the South. Completed development includes 1,224 residential units (490 apartments and 734 condominiums), 528,000 square feet of commercial office space and a 707,000 square foot University of California - San Francisco life sciences research space. Another 199 condominium units and 742 apartment units are currently under construction. Another 579 condominium units, 771 rental units and 20,000 square feet of retail space have currently been approved and are in the early stages of development.

### ***Rincon Point-South Beach Redevelopment Project Area***

The Rincon Point-South Beach Redevelopment Project Area was established by the adoption of a Redevelopment Plan for the area by the City's Board of Supervisors on January 5, 1981. Amendments to the Redevelopment Plan were approved by the Board of Supervisors in 1997 to add territory at China Basin necessary for the Giants Ballpark and a parcel in the Rincon Point subarea for the GAP headquarters office building. The most recent amendment to the Plan was approved August 18, 1997, to expand a site at the northwest corner of Beale and Bryant Streets adjacent to the Oakland-San Francisco Bay Bridge for an affordable housing development.

The Rincon Point-South Beach Redevelopment Project Area is a 120-acre area consisting of two noncontiguous subareas located within the northeastern waterfront area of the City, immediately south of the Ferry Building. The major artery through the Project Area is the Embarcadero Roadway which connects the Project Area to the City's financial district in the north and the Mission Bay district in the south.



Prior to redevelopment the Project Area was characterized by under utilized industrial and warehouse space, an excessive amount of surface area devoted to street and rail right-of-ways, and an extensive amount of surface area either vacant or devoted to open storage and parking.

The purpose of the Redevelopment Plan is the creation of a new residential neighborhood of mixed-income housing. To achieve this result, the Redevelopment Plan calls for the development of approximately 3,100 new housing units, 1.2 million square feet of commercial space, the historic preservation and commercial reuse of several buildings, the creation of two waterfront parks, the development of a 690-berth boat harbor, and street improvements in the South Beach subarea. With the addition of the China Basin territory, the development of the Ballpark became a purpose of the Plan.

The Agency has made significant progress in achieving the Redevelopment Plan goals. In 1985, construction was completed on Bayside Plaza, an office building with 90,000 square feet of office space, and the Agency completed the boat harbor. Also complete is Rincon Center, which contains 532,000 square feet of retail/office space and 320 residential units, of which 20% have been made available to low-to-moderate income households. Four major housing developments have been completed: Bayside Village, a mixed-use development which contains 15,000 square feet of commercial space and 868 residential units, of which 20% are provided to low-income households; South Beach Marina Apartments, which contains 414 residential units (20% low and moderate income affordable) and approximately 5,600 square feet of commercial space; Embarcadero Triangle (Delancey Street Foundation), which contains 177 residential units for approximately 400 residents, all of whom are low-income persons, and 65,000 square feet of commercial space; and Steamboat Point, a 108-unit low-income housing development. The first phase of South Beach Park, adjacent to the boat harbor, was completed in December 1995, as was the renovation of the southerly end of the Pier 38 Bulkhead Building, which was leased as a café. Another park, located on the by side of the Embarcadero roadway close to the water's edge, was completed in the fall of 2002. A development agreement was executed for 422 condominium units on the Oriental Warehouse site. The initial phase of this development, restoration of the Oriental Warehouse into 66 condominium loft units, was completed in early 1997 and construction of 116 of the remaining 350 units in this master development commenced in the summer of 1998 and is complete. The third and final phase of the Oriental Warehouse development, consisting of approximately 100 condos, was completed at year end 2002, with all condos anticipated to be sold by early Spring of 2003. Two other recently completed developments of significance are the GAP, national retail chain, office building and a 233-unit market rate rental housing development at King and Townsend Streets. Lastly, the baseball park for the Giant's baseball team, opened in April 2000 and has been wildly successful.

It is expected that more public funds will be needed to accomplish the goals of the Redevelopment Plan. The Agency's last major effort in Rincon Point-South Beach is the restoration of Pier 40, including making this Pier handicap accessible, construction of a berthing dock along the same pier, and construction of an office/maritime building. The Agency has funds appropriated in the current and prior years to undertake some of these improvements and is not likely to need additional funds to complete the work. The Agency expects to request the Board of Supervisors to adopt an SB 2113 ordinance, that will amend this Project Area's Redevelopment Plan in 2007 to enable creation of debt to generate funds for the purpose of funding affordable housing.

### ***South of Market Redevelopment Project Area***

The Board of Supervisors of the City approved the South of Market Earthquake Recovery Redevelopment Plan on June 11, 1990, and amended it on December 12, 1994 to merge it with the Golden Gateway Project Area and again on October 14, 1997 to merge it with the FOB Project Area.

The South of Market Earthquake Recovery Redevelopment Project Area covers 62.4 acres immediately to the south of Market Street and west of Yerba Buena Gardens. The South of Market Earthquake Recovery Redevelopment Project Area is bounded by Fifth Street on the east and Seventh

Street on the west, with Sixth Street bisecting the South of Market Earthquake Recovery Redevelopment Project Area from north to south. The southern boundary is formed by Harrison Street, while the northernmost boundary does not quite reach Market Street. The South of Market Earthquake Recovery Redevelopment Project Area was created after the 1989 Loma Prieta earthquake to repair, restore, and/or replace buildings and physical infrastructure damaged by the earthquake and to provide economic development assistance. Since the Project was created, the Agency has aggressively pursued these goals, particularly in restoring and adding to the project area's affordable housing stock. To date 447 family units have been completed and 75 are in development. Finally, 547 Single Room Occupancy ("SRO") units have been completed, 152 are under construction and 109 are in development. Physical improvements undertaken include facade and signage upgrades, a street cleaning program, and sidewalk improvements. An economic development program to retain and attract new businesses has been funded by the Agency.

On December 6, 2005, the Board of Supervisors adopted an ordinance amending the South of Market Earthquake Recovery Redevelopment Plan as follows: (1) the Plan was converted to a traditional redevelopment plan and is now known as the South of Market Redevelopment Plan, (2) Plan policies were revised in light of the conversion to the South of Market Redevelopment Plan, and (3) the redevelopment project area was expanded to add the territory located between Folsom and Harrison Streets and Columbia Square and Seventh Streets, which includes the Bessie Carmichael Elementary School (the "Western Expansion Area") and, as expanded, constitutes the South of Market Redevelopment Project Area. The Agency's future efforts in the South of Market Redevelopment Project Area will continue to concentrate on the restoration, repair and construction of affordable housing.

It is expected that additional public funds will be needed for a number of years to achieve the goals of such Redevelopment Plan. The Agency expects to raise most of these funds through the sale of future bonds, the repayment of which may be secured by Tax Revenues from the Merged Project Area.

### ***Western Addition Redevelopment Project Area A-2***

The Western Addition A-2 Redevelopment Plan was adopted by the Board of Supervisors of the City on October 13, 1964 and was amended on August 3, 1970, June 6, 1976, December 15, 1986, November 9, 1987, August 10, 1992, October 3, 1994 and on April 19, 2005.

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

The Redevelopment Plan for the Western Addition Redevelopment Project Area A-2 provides for the development of over 5,600 new housing units, the preservation and retention of over 3,900 existing housing units, revitalization of the Fillmore Street Business District, and creation of a neighborhood business district adjacent to the Japanese Cultural and Trade Center. Other goals include the rehabilitation of the existing housing stock, development of additional low-income housing, and provision of new retail facilities on lower Fillmore Street, particularly those that promote jazz and related cultural activities. The Project Area is largely built out. Fillmore Center, an 1,113-unit mixed-use development completed in 1990, financed in part by tax-exempt bonds has been moderately renovated and was sold to a new ownership group in December 2004. In 2005, groundbreaking occurred on a mixed-use housing/retail development that will include a jazz-oriented retail facility to be constructed on a site conveyed by the Agency to a private developer.

It is expected that additional public funds will be needed over the next several years to accomplish the goals of the Western Addition A-2 Redevelopment Plan. The Agency does not expect to raise the additional public funds by issuing future debt obligations.

### ***Yerba Buena Center Redevelopment Project Area***

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

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

Since its creation, the Project Area has been transformed into a highly attractive destination for tourists and residents alike. The centerpiece of the project is a five-acre park that sits atop of the Moscone North Convention Center facility, is immediately adjacent to an entertainment complex to the west and two cultural facilities, a visual art center and a 700-seat theater, to the east. The Museum of Modern Art is located directly across the street from the visual art center.

In addition to cultural attractions, the Yerba Buena Center Redevelopment Project Area includes a Children's Park, with a play area for young children, a small bowling alley, ice rink, and other attractions, which were completed in the mid 1990's and built atop of the Moscone Center South Convention facility. The Metreon, an entertainment complex that includes a multiplex cinema with IMAX theater, other forms of entertainment, and restaurants, opened for business in the late 1990's and was recently sold to a group that includes the developer of the San Francisco Centre shopping facility, which is currently being expanded to include a new Bloomingdale's department store that is scheduled to open in late 2006. The Agency's remaining obligations are the construction of the Jessie Square Plaza and a building to be used as a museum.

Over the years this Project Area has attracted considerable private development, including the 1500-room Marriott Hotel, which opened in the late 1980's. Since then, the Four Seasons Hotel was constructed and opened in October of 2001, and the W Hotel was constructed and opened in spring 1999. The development of a 500-unit residential development on the northeast corner of Third and Mission streets was completed in 2002. The St. Regis San Francisco hotel was completed in 2005 as part of a mixed use hotel/museum/housing development located at the southeast corner of Third and Mission Streets. Though easily accessible by public transportation, additional parking to this Project Area has been provided by the expansion to the nearby Fifth and Mission Street garage and the Jessie Square garage. The Agency has also entered into agreements that promote the development of two additional museum facilities to be constructed on the block bounded by Mission, Third, Market and Fourth Streets in coordination with the Agency's completion of its Jessie Square public plaza improvements.

Relative to the applicable 2006 Series C Loan Agreement, the Agency is excluding tax increment from the portion of this Project Area known as the Emporium Site Area since the use of tax increment in that area is currently restricted for uses that pertain to the Emporium Site Area.

## **Project Areas Without Prior Loans**

The Bayview Industrial Triangle, Hunters Point Shipyard, Western Addition A-2, Mission Bay South and Federal Office Building Project Areas do not have Prior Loans. Brief descriptions of these Project Areas appear below.

### ***Hunters Point Shipyard Redevelopment Project Area***

In July 1997, the Agency Commission and the City's Board of Supervisors adopted the Hunters Point Shipyard Redevelopment Plan, which encompasses approximately 443 acres. This Project Area was formed to facilitate the re-use of the former Hunters Point Naval Shipyard, which was deactivated in 1974. The Redevelopment Plan comprised the "local reuse plan" required under federal law for the conversion of the Shipyard to civilian use. It provides for the development of (i) significant new housing, (ii) mixed-use and commercial uses, including retail, maritime, research and development and light industrial uses, (iii) education, training and cultural facilities, and (iv) over 100 acres for recreational and public open space uses.

Pursuant to agreements with the Navy, portions of the land within this project area are being transferred to the Agency as they are environmentally remediated. Pursuant to a development agreement with a private developer, the Agency subsequently will transfer ownership of portions of this land to the private developer. The first of such transfers occurred in April, 2005. Infrastructure improvements for this portion of the project area are being financed from the proceeds of bonds issued by the Agency pursuant to the Mello-Roos Community Facilities Act of 1982. Construction of infrastructure is expected to commence in the second half of 2005 with construction of housing to commence shortly thereafter.

### ***Federal Office Building Redevelopment Project Area***

The Federal Office Building Project Area was adopted by the Board of Supervisors of the City on and merged into and was amended on October 14, 1997. It is a single-purpose project area created to provide a new federal office building in San Francisco. Construction of the office building is well underway and is slated for completion in 2006.

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

The Mission Bay South Redevelopment Plan was adopted by the Board of Supervisors in November 1998.

The Mission Bay South Redevelopment Project Area consists of approximately 237 acres of land located approximately two miles south of the financial district of the City, and south of China Basin Channel and SBC Park, the waterfront baseball stadium for the San Francisco Giants (which is not in the District). The Project Area is bounded on the south by Mariposa Street, on the east by San Francisco Bay, on the north by China Basin Channel, and on the west by Seventh Street. The District is within a developed urban area with existing and planned transportation improvements, including the existing CalTrain railroad station located at the southwest corner of Fourth and Townsend Street, extensive bus service, and the City-sponsored Third Street "light-rail" transportation project which is under construction.

Planned development in the Project Area includes a major new University of California biotechnology and life sciences research campus containing approximately 2.65 million gross square feet of instruction, research and support space. Existing structures in the Project Area include an approximate 280,000 square foot office building leased to The Gap and a 180,000 square foot research facility owned by the J. David Gladstone Institutes. The District includes both older and recently completed public

infrastructure improvements, as well as temporary parking areas for the baseball stadium and older industrial buildings which are to be demolished as development progresses.

Land adjacent to the Project Area to the north has been transitioning over the past few years into an urban residential and retail-commercial neighborhood, with several recently completed multifamily housing rental and for-sale projects currently occupied. Extensive construction is underway. Commercial development has accelerated since the completion of SBC Park with adjacent restaurant and retail commercial projects underway or recently completed. The area south and west of the Project Area is currently continuing a transition from established older commercial/industrial uses to modern residential and neighborhood commercial developments. Desirability of the area has been enhanced by the proximity to recently completed upscale housing, retail establishments, the San Francisco Bay waterfront, South Beach Marina, AT&T Park, various transportation options and proximity to jobs in the nearby financial district of the City. Most of the new development has occurred over the past 10 years and has significantly changed the visual and physical characteristics of the area.

***Bayview Industrial Triangle Redevelopment Project Area***

This redevelopment plan is due to expire on June 30, 2020.

***Western Addition A-2 Redevelopment Project Area***

Redevelopment activities have ceased in this project area and the redevelopment plan has expired.

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## APPENDIX B

### CITY AND COUNTY OF SAN FRANCISCO ECONOMY AND GENERAL INFORMATION

#### Area and Economy

The corporate limits of the City and County of San Francisco (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 “Bay”). The City is located on a peninsula bounded by the Pacific Ocean to the west, the Bay on the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south.

The City is the economic center of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Its major industries include heavy manufacturing, high technology, semi-conductor manufacturing, petroleum refining, biotechnology, food processing and production and fabrication of electronics and aerospace equipment. Non-manufacturing industries, including convention and tourism, finance and international and wholesale trade, are characteristic of the City and are also major contributors to economic activity within the Bay Area.

#### Population and Income

The City had a population estimated by the State of California (the “State”) Department of Finance Demographic Research Unit, at 798,680 as of January 2006, ranking it the fourth largest city in California after Los Angeles, San Diego and San Jose. The table below reflects the population and per capita income of the City and the State between 2002 and 2006.

**TABLE B-1**

POPULATION AND INCOME 2002-2006				
Year	City and County of San Francisco	State of California	San Francisco Per Capita Income	California Per Capita Income
2002	793,633	35,301,000	54,908	32,989
2003	789,700	35,612,000	55,720	33,749
2004	792,700	36,271,091	N/A *	N/A *
2005	799,263	36,810,358	N/A *	N/A *
2006	798,680	37,172,015	N/A *	N/A *
* Note: Information not available. County data are compiled from numerous sources by the U.S. Department of Commerce, Bureau of Economic Analysis and are typically released with a significant time lag.				
Sources: State of California Department of Finance, Demographic and Finance Research Units; U.S. Department of Commerce, Bureau of Economic Analysis.				

## Conventions and Tourism

During the calendar year 2004 approximately 15.1 million people (118,600 average per day) visited the City, generating approximately \$6.7 billion. On average, these visitors spent about \$156 per day and stayed three to four nights. The figures for calendar year 2005 are not yet available.

Hotel occupancy rates in San Francisco averaged 76.4% in calendar year 2005, an increase of 4.1% over the previous year. Average daily San Francisco room rates increased about 5.2% to an annual average of \$153, compared to the same period in the prior year.

Although visitors who stay in San Francisco hotels accounted for only 35.0% of total out-of-town visitors, they generated 65.0% of total spending by visitors from outside the Bay Area. It is estimated that 40.0% of visitors to the City are on vacation, 35.0% are convention and trade show attendees, 22.0% are individual business travelers and the remaining 3.0% are en route elsewhere. International visitors make up 36.0% of all visitors. Approximately 45.0% of the City's international visitors are from Europe and the United Kingdom, 31.0% are from Asia, 9.0% are from Canada, 5.0% are from Australia and New Zealand, 5.0% are from Central and South America, 3.0% are from Mexico, and 2.0% are from Africa and the Middle East. The following illustrates hotel occupancy and related spending from calendar years 2000 through 2004.

**TABLE B-2**

<b>CITY AND COUNTY OF SAN FRANCISCO</b>			
<b>San Francisco Overnight Hotel Guests (\$000s)</b>			
Calendar Year	Annual Average Hotel Occupancy	Visitors Staying in Hotels or Motels	Hotel Visitor Spending
2000	81.9%	4,300	\$4,288,000
2001	67.0	3,550	3,700,000
2002	65.4	3,470	3,500,000
2003	68.1	3,860	3,680,000
2004	73.2	4,200	4,070,000
Information for Calendar Year 2005 is not yet available.			
Source: San Francisco Convention & Visitor Bureau.			

According to the San Francisco Convention and Visitor Bureau, as of June 1, 2006, convention business is almost at full capacity at the Moscone Convention Center and is at strong levels at individual hotels providing self-contained convention services. The City completed construction of an expansion to the Moscone Convention facilities in Spring 2003. With the expansion, the Moscone Convention Centers offer over 700,000 square feet of exhibit space covering more than 20 acres on three adjacent blocks.

## Employment

The City has the benefit of a highly skilled, educated and professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. According to the State Employment Development Department, the unemployment rate for San Francisco was 5.7% for year-end 2004, a nearly 20.0% decline from 2003. This rate is in comparison with an adjusted unemployment rate of 6.1% for California and 5.5% for the nation during the same period.



**TABLE B-3**

<b>CITY AND COUNTY OF SAN FRANCISCO</b>						
<b>Reported Employment by Land Use Activities 2001-2005</b>						
	2001	2002 <sup>[1]</sup>	2003 <sup>[1]</sup>	2004 <sup>[1]</sup>	2005 <sup>[1]</sup>	
Office	236,959	213,813	201,492	193,180	193,569	
Retail	101,505	96,561	95,599	95,006	95,736	
Industrial	107,837	97,860	93,726	89,037	85,492	
Hotel	17,962	16,477	17,438	18,090	18,473	
Cultural/Institutional	122,222	122,254	124,882	127,962	128,762	
Other	67	165	65	65	74	
Total	586,552	547,130	533,202	523,340	522,106	
<sup>[1]</sup> 2002 through 2005 Office Land use activity group includes Government employment.						
Source: San Francisco Planning Department- California Employment Development Department.						

Based on 2005 data, total citywide employment is 522,106 indicating a loss of approximately 2.3% of jobs from 2004.

Table B-4 below lists the ten largest employers in the City as of December 2005.

**TABLE B-4**

<b>CITY AND COUNTY OF SAN FRANCISCO</b>		
<b>Largest Employers in San Francisco</b>		
<b>As of December 30, 2005</b>		
<u>Employer</u>	<u>Number of Employees</u>	<u>Nature of Business</u>
City and County of San Francisco	28,220	Local government
University of California, San Francisco	19,138	Health services
Wells Fargo & Co. Inc.	7,581	Banks
San Francisco Unified School District	7,241	Education
State of California	6,115	State government
United States Postal Service, San Francisco District	5,324	Mail delivery
California Pacific Medical Center	4,886	Health care
PG&E Corp.	4,629	Energy
Gap Inc	4,180	Retail
Kaiser Permanente	3,860	Health care
Source: San Francisco Business Times, Book of Lists 2006.		

## Taxable Sales

The following annual table reflects a breakdown of taxable sales for the City from 2000-2004. Total retail sales increased in 2004 by approximately \$647.3 million compared to 2003. When business and personal services and other outlet sales are included, taxable sales increased by approximately \$709.9 million in 2004.

**TABLE B-5**

CITY AND COUNTY OF SAN FRANCISCO					
Taxable Sales 2000-2004					
(\$000s)					
	2000	2001	2002	2003	2004 <sup>[1]</sup>
Retail Stores					
Apparel	\$792,508	\$749,391	\$737,396	\$760,715	\$826,686
General Merchandise	1,166,524	1,078,664	1,051,122	1,065,160	1,143,657
Food Stores	416,735	413,650	403,163	405,673	419,286
Speciality Stores	2,277,432	1,998,450	1,889,144	1,910,757	2,084,323
Eating/Drinking	1,977,854	1,883,762	1,844,385	1,879,879	2,067,418
Household	637,662	513,618	459,529	484,455	527,519
Building Materials	321,632	313,277	310,111	320,316	353,002
Automotive	1,006,818	889,936	803,109	804,964	850,984
Other Retail Stores	153,291	149,638	143,999	135,582	141,906
Retail Stores Total	\$8,750,456	\$7,990,386	\$7,641,958	\$7,767,501	\$8,414,781
Business and					
Personal Services	\$1,226,650	\$1,107,028	\$1,043,019	\$945,689	\$937,411
All Other Outlets	4,112,820	3,357,822	2,904,463	2,784,369	2,855,315
Total All Outlets	\$14,089,926	\$12,455,236	\$11,589,440	\$11,497,559	\$12,207,507
<sup>[1]</sup> Most recent annual data available.					
Source: California State Board of Equalization - Taxable Sales in California (Sales & Use Tax) Annual Reports.					

## Building Activity

Table B-6 shows a summary of building activity in the City for fiscal years 2000-01 through 2004-05, during which time approximately 10,809 housing units were authorized in the City (both market rate and “affordable housing”). The total value of building permits was \$434.0 million in fiscal year 2004-05.

**TABLE B-6**

CITY AND COUNTY OF SAN FRANCISCO				
Building Activity 2001-2005 (\$000s)				
Fiscal Year Ended <u>June 30</u>	Authorized New <u>Dwelling Units</u>	Value of Building Permits		
		<u>Residential</u>	<u>Non-Residential</u>	<u>Total</u>
2001	2,570	381,623	725,313	1,106,936
2002	3,273	299,028	364,801	663,829
2003	1,279	214,244	57,455	271,699
2004	1,726	307,603	122,377	429,980
2005	1,961	362,760	71,251	434,011

Source: San Francisco Department of Building Inspection, Central Permit Bureau.

### **Banking and Finance**

The City is a leading center for financial activity. The headquarters of the Twelfth Federal Reserve District is located in the City, as are the headquarters of the Eleventh District Federal Home Loan Bank and the regional Office of Thrift Supervision. Wells Fargo Bank, First Republic Bank, Union Bank of California, United Commercial Bank, Bank of the Orient and Charles Schwab & Co., the nation's largest discount broker, are headquartered in the City. Investment banks located in the City include Banc of America Securities LLC, Deutsche Banc Alex Brown, Thomas Weisel Partners LLC, and Pacific Growth Equities.

### **Commercial Real Estate**

According to the 2nd Quarter 2006 Report from CB Richard Ellis, the San Francisco office market continues to improve "with approximately 650,000 square feet of positive absorption this quarter, bringing year to date absorption totals close to one million square feet and marking the twelfth consecutive quarter of positive absorption for the San Francisco market". According to the CBRE report, the City wide vacancy rate has decreased to 10.7%. The average Class A asking rent City wide is \$34.23, with Civic Center average Class A asking rate at \$31.00.

### **Major Development Projects**

The downtown Union Square area is the City's principal retail area and includes Macy's, Neiman Marcus, Saks Fifth Avenue, Levi's, NikeTown, Disney, Crate and Barrel, Borders Books, Nordstrom, Williams Sonoma and Virgin Records. The recent completion of the Union Square Improvement Project, including reconstruction of the Union Square Garage, has benefited the area in terms of accessibility. The refurbished Union Square Park is now a hub for activities and events, gatherings, rallies, performances, and art exhibits.

The construction of the Westfield San Francisco Center (including Bloomingdale's), on the site of the former Emporium building between Market Street and Mission Street and 4th and 5th Streets, is currently underway. The estimated cost of this project is \$410.0 million. The 1.2 million square foot retail, office, and entertainment complex is scheduled to open in September 2006. Upon completion, the Westfield San Francisco Center is expected to generate additional economic activity to the developing area resulting in an estimated \$9.7 million in tax revenues. The Center will also provide approximately 1,000 construction jobs and 1,900 permanent jobs.

Another commercial development project currently under construction in the City is the Fillmore Renaissance Center, a mixed-use commercial and residential project at Fillmore and Eddy Streets in the Western Addition area of the City known as the Fillmore Jazz Preservation District. The project will include a Fillmore branch of Oakland's Yoshi's Jazz Club & Restaurant, a variety of restaurants and lounges, approximately eighty condominium units (15.0% of which are designated "affordable") and a public parking garage.

Development is continuing at the Mission Bay redevelopment project area, portions of which are owned by the City and the Port of San Francisco. The development utilizes 303 acres of land and consists of 6,000 residential units, (28.0% of which will be affordable units), office and commercial space, 863,637 square feet of retail space, a new public school, 51-acres of parks and recreational areas, and a 500-room hotel. In addition, the University of California is constructing a 2,650,000 square foot biotechnology campus on a 43-acre site in Mission Bay, and has already completed several buildings, including the Bakar recreation center, and several lab buildings. Alexandria, the real estate firm that acquired most of Mission Bay's entitled land from Catellus, will complete its first speculative lab building, currently under construction next door to the Gladstone Institutes, in late 2006.

The Octavia Boulevard Project, a ground-level six-lane boulevard between Market and Hayes Streets, opened in Fall 2005. The redevelopment of this roadway system has opened up approximately 7.2 acres of property to be used for the construction of 750-900 housing units.

Redevelopment of the former Hunters Point Naval Shipyard on San Francisco's southern waterfront began in September 2005, with the demolition of existing buildings, clearing the way for new infrastructure development, currently underway. The 90-acre first phase of development is expected to comprise 1,600 housing units, 300,000 square feet of commercial uses, 34 acres of open space and other community amenities. Future phases of this 500-acre redevelopment effort will include additional residential and commercial development.

Significant progress has been made on planning for the redevelopment of Treasure Island, including development, of a revised land use plan that furthers the project's commitment to creating a model of environmentally sustainable development. The City is on track for endorsement of a Term Sheet for the overall project by the Board of Supervisors by Summer 2006.

**Hotel Development.** The City added 476 rooms in 2005: the 200-room Hotel Vitale in March, and the 276-room St.Regis in November. In addition, a total of 2,288 hotel rooms are under construction, entitled, or in the planning stage in San Francisco.

Notable projects include the following:

- The 86-room Orchard Garden is currently under construction at 466 Bush Street (at Grant) with an opening scheduled for September 2006.
- The 550-room, 32-story InterContinental Hotel near Moscone West at 888 Howard Street recently secured financing and has a planned groundbreaking this December, with an opening scheduled for November 2007.
- Chelsea Development plans to erect a \$30 million, 10-story, 132-room boutique hotel at 144 King Street, across from AT&T Park Park.
- Farallon Capital Management controls a parcel near Third and Channel Streets, entitled for 500 hotel rooms, where Larkspur Hospitality of Corte Madera is considering building a lodge.
- Developer Circe Sher is in the process of entitling the Hotel SoMa, a 70-room boutique hotel at Fifth and Townsend.
- Early-stage plans call for the renovation of the upper floors of Ghiradelli Square and converting the existing uses to residential uses, which may include 90 interval ownership units. Plans are very preliminary.
- A 100-room boutique hotel is in the early planning stage at The Presidio – Main Post.

- The Transbay Terminal project, part of the Transbay Redevelopment Plan, includes a 260-room full service hotel.
- Preliminary plans call for 400 to 500 hotel rooms in two separate hotel projects on Treasure Island.

## **Transportation Facilities**

### *San Francisco International Airport*

San Francisco International Airport (“SFO”), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and San Francisco Bay. According to final data for calendar year 2004 from the Airports Council International (the “ACI”), SFO is one of the largest airports in the United States in terms of passengers. SFO is also a major origin and destination point and one of the nation’s principal gateways for Pacific traffic. In fiscal 2004-05, the Airport served over 32 million passengers and handled 587.5 thousand metric tons of cargo.

During fiscal year 2004-05, 63 airlines served the Airport with non-stop and one-stop service to 91 destinations in the United States. In addition, 27 airlines provided nonstop and one-stop scheduled passenger service to over 45 international destinations.

United Airlines operates one of its five major U.S. hubs at SFO. During Fiscal Year 2004-05, United Airlines (including Ted) handled approximately 42% of the total enplaned passengers at the Airport and accounted for approximately 23% of the Airport’s total revenues. On December 9, 2002, UAL Corp. (“UAL”), the parent company of United Airlines, and numerous of its subsidiaries including United Airlines, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Since the Chapter 11 filing, United Airlines has continued flight operations at the Airport and since January 1, 2003 it has remained current with its payments to the Airport for rents and landing fees.

The San Francisco Bay Area Rapid Transit District (“BART”) extension to the Airport opened for full operation on June 22, 2003. The extension creates a convenient connection between the Airport and the greater San Francisco Bay Area that is served by BART. An intermodal station in the City of Millbrae provides a direct link to Caltrain offering additional transit options and connections to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals.

The AirTrain system, which opened for full operation on March 24, 2003, provides transit service over a “terminal loop” to serve the terminal complex and over a “north corridor loop” to serve the rental car facility and other locations situated north of the terminal complex. The AirTrain stations are located at the north and south sides of the International Terminal, at Terminals 1, 2 and 3, at the two short-term International Terminal Complex (“ITC”) parking garages, on Lot “D” to serve the rental car facility, and on McDonnell Road to serve the West Field area of the Airport.

Table B-7 presents certain data regarding SFO for the last five fiscal years.

**TABLE B-7**

<b>SAN FRANCISCO INTERNATIONAL AIRPORT</b> <b>Passenger, Cargo and Mail Data for</b> <b>Fiscal Years ending June 30, 2001 through 2005</b>				
Fiscal year Ended <u>June 30</u>	<b>Passengers</b>		<b>Cargo Traffic</b>	
	Enplanements and <u>Deplanements</u>	Annual Percent <u>Change</u>	Freight and Express Air <u>(Metric Tons)</u>	U.S. and Foreign Mail <u>(Metric Tons)</u>
2001	38,735,076	-3.7	621,434	150,538
2002	30,932,889	-20.1	467,301	93,953
2003	29,174,229	-5.7	517,420	89,533
2004	30,771,464	5.5	472,953	79,154
2005	32,626,818	6.0	512,800	74,717
Source: San Francisco Airport Commission.				

### *Port of San Francisco*

The Port of San Francisco (the “Port”) consists of 7.5 miles of San Francisco Bay waterfront which are held in “public trust” on behalf of all the people of California. The State transferred responsibility for the Port to the City in 1968. The Port is committed to promoting a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, as well as protecting the natural resources of the waterfront and developing recreational facilities for public use.

The Port is governed by a five-member Port Commission which is responsible for the operation, management, development and regulation of the Port. All revenues generated by the Port are to be used for Port purposes only. The Port receives no operating subsidies from the City, and the Port has no taxing power.

The Port posted an increase in net assets of \$21.5 million for fiscal year ending June 30, 2005. Operating income totaled \$3.8 million for the year. Port properties generated \$57.5 million in operating revenue in fiscal year 2004-05 as shown in the table below.

**TABLE B-8**

<b>PORT OF SAN FRANCISCO</b> <b>FISCAL YEARS 2005 AND 2004 REVENUES</b> <b>( \$000s)</b>				
<u>Business Line</u>	<u>FY 03-04 Audited Revenue</u>	<u>Percentage of 2004 Revenue</u>	<u>FY 04-05 Audited Revenue</u>	<u>Percentage of 2005 Revenue</u>
Commercial & Industrial Rent	\$33,489	59.1%	\$34,791	60.5%
Parking	8,154	14.4	8,600	15.0
Cargo	5,561	9.8	5,277	9.2
Fishing	1,454	2.6	1,520	2.6
Ship Repair	867	1.5	1,021	1.8
Harbor Services	991	1.7	997	1.7
Cruise	1,578	2.8	1,679	2.9
Other Maritime	1,319	2.3	1,206	2.1
Other	<u>3,289</u>	<u>5.8</u>	<u>2,428</u>	<u>4.2</u>
TOTAL	\$56,702	100.0%	\$57,519	100.0%
Source: Port of San Francisco Audited Financial Statements.				

In June 1997, the Port Commission adopted a Waterfront Land Use Plan (the “Port Plan”) which established the framework for determining acceptable uses for Port property. The Port Plan calls for a wide variety of land uses which retain and expand historic maritime activities at the Port, provide revenue to support new maritime and public improvements, and significantly increase public access.

After adoption of the Port Plan, the Port worked with the San Francisco Planning Commission, the Board of Supervisors, and the San Francisco Bay Conservation and Development Commission, to align the waterfront policies for these agencies. Together, these efforts have enabled several large scale waterfront development projects to proceed.

Since 1997, the Port has overseen the successful completion of the following developments: AT&T Park, the home of the San Francisco Giants baseball team; a maritime office development on Pier 1; a renovation of the Port’s Ferry Building; the Downtown Ferry Terminal project; and Rincon Park, a two acre park and public open space located along the Embarcadero Promenade.

Major development projects currently in negotiation and/or construction include: a mixed use recreation and historic preservation project at Piers 27-31; a mixed use historic preservation and reuse of Piers 1½-5; a historic rehabilitation of Piers 15-17; a restaurant development located at the south end of Rincon Park; and an international cruise terminal and mixed use office/retail complex in the South Beach area of San Francisco. This latter project involves the construction of a condominium tower project, a new cruise terminal, an office and retail development, and a new waterfront park known as Brannan Street Wharf.

The Port is also constructing a \$27 million inter-modal bridge to provide direct rail and truck connections between Piers 80 and 94-96 along the Illinois Street right of way located in the Southern Waterfront. Funding for this project is from a combination of federal, state, and local grants, a capital contribution from Catellus Corporation, and Port funds.

### *Other Transportation Facilities*

The San Francisco Bay is surrounded by nine counties comprising the Bay Area. Although the Bay itself creates a natural barrier for transportation throughout the region, several bridges, highways and public transportation systems connect the counties. The majority of the transportation modes throughout the Bay utilize San Francisco as a hub, and provide access into the City itself for commuting, entertainment, shopping and other activities. The major transportation facilities connecting the City to the remainder of the region include the Golden Gate and Bay Bridges, the Bay Area Rapid Transit rail line, CalTrain, the Valley Transportation Authority, and the Alameda-Contra Costa, San Mateo, Santa Clara and Golden Gate Transit Districts' bus lines. Public and private companies also provide ferry service across the Bay.

Other transportation services connect the Bay Area to the State, national and global economy. In addition to the San Francisco International Airport, the San Francisco Bay Area is served by two other major airports: the Oakland International Airport in Alameda County, and the San Jose International Airport in Santa Clara County. These airports provide the Bay Area's air passengers with service to all major domestic cities and many international cities and are important cargo transportation facilities.

The Port of Oakland is an important cargo and transportation facility for the Bay Area providing a strong link to the Pacific Rim. The Port of Oakland is served by three major railroads with rail lines and/or connections to the Midwest and beyond.

### **Education**

The City is served by the San Francisco Unified School District (the "SFUSD"). The SFUSD has a board of seven members who are elected Citywide. Schools within the SFUSD are financed from available property taxes and State, Federal and local funds. The SFUSD operates 71 elementary schools sites, 15 middle schools, 19 senior high schools, one adult program and 28 State funded preschool sites. The District currently sponsors 10 independent charter schools.

### *Colleges and Universities*

Within the City, the University of San Francisco and California State University at San Francisco offer full four-year degree programs of study as well as graduate degree programs. The University of California, San Francisco is a health science campus consisting of the schools of medicine, dentistry, nursing, pharmacy and graduate programs in health science. The Hastings College of the Law is affiliated with the University of California. The University of the Pacific's School of Dentistry and Golden Gate University are also located in the City. City College of San Francisco offers two years of college-level study leading to associate degrees.

The nine-county Bay Area region includes approximately 20 public and private colleges and universities. Most notable among them are the University of California, at Berkeley and Stanford University. Both institutions offer full curricula leading to bachelors, masters and doctoral degrees, and are known worldwide for their contributions to higher education.



**APPENDIX C**

**AGENCY'S AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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

**(A Component Unit of the City and County of San Francisco)**

**Basic Financial Statements with Supplementary Information  
(Single Audit)**

**June 30, 2005**

**(With Independent Auditors' Reports Thereon)**

**WILLIAMS, ADLEY & COMPANY, LLP**

**Certified Public Accountants  
and  
Management Consultants**



**WILLIAMS, ADLEY & COMPANY, LLP**  
Certified Public Accountants  
Management Consultants

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

**(A Component Unit of the City and County of San Francisco)**

**Basic Financial Statements with Supplementary Information  
(Single Audit)**

**June 30, 2005**

**(With Independent Auditors' Reports Thereon)**

**REDEVELOPMENT AGENCY  
OF THE CITY AND COUNTY OF SAN FRANCISCO  
(A Component Unit of the City and County of San Francisco)**

**June 30, 2005**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Governmental Funds:	
Balance Sheet	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Proprietary Fund:	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21
Agency Fund:	
Statement of Fiduciary Net Assets	22
Notes to Financial Statements	23
Required Supplementary Information:	
Schedule of Funding Progress	54
Other Supplementary Information:	
Capital Projects Fund:	
Combining Schedule of Accounts	55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Account	56
Debt Service Fund:	
Combining Schedule of Accounts	57
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Account	58

**REDEVELOPMENT AGENCY  
OF THE CITY AND COUNTY OF SAN FRANCISCO  
(A Component Unit of the City and County of San Francisco)**

**June 30, 2005**

**Table of Contents**

	<b>Page</b>
Proprietary Fund:	
Combining Schedule of Revenues and Expenses by Account	59
Agency Fund:	
Combining Schedule of Fiduciary Net Assets by Account	60
Schedule of Expenditures of Federal Awards	61
Notes to Schedule of Expenditures of Federal Awards	62
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government     Auditing Standards</i>	63
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	65
Schedule of Findings and Questioned Costs	67
Schedule of State Compliance Findings	68



**WILLIAMS, ADLEY & COMPANY, LLP**

Certified Public Accountants  
Management Consultants

**Independent Auditors' Report**

The Honorable Agency Commissioners  
Redevelopment Agency of the  
City and County of San Francisco:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Redevelopment Agency of the City and County of San Francisco (the Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Agency as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1(b) to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2005 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**WILLIAMS, ADLEY & COMPANY, LLP**

Certified Public Accountants  
Management Consultants

The Management's Discussion and Analysis on pages 3 through 13 and the schedule of funding progress on page 54 are not required parts of the basic financial statements of the Agency, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Agency. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Williams, Adley & Company, LLP*

San Francisco, California  
November 9, 2005



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**A**s management of the Redevelopment Agency of the City and County of San Francisco (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

### FINANCIAL HIGHLIGHTS

#### Overall Agency

The Agency's total spending program for fiscal year ended June 30, 2005 was \$141.4 versus the prior year's total of \$117.3. The overall increase in the expenses for the year was primarily due to an increase of \$26.9 in urban redevelopment and housing activities and a decrease of \$2.8 in interest expense. During the year, the Agency assisted in developing 1,327 affordable units for extremely low-income, very low-income, and low-and moderate-income individuals, families and senior citizens.

Of the \$141.4 total in program spending, \$58.9 was supported by property and hotel taxes as compared to \$46.0 for the prior year. The increase was primarily caused by a \$13.1 increase in property tax increment due to higher discretionary funding by the Board of Supervisors, offset by a slight decrease of \$0.2 in hotel tax revenue. The remaining \$82.5 in expenses was supported by non-tax revenue sources, such as leases, grants, investment earnings, loan payments, developer contributions, and bond proceeds. This compares to the prior year total of \$71.3 in other revenues.

The Agency's housing program expenditures for the year 2005 totaled \$74.5, which is included in the total expenditures for the year. This contrasts with the \$35.8 in housing program expenditures in the prior year. The year 2005 expenditures included \$9.9 for the federally funded Housing Opportunities for People With AIDS (HOPWA) program. During the year 2004, \$9.6 was invested in HOPWA. The major expenditures for 2005 included the acquisition of central freeway parcels G, O, Q and U in the Western Addition Area Two Redevelopment Project; 10<sup>th</sup> and Mission Streets and 9<sup>th</sup> and Jessie Streets parcels in the South of Market Project Area; and rehabilitation and development of low-income housing within various project areas. These parcels will be developed into affordable housing units by various developers and the Agency will enter into ground lease agreements with developers. Current expenditures were financed from a variety of sources including investment earnings, tax increment and sale of tax allocation bonds. Affordable housing comprises over 46.3% of the Agency's total work program budget for the fiscal year 2005.

In May 2002, the Agency created a non-profit organization, Public Initiative Development Corporation (PIDC) to develop Plaza Apartments with 106 affordable-housing units in the South of Market Project Area. Construction of this project began in December 2003 and the Plaza Apartments are expected to be occupied by December 2005. In March 2004, PIDC entered into a ground lease agreement with the Agency for the air rights to the property, including the ownership of the improvement. In November 2004, a first amended and restated agreement of limited partnership was executed between PIDC and Wincopin Circle LLLP. This agreement provided assignment of the ground lease and Agency loan to the Plaza Apartments Associates, L. P. The managing general partner of the Plaza Apartments Associates, L.P. is PIDC, which owns a 0.01% interest and Wincopin Circle LLLP serves as the Limited Partner with a 99.99% interest.

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In February 2005, the construction of the Jessie Square Garage in Yerba Buena Center was completed. This garage consists of approximately 450 parking spaces and is located on 223 Stevenson Street. The operations of the garage are managed by San Francisco Parking Inc. The net revenue after operating expenses from the garage will be used to reimburse the City for tax increment advanced for debt service payments on the tax allocation bonds used to construct the garage.

#### Governmental Activities

The Agency ended June 30, 2005 with a deficit of \$59.2 in net assets as compared to the 2004 ending deficit balance of \$50.0. The decrease in net assets for the year totaled \$9.2 as contrasted to a net decrease in net assets for 2004 of \$8.4.

The Agency's total spending for 2005 was \$138.8, which increased from the 2004 total of \$114.7. The increase in spending was attributable to urban redevelopment and housing activities. Charges for services increased in 2005 to \$39.2 from \$19.5 in the prior year, primarily due to increased debt service reimbursements from the City and County of San Francisco (the City) related to the Moscone lease agreement. Operating grants slightly increased from \$14.3 to \$14.4 in 2005 as in 2004. The net cost of government activities for 2005 totaled \$85.3, which increased from \$80.9 in 2004. General revenues during 2005 totaled \$76 versus \$72.5 in 2004.

#### Business-Type Activities

The Agency's business-type activities ended 2005 with a net deficit of \$1.8, which is smaller than the 2004 ending deficit of \$2.3. The increase in net assets for 2005 totaled \$0.5. Business-type activity expenses totaled \$2.6 for 2005, which is the same level as 2004. Charges for services for 2005 totaled \$2.8 versus \$2.6 in the prior year's total.

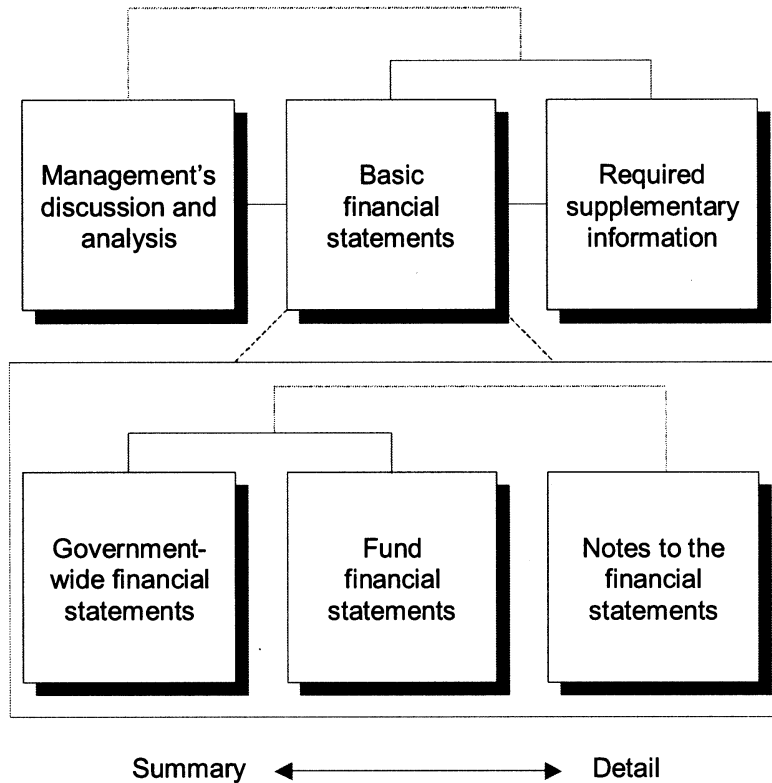
The net revenue for business activities (in thousands) was \$468,000 compared to \$260,000 in 2004. Changes for services of \$2.8 were supplemented by general revenues totaling \$259,000, compared to general revenues of \$228,000 in the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining schedules for major governmental, proprietary and agency funds by project area. The basic financial statements include two kinds of statements that present different views of the Agency:

- The first two statements are government-wide financial statements that provide combined long-term and short-term information about the Agency's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the government-wide statements.
  - Governmental funds statements tell how services like urban redevelopment and housing were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activity the Agency operates like a business, such as the South Beach Yacht Harbor operation.
  - Fiduciary fund statements provide information about the financial relationships in which the Agency acts solely as an agent for the benefit of others, to whom the resources in question belong.

**Figure A-1**  
**Redevelopment Agency of the City and County of San Francisco**  
**Required Components of the Annual Financial Report**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining schedules that provide details about our governmental, proprietary, and agency funds by project area, each of which are added together and presented in individual columns in the basic financial statements.

Figure A-2 summarizes the major features of the Agency's financial statements, including the portion of the Agency they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
**Redevelopment Agency of the City and County of San Francisco**  
**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire Agency (except fiduciary funds)	The activities of the Agency that are not proprietary or fiduciary, such as urban redevelopment and housing	The activity in which the Agency operates similar to a private business – the South Beach Yacht Harbor	Instances in which the Agency is an agent for someone else's resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	Agency funds are custodial in nature and do not involve the measurement of results of operations

## Government-Wide Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net assets and how they have changed. Net assets, the difference between the Agency's assets and liabilities, are one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

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The government-wide financial statements of the Agency are divided into two categories:

- **Governmental activities** – Most of the Agency’s basic services are included here, such as the urban redevelopment and housing activities. Incremental property taxes, property sales, rental income, hotel taxes, investment income, and state and federal grants finance most of these activities.
- **Business-type activities** – The Agency charges fees to customers to help it cover the costs of certain services it provides. The Agency’s South Beach Yacht Harbor operations are included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Agency’s most significant funds, not the Agency as a whole. Funds are accounting devices that the Agency uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The Agency Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Agency has three kinds of funds:

- **Governmental funds** – Most of the Agency’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flows in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds** – Services for which the Agency charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Agency’s enterprise fund (one type of proprietary fund) is the same as its business-type activities, but provides more detail and additional information, such as cash flows.
- **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Agency is responsible for ensuring that the assets reported in this fund are used for their intended purposes. All of the Agency’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Agency’s government-wide financial statements because the Agency cannot use these assets to finance its operations.

## **FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

**Net assets.** The Agency’s net deficit was \$61.0 at June 30, 2005. The deficit at June 30, 2004 was \$52.2 (see Table A-1). This represents a decline of \$8.8 in the Agency’s overall financial position. The deficit in the government-wide statements is predominantly due to the nature of the Agency’s redevelopment activities, which is heavily dependent upon long-term debt financing. The Agency receives property tax increment revenue from the City and County of San Francisco for purposes of satisfying the debt service requirements of the Agency’s tax allocation revenue bonds. The level of property tax increment received is influenced by the outstanding balance of tax allocation revenue bonds, and as such, increases as necessary to meet the corresponding debt service requirements of the bonds. In evaluating the financial position of the Agency the reader should

understand that the Agency's debt is secured by future revenues (tax increment) and that there are industry and Agency guidelines to ensure that the Agency debt level and deficit remain manageable.

The net deficit from the governmental activities is \$59.2 versus the prior year total of \$50.0. During 2005, the net assets decreased by \$9.2 versus a decrease in the prior year of \$8.4. The net asset decrease was primarily the result of increased expenses related to developing affordable housing units in the City.

A major portion of the net assets, \$67.4, reflects the Agency's investment in capital assets such as, land, building improvements and equipment, less any related outstanding debt used to acquire those assets. The prior year total was \$43.2. The Agency uses these capital assets to provide services to citizens. Certain other net assets are restricted for future use: \$13.6 is restricted for urban development and housing activities and \$47.1 is restricted for future debt service payments. There is a deficit in unrestricted net assets of \$189.9 in governmental activities and a deficit in total net assets of \$1.8 in business-type activities.

The harbor operation in the business-type activities was profitable during 2005 with a \$0.5 increase in net assets. The deficit net assets represent cumulative losses from prior years when the occupancy and berth rental rates were lower than the current levels.

**Table A-1**  
**Redevelopment Agency of the City and County of San Francisco**  
**Net Assets**  
**June 30, 2005 and 2004**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Current and other assets	\$ 481,927	642,778	3,442	4,164	485,369	646,942
Capital assets	252,427	219,105	14,460	14,886	266,887	233,991
<b>Total assets</b>	<b>734,354</b>	<b>861,883</b>	<b>17,902</b>	<b>19,050</b>	<b>752,256</b>	<b>880,933</b>
Long-term debt outstanding	763,374	879,058	18,957	20,584	782,331	899,642
Other liabilities	30,205	32,785	732	720	30,937	33,505
<b>Total liabilities</b>	<b>793,579</b>	<b>911,843</b>	<b>19,689</b>	<b>21,304</b>	<b>813,268</b>	<b>933,147</b>
Net assets:						
Invested in capital assets, net of related debt	69,929	45,979	(2,503)	(2,779)	67,426	43,200
Restricted for:						
Urban redevelopment and housing	13,634	13,985	—	—	13,634	13,985
Debt service	47,067	139,969	—	—	47,067	139,969
Unrestricted	(189,854)	(249,893)	716	525	(189,138)	(249,368)
<b>Total net assets (deficit)</b>	<b>\$ (59,224)</b>	<b>(49,960)</b>	<b>(1,787)</b>	<b>(2,254)</b>	<b>(61,011)</b>	<b>(52,214)</b>

**Changes in net assets.** The Agency's total revenues were \$132.6 versus \$109.2 million in the prior year (see Table A-2 and Figure A-3). The Agency's revenue base primarily consists of:

- Charges for Services
- Property Tax Increment
- Operating Grants and Contributions

- Other (includes investment earnings and land sales)

The increase in revenues was primarily due to additional funds received from the City for the refunding activities of bonds during the year.

**Table A-2**  
**Redevelopment Agency of the City and County of San Francisco**  
**Changes in the Net Assets**

**Years Ended June 30, 2005 and 2004**

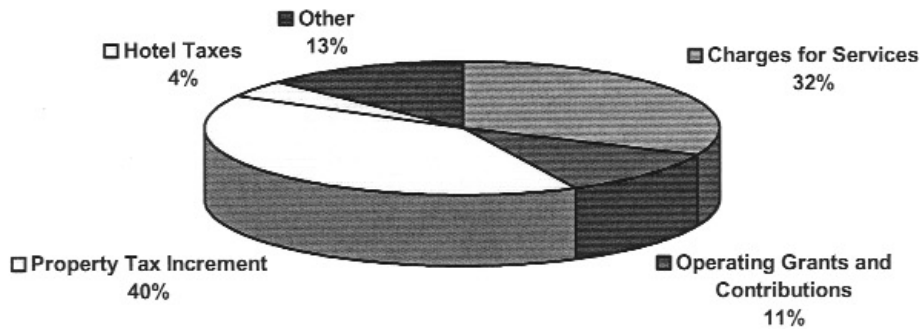
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 39,202	19,490	2,777	2,643	41,979	22,133
Operating grants and contributions	14,363	14,271	—	—	14,363	14,271
General revenues:						
Property tax increment	53,106	39,961	196	196	53,302	40,157
Hotel taxes	5,620	5,794	—	—	5,620	5,794
Other (Including investment income and land sales)	17,266	26,776	62	32	17,328	26,808
<b>Total revenues</b>	<b>129,557</b>	<b>106,292</b>	<b>3,035</b>	<b>2,871</b>	<b>132,592</b>	<b>109,163</b>
<b>Expenses</b>						
Urban redevelopment and housing	95,149	68,223	—	—	95,149	68,223
Interest on long-term debt	43,673	46,429	—	—	43,673	46,429
Harbor	—	—	2,567	2,611	2,567	2,611
<b>Total expenses</b>	<b>138,822</b>	<b>114,652</b>	<b>2,567</b>	<b>2,611</b>	<b>141,389</b>	<b>117,263</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (9,265)</b>	<b>(8,360)</b>	<b>468</b>	<b>260</b>	<b>(8,797)</b>	<b>(8,100)</b>

The total cost of all programs and services was \$141.4 as compared to the prior year's total of \$117.3. The Agency's expenses cover a range of services, most of which relate to redevelopment and housing (see Figure A-4). The Agency's current year expense for urban redevelopment and housing was \$95.1, which represents an increase of \$26.9 from prior year. It is due to the increase of housing expenses in current year. The Agency has continued funding the construction of the Plaza Apartments, the Senator Hotel and the Mission Creek Senior Housing.

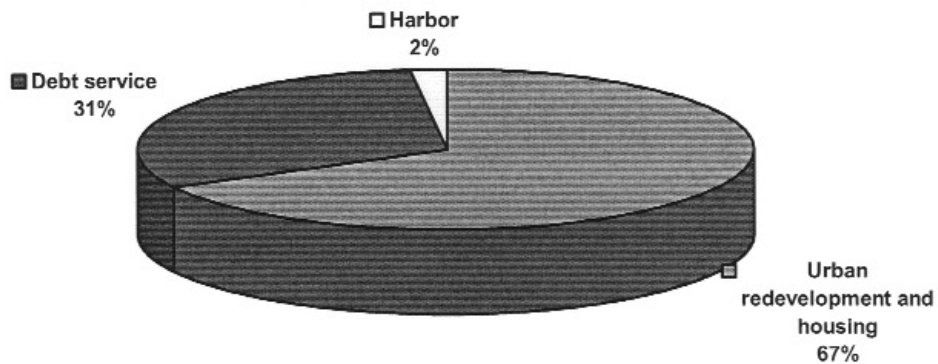
The expenses in governmental activities for redevelopment activities exceeded the revenues. Expenses totaled \$138.8 as compared to \$114.7 in the prior year. Of the current year total, \$95.1 (\$68.2 in the prior year) was for redevelopment and housing, and \$43.7 (\$46.4 in the prior year) was for interest payments. The revenues totaled \$129.6 from various sources (see Table A-2). This resulted in a \$9.2 decrease in net assets.

The increase in net assets for business activities for the current year was higher than the prior year as a result of an increase in charges for services and other revenue sources. Revenues totaled \$3.0, which was slightly higher than prior year. Expenses for 2005 totaled \$2.6, which approximated the 2004 total.

**Figure A-3**  
**Redevelopment Agency of the City and County of San Francisco**  
**Sources of Revenue for Fiscal Year 2005**



**Figure A-4**  
**Redevelopment Agency of the City and County of San Francisco**  
**Functional Expenses for Fiscal Year 2005**



### Governmental Activities

The cost and net cost (total cost less fees generated by the activities and intergovernmental aid) of the Agency's redevelopment and housing program amounted to \$138.8 and \$85.3, respectively, for the year ended June 30, 2005. The net cost was funded by \$76.0 of general revenues, which included tax increment, hotel taxes, and investment earnings. The net cost of the Agency's governmental activities for 2004 amounted to \$80.9.



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The Agency works with other City departments to alleviate physical and economic blight in geographic areas that the Board of Supervisors has identified as redevelopment project areas. The Agency is a catalyst for development on public and private land in these project areas. This development provides additional tax revenue and other community benefits. The Agency's activities include financing public improvements, acquiring and disposing of land, funding affordable housing, facilitating public-private partnerships, promoting entrepreneurial development opportunities, and creating job training.

The cost of all governmental activities this year was \$138.8. However, the amount that taxpayers of the City paid through property taxes for these activities was only \$53.1. Some of the costs were paid by:

- Those who paid user fees and other charges for the programs \$39.2.
- Other governments and organizations that subsidized certain programs with grants and contributions \$14.3.

The Agency paid for the remaining governmental activities with other revenues such as hotel tax revenue, investment earnings and sale of Agency-owned properties. The excess of expenses over revenues increased the deficit balance of net assets.

### **Financial Analysis of the Agency's Funds**

The Agency uses fund accounting to ensure compliance with finance-related legal requirements. The governmental funds in this case include the capital projects and debt service funds.

#### **Governmental Funds**

During the year the Agency expended \$296.1 through the governmental funds including \$133.3 on urban redevelopment and housing activities through the capital projects fund and \$162.8 for principal and interest payments through the debt service fund. Expenditures for urban redevelopment and housing activities during 2005 increased by \$38.8 from 2004 due to an increase in improvement expenditures related to urban renewal. Significant expenditures during 2005 were made to develop low-income housing, site acquisition, fund site improvement and HOPWA.

As of June 30, 2005, the capital projects fund had assets of \$195.3 and \$167.4 in fund balances available. Of the \$167.4 of fund balances, \$144.6 is unreserved and can be used for the general purposes of the Agency. The balance of \$22.8 consists of \$13.6 of amounts invested in property held for resale and \$9.2 of notes and mortgages receivable.

The capital projects fund balance decreased by \$19.6 during the year. Expenditures for development activities exceeded revenues from tax increment, property sales, grants and other sources by \$34.1. Transfers in from bond trustees and other financing sources of \$14.5 resulted in the net decrease in fund balance of \$19.6.

Debt service fund payments for principal and interest increased to \$162.8 in 2005 up from \$92.0 in 2004. The increase in payments was primarily due to increased payments for interest, principal and accreted interest related to the final redemption of the Moscone Convention Center Lease Revenue Bonds, Series 1988.

The debt service fund had assets totaling \$278.3, of which \$88.7 is reserved for the payment of future debt service. The principal assets in the debt service fund are a lease receivable of \$189.2 from the City for Moscone Center and investments with trustees of \$89.1.

The debt service fund balance decreased by \$144.6. Debt service payments exceeded revenues by \$135.4, which combined with net other financing sources and transfers out to the capital project fund of \$9.2, resulting in the \$144.6 decrease.

## Proprietary Fund

Revenues of the Agency's proprietary fund totaled \$3.0 and expenses totaled \$2.5 resulting in a \$0.5 increase in net assets, which is up \$0.2 from the prior year due to higher charges for services. The proprietary fund is related to the operations of a small boat harbor in the Rincon Point South Beach Project Area. The harbor has 690 boat berths, which are rented out to commercial and recreational tenants. The construction of the harbor was financed with lease revenue bonds and a loan from the California Department of Boating and Waterways.

## Fiduciary Fund

As the Agency completed the year, its fiduciary fund reported an asset balance of \$2.9 versus \$2.4 in the prior year. This balance is not reflected as part of the government-wide financial statement because the resources of this fund are not available to support the Agency's own programs. The fiduciary fund is used to account for resources held for the City and performance deposits received from developers. Performance deposits are held by the Agency until the developers fulfill their contractual obligations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2005, the Agency had invested \$266.9 in a broad range of capital assets, including properties held for lease, leasehold improvements, building improvements, furniture and equipment and construction in progress (see Table A-3).

**Table A-3**  
**Redevelopment Agency of the City and County of San Francisco**  
**Capital Assets (net of depreciation)**  
**June 30, 2005 and 2004**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Property held for lease	\$ 104,967.6	82,692.3	-	-	104,967.6	82,692.3
Leasehold improvements	-	-	13,815.9	14,248.0	13,815.9	14,248.0
Furniture and equipment -general	115.0	119.5	43.9	37.5	158.9	157.0
Buildings and improvement-Yerba Buena Center	125,422.8	104,878.8	-	-	125,422.8	104,878.8
Furniture and equipment - Yerba Buena Center	229.2	446.1	-	-	229.2	446.1
Construction in progress	21,692.4	30,968.3	600.0	600.0	22,292.4	31,568.3
Total	\$ 252,427.0	219,105.0	14,459.8	14,885.5	266,886.8	233,990.5

This year's major capital asset additions included land held for lease of \$22.3. The Agency acquired seven pieces of land for lease to nonprofit organizations that rent the units to low- and moderate-income households. The Agency acquired one parcel of land for future resale in the amount of \$1.0. The Mexican Museum and the Jessie Square Plaza were under construction during this year. Net construction in progress decreased by \$9.3 as a result of the completion of the Jessie Square Garage in February 2005; construction and improvements amounting to \$11.8 were made to the Yerba Buena Center Project; and \$5.7 in improvements were made to the Rincon Point South Beach Project. Detailed information regarding the Agency's capital assets is included in the notes to the financial statements.

## Long-Term Debt

As of June 30, 2005, the Agency had \$772.9 in long-term debt (including accreted interest) as shown in Table A-4. Detailed information regarding the Agency's debt is included in the notes to the financial statements.

**Table A-4**  
**Redevelopment Agency of the City and County of San Francisco**  
**Long-term Debt**  
**June 30, 2005 and 2004**

		Governmental		Business-type		Total	
		Activities		Activities			
		2005	2004	2005	2004	2005	2004
Lease revenue bonds	\$	138,155	171,651	-	-	138,155	171,651
Tax allocation revenue bonds		469,671	485,897	-	-	469,671	485,897
Hotel tax revenue bonds		67,220	70,165	-	-	67,220	70,165
Accreted interest payable on bonds		77,025	142,388	-	-	77,025	142,388
State loan		-	-	8,000	8,000	8,000	8,000
Refunding bond		-	-	10,000	11,500	10,000	11,500
Advances from the City		2,838				2,838	-
<b>Total</b>	<b>\$</b>	<b>754,909</b>	<b>870,101</b>	<b>18,000</b>	<b>19,500</b>	<b>772,909</b>	<b>889,601</b>

## Bond Ratings

The Agency's Moscone Lease Revenue Bonds, series 2002 and 2004, and the Hotel Tax Revenue Bonds have been rated "AAA" by Standard & Poor's (S&P) and "Aaa" by Moody's Investors Service (Moody's) based on bond insurance provided by Financial Security Assurance Incorporated (FSA). Most, but not all, of the tax allocation bonds have been rated "AAA" based on insurance by MBIA, FGIC, FSA or AMBAC. Those tax allocation bonds not insured have ratings of "A" and "A2" from S&P and Moody's, respectively. The Moscone Lease Revenue Bonds, series 1992, are uninsured and have been rated "AA" by S&P and "A1" by Moody's. The 1986 Refunding Bond has been rated "Aa1/VMIG1" by Moody's based on a letter of credit provided by Credit Local de France (Dexia Credit Local).

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Redevelopment Agency of the City and County of San Francisco, Finance Department, 770 Golden Gate Avenue, 3<sup>rd</sup> Floor, San Francisco, California, 94102.

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

Statement of Net Assets

June 30, 2005

<b>Assets</b>	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Deposits and investments	\$ 155,958,212	1,717,009	157,675,221
Interest and other receivables	6,297,818	23,796	6,321,614
Internal balances	132,716	(132,716)	—
Property held for sale	13,634,286	—	13,634,286
Restricted assets:			
Investments with trustees	89,068,717	1,834,121	90,902,838
Intergovernmental receivable	985,100	—	985,100
Capital assets (net of accumulated depreciation):			
Land held for lease	104,967,554	—	104,967,554
Furniture and equipment – general	115,005	43,938	158,943
Furniture and equipment – Yerba Buena Center	229,152	—	229,152
Buildings and improvements – Yerba Buena Center	125,422,827	—	125,422,827
Leasehold improvements	—	13,815,887	13,815,887
Construction in progress	21,692,361	600,000	22,292,361
Capital lease receivable	198,227,342	—	198,227,342
Notes and mortgages receivable (net of allowance for uncollectible amounts of \$144,983,333)	9,210,559	—	9,210,559
Other assets	8,412,794	—	8,412,794
<b>Total assets</b>	<b>\$ 734,354,443</b>	<b>17,902,035</b>	<b>752,256,478</b>
<b>Liabilities:</b>			
Accounts payable	\$ 7,875,430	74,211	7,949,641
Due to primary government	536,619	—	536,619
Accrued interest payable	14,875,980	348,371	15,224,351
Unearned revenue	5,338,567	22,375	5,360,942
Other	1,578,027	286,990	1,865,017
Noncurrent liabilities:			
Due within one year	31,596,574	300,177	31,896,751
Due in more than one year	731,777,431	18,656,420	750,433,851
<b>Total liabilities</b>	<b>793,578,628</b>	<b>19,688,544</b>	<b>813,267,172</b>
<b>Net assets (deficit):</b>			
Invested in capital assets, net of related debt	69,928,768	(2,502,585)	67,426,183
Restricted for:			
Urban redevelopment and housing	13,634,286	—	13,634,286
Debt service	47,066,539	—	47,066,539
Unrestricted	(189,853,778)	716,076	(189,137,702)
<b>Total net assets (deficit)</b>	<b>\$ (59,224,185)</b>	<b>(1,786,509)</b>	<b>(61,010,694)</b>

See accompanying notes to basic financial statements.

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

Statement of Activities

Year ended June 30, 2005

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
Urban redevelopment and housing	\$ 95,149,352	17,319,159	14,363,451	(63,466,742)	—	(63,466,742)
Unallocated interest on long-term debt	43,672,304	21,882,645	—	(21,789,659)	—	(21,789,659)
Total governmental activities	138,821,656	39,201,804	14,363,451	(85,256,401)	—	(85,256,401)
Business-type activities:						
Harbor	2,567,376	2,776,520	—	—	209,144	209,144
Total business-type activities	2,567,376	2,776,520	—	—	209,144	209,144
Total	\$ 141,389,032	41,978,324	14,363,451	(85,256,401)	209,144	(85,047,257)
General revenues:						
Property tax increment				53,105,528	196,000	53,301,528
Hotel taxes				5,620,029	—	5,620,029
Unrestricted investment earnings				10,697,789	62,713	10,760,502
Other				6,568,517	—	6,568,517
Total general revenues and transfers				75,991,863	258,713	76,250,576
Change in net assets				(9,264,538)	467,857	(8,796,681)
Net assets (deficit), beginning of year				(49,959,647)	(2,254,366)	(52,214,013)
Net assets (deficit), end of year				\$ (59,224,185)	(1,786,509)	(61,010,694)

See accompanying notes to basic financial statements.

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

Governmental Funds

Balance Sheet

June 30, 2005

Assets	Capital projects	Debt service	Total
Deposits and investments	\$ 155,958,212	—	155,958,212
Interest and other receivables	6,297,818	—	6,297,818
Intergovernmental receivable	985,100	—	985,100
Due from other funds	132,716	—	132,716
Capital lease receivables	9,042,313	189,185,029	198,227,342
Notes and mortgages receivable (net of allowance for uncollectible amounts of \$144,983,333)	9,210,559	—	9,210,559
Property held for sale	13,634,286	—	13,634,286
Investments with trustees – restricted	—	89,068,717	89,068,717
Total assets	<u>\$ 195,261,004</u>	<u>278,253,746</u>	<u>473,514,750</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 7,875,430	—	7,875,430
Other liabilities	1,578,027	—	1,578,027
Due to primary government	205,000	331,619	536,619
Deferred revenue	18,195,065	189,185,029	207,380,094
Total liabilities	<u>27,853,522</u>	<u>189,516,648</u>	<u>217,370,170</u>
Fund balances:			
Reserved for:			
Debt service	—	88,737,098	88,737,098
Long term notes and mortgages receivable	9,210,559	—	9,210,559
Property held for sale	13,634,286	—	13,634,286
Unreserved			
Designated	144,562,637	—	144,562,637
Total fund balances	<u>167,407,482</u>	<u>88,737,098</u>	<u>256,144,580</u>
Total liabilities and fund balances	<u>\$ 195,261,004</u>	<u>278,253,746</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital and certain long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			260,839,693
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			202,041,527
Long term-liabilities (e.g., bonds, leases and advances ) are not due and payable in the current period and, therefore, are not reported in the funds.			(778,249,985)
Net assets of governmental activities			<u>\$ (59,224,185)</u>

See accompanying notes to basic financial statements.

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

Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2005

	<b>Capital projects</b>	<b>Debt service</b>	<b>Total</b>
<b>Revenues:</b>			
Property tax increment	\$ 53,105,528	—	53,105,528
Property sales	8,186,040	—	8,186,040
Rental / lease income	11,007,476	17,689,105	28,696,581
Investment income	6,693,786	4,074,413	10,768,199
Hotel tax	—	5,620,029	5,620,029
Grant revenue	9,933,041	—	9,933,041
Developer contributions	4,430,410	—	4,430,410
Other income	5,849,215	49,113	5,898,328
<b>Total revenues</b>	<b>99,205,496</b>	<b>27,432,660</b>	<b>126,638,156</b>
<b>Expenditures:</b>			
Current:			
Urban redevelopment and housing	133,316,979	—	133,316,979
Debt service:			
Principal retirement	—	52,666,500	52,666,500
Interest and finance charges	—	110,167,924	110,167,924
<b>Total expenditures</b>	<b>133,316,979</b>	<b>162,834,424</b>	<b>296,151,403</b>
<b>Deficiency of revenues over expenditures</b>	<b>(34,111,483)</b>	<b>(135,401,764)</b>	<b>(169,513,247)</b>
<b>Other financing sources (uses):</b>			
Other financing sources	6,093,174	—	6,093,174
Other financing uses	—	(840,642)	(840,642)
Transfers in	50,930,068	42,539,858	93,469,926
Transfers out	(42,539,858)	(50,930,068)	(93,469,926)
<b>Total other financing sources (uses)</b>	<b>14,483,384</b>	<b>(9,230,852)</b>	<b>5,252,532</b>
<b>Net change in fund balances</b>	<b>(19,628,099)</b>	<b>(144,632,616)</b>	<b>(164,260,715)</b>
<b>Fund balances, beginning of year</b>	<b>187,035,581</b>	<b>233,369,714</b>	<b>420,405,295</b>
<b>Fund balances, end of year</b>	<b>\$ 167,407,482</b>	<b>88,737,098</b>	<b>256,144,580</b>

See accompanying notes to basic financial statements.

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

Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (page 15)  
are different because:

Net change in fund balances – total governmental funds (page 17)	\$ (164,260,715)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	35,865,568
Transfers of capital assets decrease net assets in the statement of activities but, are not reported in the governmental funds.	(2,543,705)
Governmental funds do not report the accrual of income from capital leases and notes receivable because such income does not provide current financial resources. However, in the government-wide financial statements, the accruals result in income.	4,604,754
The issuance of long-term debt (e.g., bonds, leases, and advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	124,180,335
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(7,110,775)</u>
Change in net assets of governmental activities (page 15)	\$ <u><u>(9,264,538)</u></u>

See accompanying notes to basic financial statements.



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

Proprietary Fund  
Statement of Net Assets

June 30, 2005

**Assets:**

**Current assets:**

Deposits and investments	\$ 1,717,009
Interest receivable	7,765
Tenant receivables	<u>16,031</u>
Total current assets	1,740,805

**Noncurrent assets:**

Investments with trustees – restricted	1,834,121
Capital assets (net of accumulated depreciation):	
Equipment	43,938
Construction in progress	600,000
Leasehold improvements	<u>13,815,887</u>
Total noncurrent assets	<u>16,293,946</u>
Total assets	<u>18,034,751</u>

**Liabilities:**

**Current liabilities:**

Accounts payable	74,211
Due to other funds	132,716
Accrued vacation and sick leave pay	160,066
Other liabilities	286,990
Deferred revenue	22,375
Accreted interest payable	140,111
Accrued interest payable	<u>348,371</u>
Total current liabilities	<u>1,164,840</u>

**Noncurrent liabilities:**

Accreted interest payable	656,420
Refunding bonds payable	10,000,000
Loan payable	<u>8,000,000</u>
Total noncurrent liabilities	<u>18,656,420</u>
Total liabilities	<u>19,821,260</u>

**Net assets (deficit):**

Invested in capital assets, net of related debt	(2,502,585)
Unrestricted	<u>716,076</u>
Total net assets (deficit)	<u>\$ (1,786,509)</u>

See accompanying notes to basic financial statements.

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

Proprietary Fund  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year ended June 30, 2005

Operating revenues:	
Rent	\$ 2,735,909
Other	40,611
	<hr/>
Total operating revenues	2,776,520
	<hr/>
Operating expenses:	
Personnel	715,218
Rent	177,044
Insurance	91,105
Light, heat and power	221,105
Materials and supplies	37,387
Repairs and maintenance	146,563
Depreciation and amortization	440,467
General and administrative	47,783
Other	1,373
	<hr/>
Total operating expenses	1,878,045
	<hr/>
Operating income	898,475
	<hr/>
Nonoperating revenues (expenses):	
Investment earnings	62,713
Interest expense	(689,331)
Property tax increment	196,000
	<hr/>
Net nonoperating expenses	(430,618)
	<hr/>
Change in net assets	467,857
Total net assets (deficit), beginning of year	(2,254,366)
	<hr/>
Total net assets (deficit), end of year	\$ (1,786,509)
	<hr/> <hr/>

See accompanying notes to basic financial statements.

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

Proprietary Fund  
Statement of Cash Flows  
Year ended June 30, 2005

Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 38,396
Cash received from tenants for rent	2,719,878
Cash paid to suppliers for goods and services	<u>(2,483,642)</u>
Net cash provided by operating activities	<u>274,632</u>
 Cash flows from capital and related financing activities:	
Property tax increment	196,000
Acquisition of capital assets	(14,856)
Principal paid on long-term debt	(1,634,077)
Interest paid on long-term debt	<u>(689,331)</u>
Net cash used in capital and related financing activities	<u>(2,142,264)</u>
 Cash flows from investing activities:	
Purchase of investments with trustees	(31,588)
Interest income received	<u>62,713</u>
Net cash provided by investing activities	<u>31,125</u>
Net increase in cash and cash equivalents	(1,836,507)
Cash and cash equivalents, beginning of year	<u>3,553,516</u>
Cash and cash equivalents, end of year	<u>\$ 1,717,009</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 898,475
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	440,467
Changes in operating assets and liabilities:	
Increase in interest receivable	(2,215)
Increase in tenant receivables	(16,031)
Decrease in accounts payable	(2)
Increase in due to other funds	(1,064,473)
Increase in accrued vacation and sick leave	6,435
Increase in other liabilities	17,507
Increase in accrued interest payable	<u>(5,531)</u>
Net cash provided by operating activities	<u>\$ 274,632</u>

See accompanying notes to basic financial statements.

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

Agency Fund  
Statement of Fiduciary Net Assets

June 30, 2005

**Assets**

Deposits and investments	\$ 2,425,075
Notes and mortgages receivable	445,569
Investment with trustees – restricted	<u>34,524</u>
Total assets	<u><u>\$ 2,905,168</u></u>

**Liabilities**

Due to the City and County of San Francisco	\$ 480,093
Due to Community Facility District	811,121
Developers' performance deposits	<u>1,613,954</u>
Total liabilities	<u><u>\$ 2,905,168</u></u>

See accompanying notes to basic financial statements.

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

Notes to Financial Statements

June 30, 2005

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

**(a) General**

The Redevelopment Agency of the City and County of San Francisco (the Agency) is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. The Agency is included as a discretely presented component unit within the basic financial statements of the City and County of San Francisco (the City) because of its fiscal dependency on the City. The Agency is directed by a Commission composed of seven members. The Commissioners are appointed by the Mayor, with the approval of the Board of Supervisors of the City.

Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. In addition, the Agency is undertaking feasibility studies for two potential redevelopment areas, designated by the Board of Supervisors of the City, and proposed expansion to two existing project areas. The Agency acts as the lead Agency for the City in administering the Housing Opportunities for Persons with AIDS (HOPWA) program, which is a program funded by a grant from the United States (U.S.) Department of Housing and Urban Development. The Agency applied for and was awarded a "Special Projects of National Significance" grant under the HOPWA program to provide partial rent subsidies and back to work job training.

On October 14, 1997, the Board of Supervisors adopted ordinances approving the Federal Office Building Redevelopment Plan, and amending the Golden Gateway and South of Market Redevelopment Plans to create a three-way fiscal merger. The Agency is not currently pursuing redevelopment activities in the Golden Gateway project area. However, the merger allows the Agency to use the tax increment generated from the Golden Gateway project area to pay past indebtedness, fund the acquisition of the federal office building site and the Agency's affordable housing program, and finance activities in the South of Market project area.

In October and November 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, Tax Allocation Agreements, and related ordinances and resolutions. The two project areas total 303 acres. The Agency has entered into an Owner Participation Agreement with the owner/developer to provide for development of the project areas. The proposed development in the north includes 3,000 housing units, 20% of which will be affordable units, urban entertainment retail space, City-serving retail space, neighborhood-serving retail space and public open space. The proposed development in the south will include 3,090 housing units, 20% of which will be affordable units, a University of California at San Francisco (UCSF) research campus, a hotel, City-serving and neighborhood-serving retail space, commercial industrial space, a new fire and police station, and a 500-student public school on land to be donated by UCSF.

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

Notes to Financial Statements

June 30, 2005

As of June 30, 2005, 1079 residential units, including 148 affordable units, 24,000 square feet of office space, and 72,650 square feet of neighborhood retail space have been completed in Mission Bay North. Another 552 residential units are under construction, of which 159 units are affordable. A commercial office building totaling 285,000 square feet and two UCSF research buildings of 550,000 square feet have been completed in Mission Bay South. Mission Bay is expected to create over 31,000 new permanent jobs. The Mission Bay development will take place over 20 to 30 years, and will require investment of over \$145 million in new public infrastructure. Total development costs for the two project areas are expected to exceed \$4 billion.

The construction of the Jessie Square Garage (the Garage), which contains 450 parking spaces, was completed and started operations in February 2005. The Garage construction was financed by tax allocation bonds issued during the year ended June 30, 2003. The City has advanced tax increment revenue for debt service payments, which will be repaid from the net operating revenues from the Garage. The activities of the Garage are reported in the Yerba Buena Redevelopment project area in the capital projects fund.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas.

The financial statements present the Agency and its component units, entities for which the Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (the Authority) is a joint powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Authority is included as a blended component unit in the Agency's financial statements because the Agency's governing commission serves as the Board of Directors of the Authority.

The Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. PIDC is reported as a blended component unit of the Agency due to the majority of its governing body being comprised of Agency management. On November 12, 2004, a limited partnership, Plaza Apartments Associates, L.P. (the Partnership) was formed by PIDC and Wincopin Circle, LLLP. PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. The Partnership is currently constructing a 106-unit affordable housing project in the South of Market project area. The project, which is scheduled for completion in December 2005, was originally undertaken by PIDC. Additionally, PIDC transferred all related assets (including the rights to a ground lease) and liabilities to the Partnership. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

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

Notes to Financial Statements

June 30, 2005

**(b) *Implementation of New Accounting Principle***

The Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement 3*. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 40.

**(c) *Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Agency and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Certain indirect costs have been included as part of the program expenses reported in urban redevelopment and housing.

Separate financial statements are provided for the Agency's governmental funds, proprietary fund, and fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

**(d) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Incremental property taxes are recognized as revenues in the year for which they are levied by the City. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to *be available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

Notes to Financial Statements

June 30, 2005

For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, hotel taxes, and investment income (including the change in the fair value of investments) associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the modified accrual basis of accounting as described above. Revenues from property sales are recorded when title to ownership has changed and cash is received. Revenues from installment sales are deferred as these amounts are not considered available until collected. Rental income is accrued to the extent in which rents are considered collectible. Revenues from capital leases are deferred and recognized as cash is collected. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

The Agency reports the following major governmental funds:

The *capital projects fund* is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *capital projects fund* also accounts for financial resources used for the acquisition, construction or management of major capital related activities (other than those financed in the proprietary fund).

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Agency (other than debt reported in the proprietary fund).

The Agency reports the following major proprietary fund:

The *enterprise fund* accounts for the activities of the South Beach Yacht Harbor.

Additionally, the Agency reports the following fund:

The *agency fund* is used to account for assets held by the Agency as an agent for individuals, private organizations, and other governmental units. Agency funds are custodial in nature and do not involve the measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The Agency has elected not to follow subsequent private-sector guidance.



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

Notes to Financial Statements

June 30, 2005

The proprietary fund distinguishes *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the South Beach Yacht Harbor proprietary fund is rent charged to tenants. Operating expenses for the proprietary fund include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

**(e) *Budgetary Data***

The Agency's activities are generally budgeted on a project or grant basis. Because comparison with financial results for a specific period would not be meaningful, budgetary data are not presented in the financial statements. The Agency's budgets are subject to the approval of the Agency's Commission and the Board of Supervisors of the City. Unexpended budget appropriations are carried forward to the succeeding year.

**(f) *Deposits and Investments***

The Agency pools deposits and investments, except for certain investments restricted for developers' deposits and pledged assets relating to specific projects.

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2005 and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity of less than one year at the date of purchase are valued at the amortized cost, which approximates fair value as of June 30, 2005.

**(g) *Property Held for Sale***

Property held for sale is acquired as part of the Agency's redevelopment program. These properties are both residential and commercial. All costs of developing and administering Agency projects are charged to urban redevelopment and housing expenditures as incurred.

A primary function of the redevelopment process is to prepare land for specific private development. The Agency does not maintain cost records by parcel, as there is no relationship between costs incurred and the final disposition value, which is significantly affected by various use restrictions. For financial statement presentation, this property is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of

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

Notes to Financial Statements

June 30, 2005

each property parcel based on its current intended use. Note 5(a) reflects the activity in this account for the year ended June 30, 2005.

Property held for sale may, during the period it is held by the Agency, generate rental income, which is recognized as it becomes due and is considered collectible.

**(h) *Restricted Investments***

Certain proceeds of the Agency's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Yerba Buena Gardens and Art Center account is used for the Marriott lease revenue, which is used for the maintenance and operation of the Yerba Buena Gardens and Art Center. Additional accounts are used to segregate resources accumulated for debt service payments.

**(i) *Capital Assets***

Capital assets, which include land held for lease, buildings and improvements, equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	40
Vehicles	5
Office Furniture	7
Computer Equipment	5
Office Equipment	5

**(j) *Notes and Mortgages Receivable***

During the process of selling land to developers and issuing mortgage revenue bonds, the 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. In the governmental fund financial statements, the Agency defers all revenues and interest on the above-described arrangements until the cash is collected. In the government-wide

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

Notes to Financial Statements

June 30, 2005

financial statements, the Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible.

The Agency renovates housing and sells it to low- and moderate-income families at market rates under a shared appreciation loan program. Under this program, a non-interest bearing second mortgage is carried by the Agency, which generally will be repaid along with a share in appreciation at the time of resale. In the governmental fund financial statements, revenue is deferred and recognized as cash is collected because the timing of collection of payments is not readily determinable. In the government-wide financial statements, the Agency recognizes all revenues on the above-described arrangements when earned, net of any accounts deemed to be uncollectible.

The Agency has issued notes to developers for the purpose of providing low- and moderate-income housing throughout the City. These notes are long-term and many of them are also interest free. The notes have been reserved with a charge to urban redevelopment and housing expenditures in the year advanced because the collection of amounts owed is uncertain. Revenue is deferred and recognized as cash is collected. Notes and mortgages receivable are stated net of estimated uncollectible amounts.

**(k) *Compensated Absences***

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds, only amounts due and payable as of June 30, 2005, are accrued as a liability in the fund.

**(l) *Deferred Revenue***

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Agency typically records deferred revenue in the governmental fund financial statements related to long-term contracts, capital lease receivables, notes and mortgages arising from developers' financing arrangements and its shared appreciation loan program.

**(m) *Property Tax Increment Revenues***

Incremental property tax revenues represent taxes collected on the project areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment. Under an indebtedness limitation agreement with the City, the Agency receives only the portion of available tax increment, which the Board of Supervisors approves in the Agency's budget, and which is recorded as revenue in the year in which the City levies the property taxes.

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

Notes to Financial Statements

June 30, 2005

**(n) *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 Agency. Accordingly, proceeds of the bonds are held in an agency fund and considered due to the City, which records construction activity in its own capital projects fund. The bonds are special limited obligations of the Agency and payable solely from the lease payments from the City.

**(o) *Long-Term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(p) *Fund Equity***

In the fund financial statements, governmental funds report reservations of balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific change. Designations of fund balance represent tentative management plans that are subject to change.

**(q) *Income Taxes***

The Agency falls under the provisions of the Internal Revenue Code Section 115 and the corresponding California Revenue and Taxation Code provisions. As such, the Agency is not subject to federal or state income taxes.

**(r) *Interfund Transfers***

Interfund transfers are generally recorded as transfers in (out) except for reimbursements for services performed, which are recorded as a reduction of expenditures in the performing fund and an expenditure of the receiving fund.

**(s) *Cash Flows***

A statement of cash flows is presented for the proprietary fund. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less.

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

Notes to Financial Statements

June 30, 2005

**(t) Estimates**

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

**(2) Reconciliation of Government-Wide and Fund Financial Statements**

**(a) *Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets***

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital and certain long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$260,839,693 difference are as follows:

Capital assets, net	\$ 252,426,899
Other assets (unamortized bond issuance costs)	<u>8,412,794</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u>260,839,693</u>

Another element of that reconciliation explains that “long-term liabilities (e.g., bonds, leases and advances) are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the (\$778,249,985) difference are as follows:

Bonds payable	\$ (757,994,819)
Accrued interest payable	(14,875,980)
Advances from primary government	(2,838,134)
Compensated absences	<u>(2,541,052)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u>(778,249,985)</u>

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

Notes to Financial Statements

June 30, 2005

**(b) *Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$35,865,568 difference are as follows:

Capital outlay	\$ 39,822,521
Depreciation expense	<u>(3,956,953)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>35,865,568</u>

Another element of that reconciliation states that “governmental funds do not report the accrual of income from capital leases and notes receivable because such income does not provide current financial resources. However, in the government-wide financial statements, the accruals result in income.” The details of this \$4,604,754 difference are as follows:

Capital lease payment accruals	\$ 4,509,126
Notes receivable payment accruals	<u>95,628</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets governmental activities	\$ <u>4,604,754</u>

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

Notes to Financial Statements

June 30, 2005

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases and advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of the \$124,180,335 difference are as follows:

Debt issued or incurred:	
Proceeds from advances	\$ (2,838,134)
Bonds Payments:	
Principal repayments (including any amounts paid to escrow agents for bonds)	52,666,500
Accreted interest payments	74,529,600
Amortized refunding loss	(221,070)
Amortized issuance costs	(631,183)
Amortized issuance premium	<u>674,622</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>124,180,335</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this (\$7,110,775) difference are follows:

Change in arbitrage payable	\$ 44,591
Compensated absences	37,966
Accrued interest	<u>(7,193,332)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets governmental activities	\$ <u>(7,110,775)</u>

**(3) Deposits and Investments**

The Agency’s investment policy is governed by and is in compliance with Article 2 of the California Government Code (the Code). The Code limits investments to the State Local Agency Investment Fund (LAIF), U.S. Treasury debt, U.S. Government Agency issues, the debt obligations of the State of California and its agencies, bankers’ acceptances, commercial paper, guaranteed investment contracts, negotiable certificates of deposit, and repurchase agreements. The Agency does not participate in reverse repurchase agreements or other high-risk investments as defined by the Agency’s investment policy.

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

Notes to Financial Statements

June 30, 2005

LAIF is sponsored by the State Treasurer and prepares its market value report detailing the carrying cost and the estimated market value for the entire pool. The Agency has used a multiplier provided by LAIF to determine estimated market values.

Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements. Agency management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements.

GASB Statement 40 requires the Agency to disclose risks in the following areas:

**Interest Rate Risk:** Refers to potential loss of an investment's value caused by changing interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits investments to securities with short maturities, such as the following:

- The maximum maturity of commercial paper 180 days. Investment in commercial paper will comprise not more than 30% of the Agency's portfolio if average maturity is no more than 31 days or 15% if average maturity is more than 31 days.
- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

**Credit Risk:** Refers to the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A or better, and requires maintaining a portfolio diversified by type and issuer.

**Concentration of Credit Risk, Investments:** Refers to the risk of loss attributed to the magnitude of investment in a single issuer. The Agency does not have a formal investment policy that limits investments in a single issuer. As of June 30, 2005, no investment in a single issuer (except investments issued or explicitly guaranteed by the U.S. government) equaled or exceeded 5% of the Agency's total investments.

**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 Agency does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2005, \$1,834,120 of the Agency's investments held by the proprietary fund are exposed to custodial credit risk because they are uninsured, not registered in the name of the Agency, and held by the counterparty's trust department or agent but not in the Agency's name.



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

Notes to Financial Statements

June 30, 2005

The following is a summary of Deposits and Investments as of June 30, 2005:

	Investment Maturities in Years			Total Fair Value	Credit Rating	Portfolio Allocation
	Less than 1	1-5	More than 10			
Cash and cash deposits:						
Cash on hand				\$ 600	NA	
Cash in bank				3,480,639	NA	
Total cash and cash deposits				3,481,239		1.4%
Investments held by fiscal agent:						
U.S. Government Agency Securities:						
Coupon notes	\$ —	52,153,618	—	52,153,618	AAA	20.8%
Discount notes	19,057,018	—	—	19,057,018	AAA	7.6%
Commercial paper	13,981,120	—	—	13,981,120	A-1/P-1	5.6%
Corporate notes	1,989,960	—	—	1,989,960	AAA	0.8%
Repurchase agreements	1,834,120	—	—	1,834,120	Not Rated	0.7%
Local Agency Investment Fund	64,476,634	—	—	64,476,634	Not Rated	25.7%
Money market funds	71,359,208	—	—	71,359,208	AAAm	28.4%
Guaranteed investment contracts	—	987,500	21,717,241	22,704,741	AA or Higher	9.0%
Total investments	172,698,060	53,141,118	21,717,241	247,556,419		98.6%
Total cash, investments & restricted assets				\$ 251,037,658		100.0%

**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 Code requires California banks and savings and loan associations to secure the Agency's deposits not covered by federal deposit insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Agency's deposits. The collateral must be held at the pledging bank's trust department or another bank. The Agency's deposits as of June 30, 2005 are as follows:

	Balance per books	Balance per bank
Federally insured deposits	\$ 268,591	467,984
Collateralized deposits	3,212,048	4,427,008
	3,480,639	4,894,992
Cash on hand	600	—
Total cash and deposits	\$ 3,481,239	4,894,992

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

Notes to Financial Statements

June 30, 2005

Total Agency deposits and investments as of June 30, 2005 are as follows:

	<u>Deposits and investments</u>	<u>Investments with trustees – restricted</u>	<u>Total</u>
Governmental activities:			
Capital Projects Fund	\$ 155,958,212	—	155,958,212
Debt Service Fund	—	89,068,717	89,068,717
	<u>155,958,212</u>	<u>89,068,717</u>	<u>245,026,929</u>
Business-type activities:			
Proprietary Fund	1,717,009	1,834,121	3,551,130
Agency Fund	<u>2,425,075</u>	<u>34,524</u>	<u>2,459,599</u>
Total deposits and investments	<u>\$ 160,100,296</u>	<u>90,937,362</u>	<u>251,037,658</u>

**(4) Interest and Other Receivables – Governmental Activities/Capital Projects Fund**

Interest and other receivables as of June 30, 2005 are as follows:

Tax increment	\$ 2,358,561
Interest	992,168
Developers' contributions	1,127,252
Tenants	401,772
Urban renewal	808,889
Other	<u>609,176</u>
Total receivables	<u>\$ 6,297,818</u>

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

Notes to Financial Statements

June 30, 2005

**(5) Property Held for Sale and Capital Assets**

**(a) Property Held for Sale**

A summary of changes in property held for sale follows:

	<u>July 1, 2004</u>	<u>Purchases</u>	<u>Sales</u>	<u>June 30, 2005</u>
Property held for sale	\$ <u>13,985,623</u>	<u>1,953,606</u>	<u>(2,304,943)</u>	<u>13,634,286</u>

**(b) Capital Assets – Governmental Activities**

A summary of changes in capital assets recorded in governmental activities follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2005</u>
Capital assets not being depreciated:				
Land held for lease	\$ 82,692,287	22,275,267	—	104,967,554
Construction in progress	<u>30,968,365</u>	<u>17,494,363</u>	<u>(26,770,367)</u>	<u>21,692,361</u>
Total capital assets not being depreciated	<u>113,660,652</u>	<u>39,769,630</u>	<u>(26,770,367)</u>	<u>126,659,915</u>
Capital assets being depreciated:				
Furniture and equipment – general	1,992,034	52,891	—	2,044,925
Furniture and equipment – Yerba Buena Center	5,535,724	—	—	5,535,724
Buildings and improvements – Yerba Buena Center	<u>137,211,767</u>	<u>24,226,662</u>	<u>—</u>	<u>161,438,429</u>
Total capital assets being depreciated	<u>144,739,525</u>	<u>24,279,553</u>	<u>—</u>	<u>169,019,078</u>
Less accumulated depreciation for:				
Furniture and equipment – general	(1,872,569)	(57,351)	—	(1,929,920)
Furniture and equipment – Yerba Buena Center	(5,089,625)	(216,947)	—	(5,306,572)
Buildings and improvements – Yerba Buena Center	<u>(32,332,947)</u>	<u>(3,682,655)</u>	<u>—</u>	<u>(36,015,602)</u>
Total accumulated depreciation	<u>(39,295,141)</u>	<u>(3,956,953)</u>	<u>—</u>	<u>(43,252,094)</u>

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

Notes to Financial Statements

June 30, 2005

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2005</u>
Total capital assets being depreciated, net	<u>105,444,384</u>	<u>20,322,600</u>	<u>—</u>	<u>125,766,984</u>
Governmental activities capital assets, net	<u>\$ 219,105,036</u>	<u>60,092,230</u>	<u>(26,770,367)</u>	<u>252,426,899</u>

The deletions/transfers are comprised of \$2,543,705 transferred from construction in progress to the Plaza Apartments Associates, L.P.; and \$24,226,662 transferred from construction in progress to Yerba Buena Center buildings and improvements.

**(c) Capital Assets – Business-Type Activities/Proprietary Fund**

A summary of changes in capital assets recorded in business-type activities and the proprietary fund follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>June 30, 2005</u>
Capital assets not being depreciated:			
Construction in progress	<u>\$ 600,000</u>	<u>—</u>	<u>600,000</u>
Capital assets being depreciated:			
Leasehold improvements	<u>21,602,011</u>	<u>—</u>	<u>21,602,011</u>
Equipment	<u>232,526</u>	<u>14,859</u>	<u>247,385</u>
Total capital assets being depreciated	<u>21,834,537</u>	<u>14,859</u>	<u>21,849,396</u>
Less accumulated depreciation for:			
Leasehold improvements	<u>(7,354,084)</u>	<u>(432,040)</u>	<u>(7,786,124)</u>
Equipment	<u>(195,020)</u>	<u>(8,427)</u>	<u>(203,447)</u>
Total accumulated depreciation	<u>(7,549,104)</u>	<u>(440,467)</u>	<u>(7,989,571)</u>
Business-type activities capital assets, net	<u>\$ 14,885,433</u>	<u>(425,608)</u>	<u>14,459,825</u>

**(d) Depreciation Expense**

Depreciation expense was charged to functions/programs of the Agency as follows:

Governmental activities – Urban redevelopment and housing	<u>\$ 3,956,953</u>
Business-type activities – South Beach Yacht Harbor	<u>\$ 440,467</u>

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

Notes to Financial Statements

June 30, 2005

**(6) Interfund Receivables, Payables and Transfers**

***(a) Due to/from other funds***

The Agency utilizes one payroll system. Payroll costs and related benefits are paid from the capital projects fund. The interfund receivable in the capital projects fund represents the amount advanced to the proprietary fund for payroll-related costs.

***(b) Interfund Transfers***

The capital projects fund transferred funds to the debt service fund for payment of principal and interest on the Agency's tax allocation bonds. The transfers made from the debt service fund to the capital projects fund represent excess earnings from funds held by the trustees and amounts transferred for housing activities.

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

Notes to Financial Statements

June 30, 2005

**(7) Long-Term Obligations**

The following is a summary of long-term obligations as of June 30, 2005 (in thousands):

**(a) Governmental Activities**

	Due serially to	Remaining interest rates	July 1, 2004	Additions	Current maturities, retirements and defeasances	June 30, 2005	Due within one year
<b>Agency bonds:</b>							
<b>Revenue bonds:</b>							
Moscone Convention Center Lease, Series 1988 (1), (3)	2018	— \$	33,381	—	(33,381)	—	—
Moscone Convention Center Lease, Series 1992 (1)	2018	5.50% to 7.05%	37,035	—	—	37,035	5,185
Moscone Convention Center Lease, Series 2002 (1)	2018	2.00% to 5.25%	67,670	—	(115)	67,555	325
Moscone Convention Center Lease, Series 2004 (1)	2025	3% to 5.375%	33,565	—	—	33,565	—
Hotel Tax Revenue Bonds, Series 1994 (4)	2025	6.2% to 6.94%	15,535	—	(2,505)	13,030	1,970
Hotel Tax Revenue Bonds, Series 1998 (4)	2025	4.25% to 5.2%	54,630	—	(440)	54,190	455
<b>Authority bonds and notes:</b>							
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1989 (2), (5)	2019	6.70% to 6.75%	2,450	—	(875)	1,575	813
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1990 (2)	2020	6.95% to 7.05%	1,926	—	(339)	1,587	314
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1991 (2)	2021	6.50% to 6.75%	3,066	—	(482)	2,584	449
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1993B and C (2)	2021	4.75% to 5.75%	7,914	—	—	7,914	—
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1994 (2), (5)	2009	7.9% to 8.30%	7,650	—	(2,300)	5,350	905
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1995A (2), (5)	2025	—	235	—	(235)	—	—
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1996A (2), (5)	2018	5.1% to 5.3%	1,425	—	(450)	975	475
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998A, B and C (2)	2025	4.3% to 6.75%	34,487	—	(1,545)	32,942	1,610

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

Notes to Financial Statements

June 30, 2005

	Due serially to	Remaining interest rates	July 1, 2004	Additions	Current maturities, retirements and defeasances	June 30, 2005	Due within one year
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (2)	2024	4.10% to 5.2%	19,559	—	(335)	19,224	345
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1999A (2)	2020	3.8% to 5.00%	51,795	—	(285)	51,510	1,065
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1999B (2)	2022	3.8% to 5.00%	16,015	—	(565)	15,450	585
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2000A (2)	2018	4.6% to 5.60%	10,760	—	(240)	10,520	250
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2000B (2)	2012	7.4% to 7.7%	5,965	—	(490)	5,475	525
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2001A (2)	2018	4.25% to 5.00%	37,165	—	(1,830)	35,335	1,905
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B, C (2)	2018	2.33% to 5.41%	144,435	—	(4,760)	139,675	7,315
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2004A,B,C, D (2)	2031	2% to 5.85%	141,050	—	(1,495)	139,555	4,090
Total Bonds Payable			727,713	—	(52,667)	675,046	28,581
Less deferred amounts:							
Issuance premiums			9,641	—	(675)	8,966	—
Refunding loss			(3,263)	—	221	(3,042)	—
Accreted interest payable on bonds *			734,091	—	(53,121)	680,970	28,581
Advances from the City			142,388	9,167	(74,530)	77,025	2,084
Compensated absences			—	2,838	—	2,838	—
Total			2,579	—	(38)	2,541	932
			\$ 879,058	12,005	(127,689)	763,374	31,597

\* Amount represents interest accretion on Capital Appreciation (CABS) and Growth and Income Securities (GAIN) Bonds.

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

Notes to Financial Statements

June 30, 2005

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

- (1) Capital lease payments from the City and existing debt service funds.
- (2) Property tax increment revenues from the Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South and Mission Bay North project areas.
- (3) U.S. Government securities held in escrowed trust accounts were used to defease all outstanding bonds maturing on July 1, 2004 for the Moscone Convention Center Lease Revenue Bonds, Series 1988 (see below).
- (4) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.
- (5) U.S. Government obligations held in escrow trust accounts are used to partially defease Tax Allocation Bonds issued in 1989, 1994, 1995 and 1996.

The proceeds from the issuance of Authority bonds are immediately loaned to the Agency. Loan payments to the 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.

*Crossover Refunding of Moscone Convention Center Lease Revenue Bonds, Series 1988*

On February 1, 1992, the Agency issued \$100,274,998 in Moscone Convention Center Lease Revenue Bonds (1992 Series Bonds). These bonds were issued to provide funds for a crossover refunding of the Moscone Convention Center Lease Revenue 1988 Series Bonds (1988 Series Bonds) on July 1, 2003 and July 1, 2004 (crossover dates). Net proceeds were used to purchase U.S. government securities with the exception of \$3 million being remitted directly to the Agency. Those securities were deposited in two irrevocable trust accounts with an escrow agent to provide debt service on the 1992 Series Bonds until the crossover date and to provide for all future debt service payments on the 1988 Series Bonds after the crossover date. On July 1, 2003, \$10,539,440 of the 1988 Series Bonds were defeased. The remaining principal balance was defeased on July 1, 2004 with funds in restricted investments with trustees.

*Moscone Convention Center Lease Revenue Refunding Bonds, Series 2004*

On May 25, 2004, the Agency issued \$33,565,000 in Moscone Convention Center Lease Revenue Refunding Bonds, Series 2004 (Series 2004 Moscone Refunding Bonds). These bonds mature through July 1, 2024 with varying interest rates from 3% to 5.375%. A portion of the proceeds from the sale of the Series 2004 Moscone Refunding Bonds was used to establish an irrevocable escrow fund to refund the entire \$38,390,000 principal amount of the Agency's outstanding Moscone Convention Center Lease Revenue Bonds, Series 1994 (Series 1994 Moscone Bonds).



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

Notes to Financial Statements

June 30, 2005

The net proceeds of \$40,444,953 (including original issue premium of \$567,015, \$3,960,406 from the Series 1994 Moscone Bonds reserve fund, and \$8,730,841 from the City; and after (1) depositing \$3,356,500 in a reserve fund; (2) depositing \$2,140,000 in an additions and betterment fund; and (3) payment of \$881,809 in underwriting fees, insurance and other costs) were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called and redeemed. The Series 94 Moscone Bonds were called and redeemed on July 1, 2004.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$2,054,953 for the fiscal year ended June 30, 2004, the Agency in effect reduced its aggregate debt service payments by approximately \$15,862,104 over the next 21 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$4,168,051.

*Advances from the City*

The City advanced \$2,838,134 to the Agency during the year ended June 30, 2005. Tax increment revenue in the amount of \$1,879,679 was received to make the debt service payment for the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B & C; and \$958,455 was received for the acquisition of land.

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

Notes to Financial Statements

June 30, 2005

**(b) Business-Type Activities**

	<u>Due serially to</u>	<u>Remaining interest rates</u>	<u>July 1, 2004</u>	<u>Additions</u>	<u>Current maturities</u>	<u>June 30, 2005</u>	<u>Due within one year</u>
California Department of Boating and Waterways Loan (i)	2037	4.5%	\$ 8,000	—	—	8,000	—
Variable Rate Demand Refunding Bond 1986 Issue A (convertible to fixed rate at Agency's Option) (ii)	2017	Variable (2.4% at 6/30/05)	<u>11,500</u>	<u>—</u>	<u>(1,500)</u>	<u>10,000</u>	<u>—</u>
			<u>19,500</u>	<u>—</u>	<u>(1,500)</u>	<u>18,000</u>	<u>—</u>
Accreted interest payable			931		(134)	797	140
Accrued vacation and sick leave pay			<u>154</u>	<u>6</u>	<u>—</u>	<u>160</u>	<u>160</u>
Total			<u>\$ 20,585</u>	<u>6</u>	<u>(1,634)</u>	<u>18,957</u>	<u>300</u>

Debt service payments for obligations of business-type activities are made from the following sources:

- (i) South Beach Harbor Project revenues (subordinated to Refunding Bonds).
- (ii) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues.

In 1992, the bank holding the letter of credit and the Agency approved a restructuring of the debt involving a sublease of the South Beach Harbor (the Harbor) by the Agency to the Authority, who then leased the Harbor back to the Agency. The debt restructuring was performed in order for the Agency to be in compliance with certain debt coverage covenants of the South Beach Harbor Variable Rate Demand Refunding Bond 1986 Issue A indenture. The annual sublease and leaseback payments to be made are calculated as the difference between the net revenues of the Harbor and 130% of the debt service on the bonds for the preceding fiscal year. As a result of the Agency's compliance with certain debt coverage covenants, there were no annual lease payments required to be recorded in the Agency's proprietary fund as of June 30, 2005.

The interest rate for the South Beach Harbor Variable Rate Demand Refunding Bond 1986 Issue A is reset weekly by a remarketing agent. The rate varies depending on financial market conditions.

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

Notes to Financial Statements

June 30, 2005

**(c) Summary**

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2005 are as follows:

<b>Governmental activities</b>								
<b>June 30,</b>	<b>Tax Allocation Revenue Bonds</b>		<b>Lease Revenue Bonds</b>		<b>Hotel Tax Revenue Bonds</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 20,646	24,400	5,510	12,361	2,425	3,456	28,581	40,217
2007	22,144	23,624	5,146	12,728	2,495	3,310	29,785	39,662
2008	24,443	20,984	5,544	13,027	2,575	3,157	32,562	37,168
2009	23,567	21,628	5,350	13,289	2,645	2,999	31,562	37,916
2010	24,321	20,673	5,152	13,565	2,730	2,856	32,203	37,094
2011 –								
2015	146,115	78,031	28,933	65,698	14,400	12,220	189,448	155,949
2016 –								
2020	153,327	33,331	68,040	11,171	17,165	8,424	238,532	52,926
2021 –								
2025	44,357	39,082	14,480	1,953	18,385	3,919	77,222	44,954
2026 –								
2030	8,875	1,751	—	—	4,400	148	13,275	1,899
2031	1,876	54	—	—	—	—	1,876	54
	<u>\$ 469,671</u>	<u>263,558</u>	<u>138,155</u>	<u>143,792</u>	<u>67,220</u>	<u>40,489</u>	<u>675,046</u>	<u>447,839</u>

<b>Business-type activities</b>							
<b>June 30,</b>	<b>California Department of Boating and Waterway Loan</b>		<b>Refunding Bond 1986A</b>		<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2006	\$ —	536	—	250	—	786	
2007	1	535	—	250	1	785	
2008	7	529	875	250	882	779	
2009	7	529	1,100	228	1,107	757	
2010	69	467	1,100	201	1,169	668	
2011 – 2015	842	1,838	6,925	541	7,767	2,379	
2016 – 2020	1,190	1,489	—	—	1,190	1,489	
2021 – 2025	1,483	1,196	—	—	1,483	1,196	
2026 – 2030	1,849	831	—	—	1,849	831	
2031 – 2035	2,304	376	—	—	2,304	376	
2036 – 2037	248	12	—	—	248	12	
	<u>\$ 8,000</u>	<u>8,338</u>	<u>10,000</u>	<u>1,720</u>	<u>18,000</u>	<u>10,058</u>	

It is not practical to determine the specific year for payment of the liability for accreted interest payable on bonds and accrued compensated absences. The liability for compensated absences is generally liquidated by the capital projects fund.

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

Notes to Financial Statements

June 30, 2005

**(d) 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 Agency has evaluated each general obligation bond issue subject to the arbitrage rebate requirements and has recorded no rebatable arbitrage liability as of June 30, 2005.

**(8) Retirement Plan**

*Plan Description* – The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of the PERS' annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA 95814.

*Funding Method* – Participants are required to contribute 7% of their monthly salaries over \$133.33 to PERS. The Agency made the contributions on behalf of the employees through September 30, 2004. As of October 1, 2004, the participants were required to make the contributions. The Agency is required to make employer contributions of an amount determined by an actuarially determined rate. The 2004-2005 fiscal year employer contribution rate was 5.137% of annual covered payroll. The contribution requirements of the plan members and the Agency are established and may be amended by PERS.

*Annual Pension Cost* – The Agency's annual pension cost for PERS was equal to the Agency's required and actual contributions which was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) overall payroll growth of 3.25% compounded annually, and (c) an inflation rate of 3.0%. The actuarial value of the PERS assets was determined using techniques that smooth the effects of short-term market value fluctuations.

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

Notes to Financial Statements

June 30, 2005

Three-year historical trend information is as follows:

<u>Fiscal year ended</u>	<u>Annual pension cost (APC)*</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/03	\$ 713,000	100%	—
6/30/04	\$ 724,000	100%	—
6/30/05	\$ 821,000	100%	—

\*includes contributions required of employees paid by the Agency

*Deferred Compensation Plan* – The Agency offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, established on May 23, 1979, is available to all employees and permits them to defer a portion of their salary until future years. Employee contributions may range from as little as \$20 per month to the lesser of \$14,000 or 33 1/3% of annual gross income. Employees age 50+ may elect to make additional “Catch-Up” contributions of \$4,000 for year 2005. Employees may take advantage of “Pre-Retirement Catch-Up” provision for the 3 years prior to retirement and contribute the maximum limit of \$28,000 for year 2005. No employer contribution to the plan is required. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Hartford Variable Annuity Life Insurance Company is the administrator of the plan.

The Agency has no administrative involvement and does not perform the investing function. The Agency has no fiduciary accountability for the plan, and, accordingly, the plan assets and related liabilities to plan participants are not included in the financial statements.

**(9) Fund Balance – Capital Projects Fund**

Due to the nature of its funding and activities, substantially all of the Agency’s fund balance must be used for specific capital projects, future debt service or future housing obligations. The following describes unreserved fund balance designations for the Agency’s Capital Projects Fund:

Economic development and public improvements	\$ 61,253,406
Low income housing development	70,720,089
Operation of cultural facilities and public gardens (Yerba Buena Gardens)	4,041,304
Section 8 standby payment agreements	6,006,787
Compensated absences	2,541,051
Total unreserved fund balance	<u>\$ 144,562,637</u>

The above fund balance designations represent that portion of unreserved fund balance that is not available for appropriation based on management’s plans for future use of the funds.

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

Notes to Financial Statements

June 30, 2005

**(10) Mortgage Revenue Bonds**

In order to facilitate construction and rehabilitation in the City and County of San Francisco, various construction loan notes, promissory notes, community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately \$662 million as of June 30, 2005 have been issued by the 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 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.

**(11) Commitments and Contingent Liabilities**

**(a) *Low and Moderate Income Housing Requirements of the Agency***

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established the Low and Moderate Income Housing Fund to account for this commitment and has budgeted \$362 million for such expenditures since its inception. The Agency has expended \$249 million for low- and moderate-income housing since its inception.

**(b) *Redevelopment Plan Requirements***

Effective January 1, 1995, the California State Legislature passed Assembly Bill 1290 (AB 1290). This legislation imposes several requirements on redevelopment agencies and permits the establishment of time limits for the issuance of debt, plan termination, and the collection of tax increment. The Agency amended its redevelopment plan during the year ended June 30, 1995 to be in accordance with these requirements.

As part of AB 1290, the Agency is required to report any excess surplus to the Federal Department of Housing and Community Development. An excess surplus exists for a fiscal year if the unencumbered balance at year-end in the Agency's Low and Moderate Housing Capital Project Fund exceeds the greater of \$1 million or the aggregate amount of tax increment deposited into this fund during the preceding four fiscal years. If any excess surplus is not spent or encumbered within three years it must be transferred to the County housing authority. The Agency did not have any surplus housing funds for the fiscal year ended June 30, 2005 based on calculations by Agency management.

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

The Agency is a member of the Bay Cities Joint Powers Insurance Authority, which provides coverage for its general liability, automobile liability and public officials errors and omissions risks with combined single limits of \$15,000,000 per occurrence and a deductible of \$50,000 self-insurance retention per occurrence. Workers' compensation insurance is provided by the State Compensation Insurance Fund up to statutorily determined limits.

Claims relating to the construction of the George R. Moscone Convention Center, if any, are indemnified by the City by an agreement between the Agency and the City.

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

Notes to Financial Statements

June 30, 2005

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

**(d) Federal Grants**

The Agency participates in federal grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs have not yet been completed. Accordingly, the Agency's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. Management believes that disallowances, if any, would not have a material effect on the financial statements.

**(e) Operating Leases**

The Agency has entered into two operating leases for its office sites, one lease for the South of Market Project Area Committee office, and a Master Lease Option Agreement (through the City) with the San Francisco Port Commission, which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2005, the Agency has exercised several of the lease options.

Total future minimum operating lease payments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Year ending June 30:			
2006	\$ 1,747,745	182,021	1,929,766
2007	677,278	189,302	866,580
2008	648,703	196,874	845,577
2009	648,703	204,749	853,452
2010	648,703	212,938	861,641
2011 – 2015	3,243,515	1,107,280	4,350,795
2016 – 2020	3,243,515	1,107,280	4,350,795
2021 – 2025	3,243,515	1,107,280	4,350,795
2026 – 2030	3,243,515	1,107,280	4,350,795
2031 – 2035	3,243,515	1,107,280	4,350,795
2036 – 2040	3,243,515	1,107,280	4,350,795
2041 – 2045	3,243,515	1,107,280	4,350,795
2046 – 2050	3,243,515	1,107,280	4,350,795
	<u>\$ 30,319,252</u>	<u>9,844,124</u>	<u>40,163,376</u>

Rent payments in the Capital Projects Fund totaling \$2,103,591 are included in the caption urban redevelopment and housing on the accompanying government-wide and governmental fund financial statements for the year ended June 30, 2005.

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

Notes to Financial Statements

June 30, 2005

**(f) Capital Projects**

The Agency has commitments under contracts of approximately \$23.3 million as of June 30, 2005.

**(g) Standby Payment Agreements**

The Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development (HUD) guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is \$65 million. As of June 30, 2005, management has designated \$6,006,787 for standby payment agreements. It is management's intent to designate 10% of the estimated maximum obligation.



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

Notes to Financial Statements

June 30, 2005

**(12) Rental Income**

***(a) Noncancelable Operating Leases***

The Agency has entered into eighteen noncancelable operating leases within the Yerba Buena Center, Western Addition Area Two, Hunters Point, South of Market, and Mission Bay North project areas. The initial terms of the leases will expire in years ranging from 2006 to 2097. 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, 2005:

	<b>Governmental activities</b>
Year ending June 30:	
2006	\$ 3,018,920
2007	2,899,084
2008	2,838,920
2009	2,843,448
2010	2,947,595
2011 – 2015	14,880,659
2016 – 2020	15,400,953
2021 – 2025	14,322,819
2026 – 2030	15,190,288
2031 – 2035	16,250,085
2036 – 2040	17,405,098
2041 – 2045	18,691,808
2046 – 2050	5,429,535
2051 – 2055	440,091
2056 – 2060	350,000
2061 – 2065	325,000
2066 – 2070	287,015
2071 – 2075	250,000
2076 – 2080	158,222
2081 – 2085	150,000
2086 – 2090	150,000
2091 – 2095	150,000
2096 – 2097	67,500
	<hr/>
	\$ 134,447,040

For the year ended June 30, 2005, operating lease rental income was \$4,053,166, as reported in the basic financial statements.

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

Notes to Financial Statements

June 30, 2005

**(b) Capital Lease**

The 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, which extend through July 1, 2024, mirror the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the George R. Moscone Convention Center. The lease payments are recognized as rental income and the principal and interest payments on the lease revenue bonds are recognized as debt service expenditures in the accompanying governmental fund financial statements. For purposes of the government-wide financial statements, the capital lease is recorded as a receivable and the corresponding lease revenue bonds are recorded as liabilities of the 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 lease agreement for the George R. Moscone Convention Center provides for deferred base rental payments commencing in May 1996 at a rate of \$870,000 per year until the termination date of the lease, July 1, 2024. 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.

Amounts to be provided from capital leases are as follows:

Year ending June 30:	
2006	\$ 17,870,854
2007	17,874,254
2008	18,571,004
2009	18,639,479
2010	18,716,781
2011 – 2015	94,631,192
2016 – 2020	79,210,973
2021 – 2025	<u>16,433,429</u>
Total minimum lease payments	281,947,966
Less amounts representing interest	<u>(83,720,624)</u>
Present value of maximum lease payments	\$ <u>198,227,342</u>

For the year ended June 30, 2005, rental income was \$17,689,105 as reported in the basic financial statements.

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

Notes to Financial Statements

June 30, 2005

**(13) Accumulated Deficit – Proprietary Fund**

As of June 30, 2005, the Proprietary Fund had an accumulated deficit of \$1,786,509. A reduction in this deficit is planned over the next several years as the Agency supplements funds primarily from tax increment revenues to pay debt service on proprietary obligations.

**(14) Subsequent Events**

The Agency's office lease with the San Francisco Federal Credit Union was initially set to expire on September 30, 2005. The Agency has extended the lease for five months until February 2006. On August 16, 2005, the Agency Commission authorized staff to enter into a sublease agreement with the City and County of San Francisco, the master landlord of One South Van Ness Avenue. The commencement date of the lease will be February 1, 2006, and the lease will expire on November 30, 2017. The monthly rent is \$2.00 per square foot for an area of 39,644 square feet. The Agency plans to move in February 2006.

On July 20, 2005, the Authority issued \$20,350,000 in 2005 Series A Tax Allocation Refunding Revenue Bonds (2005 Series A Bonds) and \$8,090,000 in 2005 Series B Taxable Tax Allocation Refunding Revenue Bonds (2005 Series B Bonds). The 2005 Series A Bonds were issued for the purpose of refunding the entire 1998 Series A Tax Allocation Revenue Bonds and partially refunding the 1998 Series C Tax Allocation Refunding Revenue Bonds. The 2005 Series B Bonds were issued to refund the entire 1998 Series B Tax Allocation Revenue Bonds and the 2000 Series B Tax Allocation Revenue Bonds.

On July 21, 2005, the Authority issued \$43,940,000 in 2005 Series C Taxable Tax Allocation Revenue Bonds (2005 Series C Bonds). The proceeds from the 2005 Series C Bonds will be used primarily to fund the construction of low-income housing, provide for economic development in the Western Addition project area, and fund a capital reserve for the Yerba Buena Gardens.

On July 20, 2005, the Authority issued \$16,230,000 in 2005 Series D Tax Allocation Revenue Bonds for the purposes of funding the construction of infrastructure in the Mission Bay North project area.

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

Required Supplementary Information  
California Public Employees' Retirement System -  
Schedule of Funding Progress

<b>Actuarial valuation date</b>	<b>Actuarial value of assets</b>	<b>Actuarial accrued liability (AAL) entry age</b>	<b>Overfunded (Underfunded) AAL OAAL/(UAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>OAAL/(UAAL) as a % of covered payroll</b>
6/30/2001	74,553,295	57,716,679	16,836,616	129.20%	8,373,864	201.06%
6/30/2002	69,620,231	62,918,436	6,701,795	110.7%	9,645,819	69.48%
6/30/2003	68,879,819	69,592,356	(712,537)	99.0%	10,482,745	(6.80%)

See accompanying independent auditors' report

**REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**  
Capital Projects Fund  
Combining Schedule of Accounts  
June 30, 2005

Assets	City-wide Housing	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Yerba Buena Center	Hunters Point Shipyard	Mission Bay North	Mission Bay South	Golden Gateway/So. Fed. Office Bldg.	General Redevelopment	Total
Deposits and investments	\$ 43,748,576	1,409,558	145,971	6,457,660	3,871,054	11,030,339	—	—	—	4,884,844	84,410,210	155,958,212
Interest and other receivables	113,403	—	—	(5,947)	962	1,108,593	629,921	495,146	7,562	—	3,948,178	6,297,818
Intergovernmental receivable	985,100	—	—	—	—	—	—	—	—	—	—	985,100
Due from other funds	—	—	—	—	—	—	—	—	—	—	132,716	132,716
Capital lease receivables	—	—	—	—	—	9,042,313	—	—	—	—	—	9,042,313
Notes and mortgages receivable, net	10,998,912	526,055	—	—	2,919,342	1,400,000	—	3,886,150	—	—	1,005,067	9,210,559
Property held for sale	17,193,438	4,125,970	4,014,328	(24,008,792)	2,109,316	2	(10,854,751)	(1,784,386)	(624,273)	1	34,966,719	13,634,286
Interproject (payables) receivables	—	—	—	—	31,338,605	(33,374,744)	—	—	—	(20,992,114)	—	—
<b>Total assets</b>	<b>\$ 73,039,429</b>	<b>6,061,583</b>	<b>4,160,299</b>	<b>(17,557,079)</b>	<b>40,239,279</b>	<b>(10,793,497)</b>	<b>(10,224,830)</b>	<b>2,596,910</b>	<b>(616,711)</b>	<b>(16,107,269)</b>	<b>124,462,890</b>	<b>195,261,004</b>
<b>Liabilities and Fund Balance</b>												
<b>Liabilities:</b>												
Accounts payable	\$ 2,696,236	7,181	—	3,300	—	28,778	3,000	—	—	5,061	5,131,874	7,875,430
Other liabilities	52,073	—	—	—	91,200	210,596	52,431	500,000	—	—	171,727	1,578,027
Due to primary government	—	—	—	—	—	205,000	—	—	—	—	—	205,000
Deferred revenue	4,766,736	151,668	—	—	1,559,280	10,812,314	—	—	—	—	905,067	18,195,065
<b>Total liabilities</b>	<b>7,515,045</b>	<b>158,849</b>	<b>—</b>	<b>3,300</b>	<b>1,650,480</b>	<b>11,256,688</b>	<b>55,431</b>	<b>500,000</b>	<b>500,000</b>	<b>5,061</b>	<b>6,208,668</b>	<b>27,853,522</b>
<b>Fund balance:</b>												
Reserved for:												
Long term notes and mortgages receivable	—	—	—	—	2,919,342	1,400,000	—	3,886,150	—	—	1,005,067	9,210,559
Property held for sale	10,998,912	526,055	—	—	2,109,316	2	—	—	—	1	—	13,634,286
Unreserved:												
Designated (Undesignated)	54,525,472	5,376,679	4,160,299	(17,560,379)	33,560,141	(23,450,187)	(10,280,261)	(1,789,240)	(1,116,711)	(16,112,331)	117,249,155	144,562,637
<b>Total fund balance</b>	<b>65,524,384</b>	<b>5,902,734</b>	<b>4,160,299</b>	<b>(17,560,379)</b>	<b>38,588,799</b>	<b>(22,050,185)</b>	<b>(10,280,261)</b>	<b>2,096,910</b>	<b>(1,116,711)</b>	<b>(16,112,330)</b>	<b>118,254,222</b>	<b>167,407,482</b>
<b>Total liabilities and fund balance</b>	<b>\$ 73,039,429</b>	<b>6,061,583</b>	<b>4,160,299</b>	<b>(17,557,079)</b>	<b>40,239,279</b>	<b>(10,793,497)</b>	<b>(10,224,830)</b>	<b>2,596,910</b>	<b>(616,711)</b>	<b>(16,107,269)</b>	<b>124,462,890</b>	<b>195,261,004</b>

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

Capital Projects Fund  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Account  
Year ended June 30, 2005

	City-wide Housing	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Verba Buena Center	Hunters Point Shipyard	Mission Bay North	Mission Bay South	Golden Gateway/Sa. of Market/ Fed. Office Bldg.	General Redevelopment	Elimination of Intrafund Transfers	Total
<b>Revenues:</b>													
Property tax increment	—	376,127	271,803	5,936,588	8,937,366	19,526,420	—	4,194,068	544,887	13,318,269	—	—	53,105,528
Property sales	770,404	2,147,686	—	—	664,721	4,603,229	—	—	—	—	—	—	8,186,040
Rental/lease income	3,201,729	—	—	559,130	1,150	7,029,574	47,011	—	—	—	168,882	—	11,007,476
Investment income	2,175,987	190,886	6,970	345,057	449,257	1,691,949	11,140	202,272	2,694	888,550	729,024	—	6,693,786
Grant revenue	9,933,041	—	—	—	—	—	—	—	—	—	—	—	9,933,041
Developer contributions	—	—	—	100,000	—	1,537,561	2,360,961	431,888	—	—	—	—	4,430,410
Other income	3,688,439	15,324	—	2,520	376,666	17,907	4,316	21,916	—	1,273,765	448,362	—	5,849,215
<b>Total revenues</b>	<b>19,769,600</b>	<b>2,730,023</b>	<b>278,773</b>	<b>6,943,295</b>	<b>10,429,160</b>	<b>34,406,640</b>	<b>2,423,428</b>	<b>4,850,144</b>	<b>547,581</b>	<b>15,480,584</b>	<b>1,346,268</b>	<b>—</b>	<b>99,205,496</b>
<b>Expenditures:</b>													
<b>Current:</b>													
Urban redevelopment and housing	59,627,740	1,133,009	280,311	7,894,316	5,584,508	29,338,190	3,413,436	5,344,574	704,614	15,430,290	4,565,991	—	133,316,979
<b>Total expenditures</b>	<b>59,627,740</b>	<b>1,133,009</b>	<b>280,311</b>	<b>7,894,316</b>	<b>5,584,508</b>	<b>29,338,190</b>	<b>3,413,436</b>	<b>5,344,574</b>	<b>704,614</b>	<b>15,430,290</b>	<b>4,565,991</b>	<b>—</b>	<b>133,316,979</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(39,858,140)</b>	<b>1,597,014</b>	<b>(1,538)</b>	<b>(951,021)</b>	<b>4,844,652</b>	<b>5,068,450</b>	<b>(990,008)</b>	<b>(494,430)</b>	<b>(157,033)</b>	<b>50,294</b>	<b>(3,219,723)</b>	<b>—</b>	<b>(34,111,483)</b>
<b>Other financing sources (uses):</b>													
Other financing sources	6,093,174	—	—	—	—	1,103,452	—	—	—	—	—	—	6,093,174
Transfers in	40,122,915	—	—	—	—	(34,940,200)	—	—	—	(21,558,102)	—	(41,226,227)	50,930,068
Transfers out	—	(247,641)	(353,918)	(17,311,110)	(9,355,114)	—	—	—	—	—	—	41,226,227	(42,539,858)
<b>Total other financing sources (uses)</b>	<b>46,216,089</b>	<b>(247,641)</b>	<b>(353,918)</b>	<b>(17,311,110)</b>	<b>(9,355,114)</b>	<b>(33,836,748)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(21,558,102)</b>	<b>50,929,928</b>	<b>—</b>	<b>14,483,384</b>
<b>Net change in fund balance</b>	<b>6,357,949</b>	<b>1,349,373</b>	<b>(355,456)</b>	<b>(18,262,131)</b>	<b>(4,510,462)</b>	<b>(28,768,298)</b>	<b>(990,008)</b>	<b>(494,430)</b>	<b>(157,033)</b>	<b>(21,507,808)</b>	<b>47,710,205</b>	<b>—</b>	<b>(19,628,099)</b>
<b>Fund balance, beginning of year</b>	<b>59,166,435</b>	<b>4,553,361</b>	<b>4,515,755</b>	<b>701,752</b>	<b>43,099,261</b>	<b>6,718,113</b>	<b>(9,290,253)</b>	<b>2,591,340</b>	<b>(959,678)</b>	<b>5,395,478</b>	<b>70,544,017</b>	<b>—</b>	<b>187,035,581</b>
<b>Fund balance, end of year</b>	<b>\$ 65,524,384</b>	<b>\$ 5,902,734</b>	<b>\$ 4,160,299</b>	<b>\$ (17,560,379)</b>	<b>\$ 38,588,799</b>	<b>\$ (22,050,185)</b>	<b>\$ (10,280,261)</b>	<b>\$ 2,096,910</b>	<b>\$ (1,116,711)</b>	<b>\$ (16,112,330)</b>	<b>\$ 118,254,222</b>	<b>\$ —</b>	<b>\$ 167,407,482</b>

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

Debt Service Fund  
Combining Schedule of Accounts  
June 30, 2005

<b>Assets</b>	<b>Golden Gateway/South of Market</b>	<b>Hunters Point</b>	<b>India Basin</b>	<b>Rincon Point South Beach</b>	<b>Western Addition</b>	<b>Yerba Buena Center</b>	<b>Total</b>
Capital lease receivables	\$ —	—	—	—	—	189,185,029	189,185,029
Investments with trustees – restricted	40,625,296	234,895	63,392	13,457,341	7,786,554	26,901,239	89,068,717
Total assets	<u>\$ 40,625,296</u>	<u>234,895</u>	<u>63,392</u>	<u>13,457,341</u>	<u>7,786,554</u>	<u>216,086,268</u>	<u>278,253,746</u>
<b>Liabilities and Fund Balance</b>							
Due to primary government	\$ —	—	—	—	—	331,619	331,619
Deferred revenue	—	—	—	—	—	189,185,029	189,185,029
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>189,516,648</u>	<u>189,516,648</u>
Fund balance – reserved for debt service	40,625,296	234,895	63,392	13,457,341	7,786,554	26,569,620	88,737,098
Total liabilities and fund balance	<u>\$ 40,625,296</u>	<u>234,895</u>	<u>63,392</u>	<u>13,457,341</u>	<u>7,786,554</u>	<u>216,086,268</u>	<u>278,253,746</u>

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

Debt Service Fund  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Account  
Year ended June 30, 2005

	<b>Golden Gateway/South of Market</b>	<b>Hunters Point</b>	<b>India Basin</b>	<b>Rincon Point South Beach</b>	<b>Western Addition</b>	<b>Yerba Buena Center</b>	<b>Elimination of Intrafund Transfers</b>	<b>Total</b>
<b>Revenues:</b>								
Rental/lease income	—	—	—	—	—	17,689,105	—	17,689,105
Investment income	291,666	8,096	6,615	191,943	158,768	3,417,325	—	4,074,413
Hotel tax	—	—	—	—	—	5,620,029	—	5,620,029
Other income	—	—	—	—	—	49,113	—	49,113
<b>Total revenues</b>	<b>291,666</b>	<b>8,096</b>	<b>6,615</b>	<b>191,943</b>	<b>158,768</b>	<b>26,775,572</b>	<b>—</b>	<b>27,432,660</b>
<b>Expenditures:</b>								
<b>Debt service:</b>								
Principal retirement	6,251,148	114,906	92,674	2,220,146	4,288,727	39,698,899	—	52,666,500
Interest and finance charges	5,965,888	232,524	194,724	3,926,597	4,483,556	95,364,635	—	110,167,924
<b>Total expenditures</b>	<b>12,217,036</b>	<b>347,430</b>	<b>287,398</b>	<b>6,146,743</b>	<b>8,772,283</b>	<b>135,063,534</b>	<b>—</b>	<b>162,834,424</b>
<b>Excess of expenditures over revenues</b>	<b>(11,925,370)</b>	<b>(339,334)</b>	<b>(280,783)</b>	<b>(5,954,800)</b>	<b>(8,613,515)</b>	<b>(108,287,962)</b>	<b>—</b>	<b>(135,401,764)</b>
<b>Other financing sources (uses):</b>								
Other financing uses	(48,807)	—	—	(66,463)	(6,689)	(718,683)	—	(840,642)
Transfers in	12,410,826	344,512	281,491	8,211,768	9,173,732	121,822,902	(109,705,373)	42,539,858
Transfers out	(15,628,686)	(433,836)	(177,238)	(10,462,331)	(8,507,423)	(125,425,927)	109,705,373	(50,930,068)
<b>Total other financing sources (uses)</b>	<b>(3,266,667)</b>	<b>(89,324)</b>	<b>104,253</b>	<b>(2,317,026)</b>	<b>659,620</b>	<b>(4,321,708)</b>	<b>—</b>	<b>(9,230,852)</b>
<b>Net change in fund balance</b>	<b>(15,192,037)</b>	<b>(428,638)</b>	<b>(176,530)</b>	<b>(8,271,826)</b>	<b>(7,953,895)</b>	<b>(112,609,670)</b>	<b>—</b>	<b>(144,632,616)</b>
<b>Fund balance, beginning of year</b>	<b>55,817,333</b>	<b>663,553</b>	<b>239,922</b>	<b>21,729,167</b>	<b>15,740,449</b>	<b>139,179,290</b>	<b>—</b>	<b>233,369,714</b>
<b>Fund balance, end of year</b>	<b>\$ 40,625,296</b>	<b>\$ 234,895</b>	<b>\$ 63,392</b>	<b>\$ 13,457,341</b>	<b>\$ 7,786,554</b>	<b>\$ 26,569,620</b>	<b>\$ —</b>	<b>\$ 88,737,098</b>



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

Proprietary Fund  
Combining Schedule of Revenues and Expenses by Account  
Year ended June 30, 2005

	<b>South Beach Harbor operations</b>	<b>South Beach Harbor bond proceeds activity</b>	<b>Total</b>
Operating revenues:			
Rent	\$ 2,735,909	—	2,735,909
Other	40,611	—	40,611
Total operating revenues	<u>2,776,520</u>	<u>—</u>	<u>2,776,520</u>
Operating expenses:			
Personnel	715,218	—	715,218
Rent	177,044	—	177,044
Insurance	91,105	—	91,105
Light, heat and power	221,105	—	221,105
Materials and supplies	37,387	—	37,387
Repairs & maintenance	146,563	—	146,563
Depreciation and amortization	440,467	—	440,467
General and administrative	47,783	—	47,783
Other	1,373	—	1,373
Total operating expenses	<u>1,878,045</u>	<u>—</u>	<u>1,878,045</u>
Operating income	<u>898,475</u>	<u>—</u>	<u>898,475</u>
Nonoperating revenues (expenses):			
Investment earnings	34,581	28,132	62,713
Interest expense	(499,812)	(189,519)	(689,331)
Property tax increment	196,000	—	196,000
Net nonoperating expenses	<u>(269,231)</u>	<u>(161,387)</u>	<u>(430,618)</u>
Change in net assets	<u>\$ 629,244</u>	<u>(161,387)</u>	<u>467,857</u>

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

Agency Fund  
Combining Schedule of Fiduciary Net Assets by Account  
June 30, 2005

Assets	Hunters Point	India Basin	Rincon		Western Addition	Mission Bay North	Yerba Buena Center		General Redevelopment	Total
			Point South Beach	Point North Beach						
Deposits and investments	\$ 330,132	19,928	116,912	116,912	872,089	101,000	173,893	811,121	2,425,075	
Notes and mortgages receivable	—	—	—	—	—	—	—	445,569	445,569	
Investment with trustees – restricted	—	—	—	—	—	—	34,524	—	34,524	
Total assets	\$ 330,132	19,928	116,912	116,912	872,089	101,000	208,417	1,256,690	2,905,168	
<b>Liabilities</b>										
Due to the City and County of San Francisco	\$ —	—	—	—	—	—	34,524	445,569	480,093	
Due to Community Facility District	—	—	—	—	—	—	—	811,121	811,121	
Developers' performance deposits	330,132	19,928	116,912	116,912	872,089	101,000	173,893	—	1,613,954	
Total liabilities	\$ 330,132	19,928	116,912	116,912	872,089	101,000	208,417	1,256,690	2,905,168	

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<b>Department/Program</b>	<b>Federal Catalog No.</b>	<b>Federal expenditures</b>
<b>U.S. Department of Housing and Urban Development:</b>		
Community Development Block Grants, Entitlement Grant	14.218	\$ 5,047,700
Housing Opportunities for Persons with AIDS Grant	14.241	<u>10,159,171</u>
Total expenditures of federal awards		<u><u>\$ 15,206,871</u></u>

See notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

**(1) Basis of Accounting – Federal Financial Assistance Programs**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting which is described in note 1(d) of the accompanying basic financial statements.

**(2) Housing Opportunities for Persons with AIDS Grant**

The objective of the Housing Opportunities for Persons with AIDS (HOPWA) Grant is to provide states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with acquired immunodeficiency syndrome (AIDS) or related diseases, and their families. The program authorized entitlement grants and competitive awarded grants for housing assistance and services.

**(3) Community Development Block Grant**

The objective of the Community Development Block Grant (CDBG) is the development of viable urban communities, decent housing and a suitable living environment, and expansion of economic opportunities. The economic opportunities are expanded through achieving one or more of the three broad national objectives: (1) benefiting low- and moderate-income persons; (2) aiding in the prevention or elimination of slums or blight; and (3) meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community wherein other financial resources are not available to meet such needs.

During the year ended June 30, 2005, the Agency received no direct CDBG funds. Program expenditures totaled \$5,047,700 and represent expenditures of program income.

**(4) Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule have been reconciled to the accompanying basic financial statements and the amounts reported in the related federal financial reports.

**(5) Subrecipients**

Program expenditures of \$9,925,983 for the Housing Opportunities for Persons with AIDS Grant (CFDA #14.241) were provided to subrecipients.

## **APPENDIX D**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

The following is a brief summary of certain provisions of the Indenture and the Loan Agreements. This summary is not intended to be definitive, and reference is made to the full text of such documents for the complete terms thereof.

The summary of the Loan Agreements applies to each of the Loan Agreements, except where otherwise noted.

#### **Definitions**

Capitalized terms used in this summary have the definitions given below.

“Accreted Value” means, (a) with respect to any Capital Appreciation Bond, the total amount of principal thereof and interest payable thereon as of any Interest Payment Date, determined solely by reference to the Tables of Accreted Values set forth on the respective Capital Appreciation Bond and in Exhibit C to the Indenture; provided that the Accreted Value of any Capital Appreciation Bond as of any date other than on an Interest Payment Date shall be the sum of (i) the Accreted Value as of the Interest Payment Date immediately preceding the date as of which the calculation is being made (or as of the dated date of the related Capital Appreciation Bond, if such calculation is made prior to the date of the first Interest Payment Date following the issuance of the related Capital Appreciation Bonds); and (ii) interest on the Accreted Value determined pursuant to the preceding clause (i), computed to the date as of which the calculation is being made at the respective interest rate set forth on each such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Agency” means the Redevelopment Agency of the City and County of San Francisco, a public body corporate and politic organized under the laws of the State, and any successor thereto.

“Agreement” means that certain Joint Exercise of Powers Agreement, dated as of July 11, 1989, by and between the City and the Agency, together with any amendments thereof and supplements thereto.

“Allocable Tax Revenues” means all taxes annually allocable without regard to the Plan Limit following the Closing Date, to the Agency with respect to the applicable Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the applicable 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 applicable Loan and any applicable 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 applicable Project Area; 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 33333.7 (if applicable), 33607.5 and 33607.7 of the Redevelopment Law unless such payments are

subordinate to payments due under the applicable Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law.

“Authority” means the City and County of San Francisco Redevelopment Financing Authority, a joint powers authority duly organized and existing under the Agreement and the laws of the State, including the Act.

“Board” means the Board of Directors of the Authority.

“Bond Law” means Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State.

“Bond Obligation” means, as of any given date of calculation, (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (b) with respect to any Outstanding Capital Appreciation Bond, the then Accreted Value thereof.

“Bond Year” means each twelve (12) month period extending from August 2 in one calendar year to August 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on August 1, 2007.

“Bonds” means the City and County of San Francisco Redevelopment Financing Authority 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects), authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

“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.

“Capital Appreciation Bonds” means the Bonds indicated as such in the Indenture, on which interest is compounded and paid solely at maturity or upon earlier redemption.

“Certificate of the Agency” means a certificate in writing signed by the Executive Director, Treasurer or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

“Certificate of the Authority” means a certificate in writing signed by the Executive Director, Treasurer or Secretary of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose.

“City” or “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 of original issuance of the Bonds.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the 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 expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the funding of the Loans pursuant to the Loan Agreements, including but not limited to all compensation, fees and expenses (including, but not limited to fees and expenses for

legal counsel) of the Authority, the Agency and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, bond insurance premiums, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Current Interest Bonds” means the Bonds, other than the Capital Appreciation Bonds, all of which pay interest to the Owners thereof on Interest Payment Dates during their respective terms.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds, coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“Defeasance Obligations” means (a) cash, (b) U.S. Treasury certificates, notes and bonds (including State and Local Government Series), (c) direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities, (d) the interest component of Resolution Funding Corp. (“REFCORP”) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (e) obligations listed in (b)(i), (ii), (iii), (v), (vii) and (viii) of the definition of Permitted Investments; or (f) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively; if, however, the issue is only rated by S&P, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S.-guaranteed obligations, or AAA rated pre-refunded municipals).

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Indenture.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means any of the events described as such in the Indenture or the applicable Loan Agreement, as the context requires.

“Federal Securities” means direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee, including interest strips of the Resolution Funding Corporation for which separation of principal and interest is made by a Federal Reserve Bank in book-entry form.

“Fiscal Year” means any twelve (12) month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve (12) month period selected and designated by the Authority as its official fiscal year period.

“Independent Certified Public Accountant” or “Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Authority,

the City or the Agency; (b) does not have any substantial interest, direct or indirect, in the Authority, the City or the Agency; and (c) is not connected with the Authority, the City or the Agency as an officer or employee of the Authority, the City or the Agency but who may be regularly retained to make annual or other audits of the books of or reports to the Authority, the City or the Agency.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is judged by the 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 the domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity Debt; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Insurance Policy” means the financial guaranty insurance policy issued by the Insurer guaranteeing the scheduled payment of principal and interest on the Bonds when due.

“Insurer” means the provider of financial guaranty insurance with respect to the Bonds, initially MBIA Insurance Corporation, or any successor thereto or assignee thereof.

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means February 1 and August 1 in each year, beginning February 1, 2007, and continuing thereafter so long as any Bonds remain Outstanding.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the applicable Loan Agreement.

“Loan Agreements” means, collectively: (a) the Loan Agreement, dated as of August 1, 2006, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to the Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area; (b) the Loan Agreement, dated as of August 1, 2006, by and among the Authority, and the Trustee and the Agency relating to the loan to the Agency with respect to the Rincon Point-South Beach Project Area; (c) the Loan Agreement, dated as of August 1, 2006, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to Yerba Buena Center Redevelopment Project Area; and (d) the Loan Agreement, dated as of August 1, 2006, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to the Mission Bay North Redevelopment Project.

“Loan” means a loan made by the Authority to the Agency under and pursuant to one of the Loan Agreements.

“Loan Fund” means the fund by that name established and held by the Trustee pursuant to the applicable Indenture.

“Low and Moderate Income Housing Fund” means the fund of the Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

“Maturity Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond (representing both principal and interest payable on any such Bond) at the maturity date thereof.



“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 applicable Loan or any Parity Debt with respect thereto 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, there shall be excluded payments with respect to the applicable Loan or any Parity Debt to the extent that amounts due with respect to the applicable Loan or such Parity Debt are prepaid or otherwise discharged in accordance with the applicable Loan Agreement 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 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 Redevelopment Fund or the Low and Moderate Income Housing Fund. With respect to the Mission Bay North Redevelopment Project, if the assessed valuation of the property owned by the taxpayer with the largest assessed valuation of property within such Project Area is greater than 33% of the remainder of (i) the total assessed valuation of property within such Project Area less (ii) the base year assessed valuation of property within such Project Area, then the amount of Allocable Tax Revenues for such Project Area, as provided above, shall be at least equal to 200% of the amount of Maximum Annual Debt Service, which would result if any such moneys on deposit in such escrow fund were to be so released and deposited, and if the assessed valuation of the property owned by the taxpayer with the largest assessed valuation of property within such Project Area is greater than 20% and less than or equal to 33% of the remainder of (i) the total assessed valuation of property within such Project Area less (ii) the base year assessed valuation of property within such Project Area, then the amount of Allocable Tax Revenues for such Project Area, as provided above, shall be at least equal to 150% of the amount of Maximum Annual Debt Service which would result if any such moneys on deposit in such escrow Fund were to be so released and deposited

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Nominee” means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to disqualified Bonds) all Bonds theretofore executed, issued and delivered by the Authority under the applicable Indenture 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 provisions of the applicable Indenture relating to the discharge thereof, but not including Bonds paid by the Insurer; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the applicable Indenture or any Supplemental Indenture. Bonds the principal of or interest on which has been paid by the Insurer pursuant to the Insurance Policy shall remain Outstanding for all purposes, as provided in the Indenture.

“Owner” or “Bond Owner,” when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means any other indebtedness of the Agency relating to the applicable Project Area meeting the requirements of the applicable Loan Agreement.

“Parity Debt Instrument” means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt.

“Participant” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as a securities depository.

“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 (provided that the Trustee shall have no duty to determine the legality of any investments):

(a) 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, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(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 (Eximbank), (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank, (iv) debentures of the Federal Housing Administration (FHA); (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations (participation certificates) of the Government National Mortgage Association (GNMA); (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures (U.S. government guaranteed debentures) or U.S. public housing notes and bonds (U.S. government guaranteed public housing notes and bonds) of the U.S. Department of Housing and Urban Development (HUD);

(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 are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC); (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (FNMA); (iv) obligations of the Resolution Funding Corporation (REFCORP), and (v) consolidated systemwide 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 “AAAm-G,” “AAAm” or “AAm” and, if rated by Moody’s, having a rating by Moody’s of “Aaa,” “Aa1” or “Aa2,” including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, issued by commercial banks, savings and loan associations or mutual savings banks (such collateral must be held by a third party and the Trustee on behalf of the Bondowners must have a perfected first security interest in such collateral);

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including BIF and SAIF, including those of the Trustee or its affiliates;

(g) Investment agreements, including guaranteed investment contracts, acceptable to the Insurer;

(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, at the time of purchase, are rated by Moody’s and S&P in one of the two highest long term rating categories assigned by such agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P;

(k) repurchase agreements for thirty days or less which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria (unless otherwise approved by the Insurer):

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which is rated “A” or better by Moody’s and S&P, or (B) a bank rated “A” or better by Moody’s and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government (including FNMA and the FHLMC); (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee before or simultaneous with payment (perfection by possession of certificated securities); (D) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to at least 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest); and

(iii) a legal opinion must be delivered to the Trustee and the Authority to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) Local Agency Investment Fund (LAIF) referred to in section 16429.1 of the California Government Code to the extent deposits and withdrawals may be made directly by the Trustee as to any moneys held by the Trustee; and

(m) any other investments permitted in writing by the Insurer.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Plan Limit” means the limitation contained in a Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.2 of the Redevelopment Law.

“Principal Account” means the account by that name established and held by the Trustee pursuant to the applicable Indenture.

“Prior Bonds” shall mean the following bonds issued by the Authority: \$22,299,217.46 initial aggregate principal amount of 1989 Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$22,995,819.10 initial aggregate amount of 1990 Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$24,913,005.40 initial aggregate principal amount of 1991 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$57,934,118.50 initial aggregate principal amount of 1993 Series B Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects); \$9,875,000 initial aggregate principal amount of 1994 Series B Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$11,920,000 initial aggregate principal amount of 1995 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$12,585,000 initial aggregate principal amount of 1996 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$12,915,026.40 initial aggregate principal amount of 1998 Series C Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$21,034,002 initial aggregate principal amount of 1998 Series D Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$53,200,000 initial aggregate principal amount of 1999 Series A Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$17,565,000 initial aggregate principal amount of 1999 Series B Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$11,200,000 initial aggregate principal amount of 2000 Series A Tax Allocation Revenue Funds (San Francisco Redevelopment Projects); \$40,135,000 initial aggregate principal amount of 2001 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$78,025,000 initial aggregate principal amount of 2003 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$51,280,000 initial aggregate principal amount of 2003 Series B Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$15,130,000 initial aggregate principal amount of 2003 Series C Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$82,960,000 initial aggregate principal amount of 2004 Series A Tax Allocation Refunding and Capital Improvement Revenue Bonds (San Francisco Redevelopment Projects); \$4,435,000 initial aggregate principal amount of 2004 Series B Taxable Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects); \$7,790,000 initial aggregate principal amount of 2004 Series C Tax Allocation Revenue Bonds (Rincon Point-South Beach Redevelopment Project); \$45,865,000 initial aggregate principal amount of 2004 Series D Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$20,350,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series A Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects); \$8,090,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series B Taxable Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects); \$43,940,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series C (San Francisco Redevelopment Projects); and \$16,230,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series D Tax Allocation Revenue Bonds (Mission Bay North Redevelopment Project).

“Project Area” means the applicable Project Area as identified in a Loan Agreement.

“Proportionate Share” means the proportion of the proceeds of the Bonds allocable to each Loan, as set forth in the applicable Loan Agreement.

“Qualified Credit Instrument” means, (a) the Surety Bond; and (b) subject to certain conditions set forth in the Loan Agreements, a surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a “municipal bond insurer”) if the claims paying ability of the issuer thereof shall be rated “AAA” and “Aaa” by Standard and Poor’s Ratings Services and Moody’s Investors Service, respectively, and, if rated by A.M. Best & Company, also rated in the highest rating category of A.M. Best & Company.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month (whether or not such day is a Business Day) immediately preceding such Interest Payment Date.

“Redevelopment Fund” means the redevelopment fund established under the applicable Loan Agreement.

“Redevelopment 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.

“Redevelopment Plan” means the redevelopment plan, as amended, for the respective Project Area relating to the applicable Loan.

“Redevelopment Project” means the undertaking of the Agency pursuant to the applicable Redevelopment Plan and the Redevelopment Law for the redevelopment of the related Project Area.

“Registration Books” means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Report” means a document in writing signed by an Independent Redevelopment Consultant and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Loan Agreement 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.

“Representation Letter” means the Representation letter to the Authority relating to the Depository’s book-entry only system.

“Request of the Agency” means a request in writing signed by the Executive Director, Treasurer or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

“Request of the Authority” means a request in writing signed by the Treasurer or Secretary of the Authority (or a written designee of any of them) or by any other officer of the Authority duly authorized by the Board for that purpose.

“Reserve Account” means the account of the same name established and held under the applicable Loan Agreement by the Trustee.

“Reserve Account Agreement” means the Guaranty Agreement dated the Closing Date between the Agency and the Insurer.

“Reserve Requirement” means with respect to the applicable Loan or any related Parity Debt, as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of such Loan or Parity Debt, as applicable, or, if the original issue discount exceeds 2% of such original principal amount, then ten percent (10%) of the original principal amount of, less original issue discount on, such Loan or Parity Debt, (ii) Maximum Annual Debt Service with respect to such Loan or Parity Debt, as applicable, or (iii) 125% of average annual debt service on such Loan or Parity Debt, as applicable; provided that (a) for purposes of such calculation, proceeds of the Loan or Parity Debt which are held in an escrow fund described in the definition of Maximum Annual Debt Service shall not be included as part of the Loan or Parity Debt until such time as moneys are released from such escrow fund, (b) such calculation shall be made by the Agency and (c) the Agency may meet all of a portion of the Reserve Requirement by depositing a Qualified Credit Instrument meeting the requirements of the applicable Loan Agreement. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear a fixed interest rate of 9.2% per annum.

“Revenue Fund” means the fund by that name established pursuant to the applicable Indenture.

“Revenues” means (a) all amounts payable by the Agency to the Authority pursuant to the Loan Agreements other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii), in the case of the Bonds, amounts payable to the United States of America pursuant to the rebate provisions of the Loan Agreements; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture, other than the Costs of Issuance Fund; and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture, other than the Costs of Issuance Fund.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

“Securities Depository” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11630, Fax (616) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Several Loan Agreements” has the same meaning given to the term “Loan Agreements.”

“Several Project Areas” means, collectively, the Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area/South of Market Earthquake Recovery Project Area/Federal Office Building Project Area, the Rincon Point-South Beach Project Area, the Yerba Buena Center Approved Redevelopment Project Area, and the Mission Bay North Redevelopment Project Area.

“Special Fund” means the fund of the same name established and held by the Agency pursuant to the applicable Loan Agreement.

“State” means the State of California.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by the Agency pursuant to the applicable Loan Agreement, 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 subordinate to the pledge of and lien upon the Tax Revenues under the applicable Loan Agreement for the security of the respective Loan.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

“Surety Bond” means the Surety Bond issued by the Insurer with respect to the applicable Loan Agreement.

“Tax Revenues” means all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area following the Closing Date, 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 Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. as 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 Loan 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 excluding Investment Earnings, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33333.7, if applicable, 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinate to payments due under the applicable Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law.

“Term Bonds” means the Current Interest Bonds designated as such in the Indenture.

“Trust Office” means the corporate trust office of the Trustee at the address set forth in the Indenture, and such other offices as the Trustee may designate from time to time.

## **SUMMARY OF THE INDENTURE**

### **Establishment of Funds and Accounts; Flow of Funds**

Loan Fund. The Trustee shall establish and maintain a separate fund to be known as the “Loan Fund” into which shall be deposited a portion of the proceeds of sale of the Bonds pursuant to the Indenture. The Trustee shall disburse all amounts in the Loan Fund on the Closing Date pursuant to the provisions of the Loan Agreements and thereupon shall close the Loan Fund.

Costs of Issuance Fund. The Indenture establishes a fund to be held by the Trustee known as the “Costs of Issuance Fund” into which shall be transferred a portion of the proceeds of the Loans initially deposited in the Loan Fund pursuant to each of the Loan Agreements. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority. On the date which is ninety (90) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund upon direction of the Authority to the Interest Account or to the Agency, to be deposited by the Agency pro rata, based on the Proportionate Shares of the respective Loans, in the Redevelopment Funds established pursuant to the Loan Agreements. The Authority may at any time prior to the transfer by the Trustee to the Agency of the remaining funds in the Costs of Issuance Fund, file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Interest Account or the Agency

for deposit to the applicable Redevelopment Funds all remaining amounts in the respective Proportionate Shares set forth in the Loan Agreements, and the Trustee shall comply with such request.

Revenue Fund: Receipt, Deposit and Application of Revenues. All Revenues described in clause (a) of the definition thereof shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which, together with the Interest Account and the Principal Account therein, the Trustee shall establish, maintain and hold in trust under the Indenture.

Three (3) Business Days prior to each Interest Payment Date (or on such Interest Payment Date if the Trustee has determined it has sufficient amounts on deposit in the Revenue Fund to fully fund the Interest Account and Principal Account on such Interest Payment Date), the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. Three (3) Business Days prior to each Interest Payment Date (or on such Interest Payment Date if the Trustee has determined it has sufficient amounts on deposit in the Revenue Fund to fully fund the Interest Account and Principal Account on such Interest Payment Date), the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Current Interest Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Current Interest Bonds on the next succeeding Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Current Interest Bonds as it shall become due and payable (including accrued interest on any Current Interest Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Current Interest Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purposes of the Agency.

(b) Principal Account. Three (3) Business Days prior to each Interest Payment Date on which the principal of the Current Interest Bonds (Maturity Amount with respect to the Capital Appreciation Bonds) shall be payable (or on such Interest Payment Date if the Trustee has determined it has sufficient amounts on deposit in the Revenue Fund to fully fund the Interest Account and Principal Account on such Interest Payment Date), the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal of the Current Interest Bonds and the Maturity Amount of the Capital Appreciation Bonds coming due and payable on such Interest Payment Date pursuant to the Indenture, or the redemption price of the Current Interest Bonds (consisting of the principal amount thereof to be redeemed and any applicable redemption premiums) required to be redeemed on such Interest Payment Date pursuant to the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Current Interest Bonds or the Maturity Amount of the Capital Appreciation Bonds at the respective maturities thereof, or (ii) paying the principal with respect to Current Interest Bonds and premium (if any) on any Current Interest Bonds upon the redemption thereof pursuant to the Indenture. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come



due and payable, shall be withdrawn therefrom and transferred to the Agency to be used for any lawful purposes of the Agency.

On the last day of each Bond Year, the Trustee shall withdraw any amounts remaining on deposit in the Revenue Fund and transfer such amounts to the Agency to be used for any lawful purposes of the Agency.

### **Investment of Funds**

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by either the Authority or the Agency. In the absence of any such directions from the Authority or the Agency, the Trustee shall invest any such moneys in certain Permitted Investments described in clause (e) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

Except as described under the caption “SUMMARY OF THE LOAN AGREEMENTS – Investment of Moneys; Valuation of Investments,” all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture as directed by either the Authority or the Agency. The Trustee may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment.

For the purpose of determining the amount in any fund or account, the value of Permitted Investments credited to such fund shall be valued at the market value thereof (excluding any accrued interest). In making any valuation of Permitted Investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

### **Covenants of the Authority**

Punctual Payments. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and the Indenture, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchaser of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall be subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this provision shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other

indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Loan Agreements and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statement. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of the Bonds, the Revenues, the Loan Agreements and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the Agency during regular business hours with reasonable prior notice.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part.

Loan Agreements: Amendments Thereof. The Trustee, as assignee of the Authority's rights, subject to the provisions of the Indenture, shall promptly use reasonable efforts to collect all amounts due from the Agency pursuant to the Loan Agreements and, subject to the provisions of the Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the Agency thereunder.

The Authority, the Trustee and the Agency may at any time amend or modify any of the Loan Agreements pursuant to the provisions thereof, (a) but only if the Trustee first obtains the written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Bond Obligation to such amendment or modification, or (b) without the written consent of any of the Bond Owners, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency contained in the Loan Agreements, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Agency so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; 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 Loan Agreements, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds.

Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the

intention or to facilitate the performance of the Indenture, and for better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

Continuing Disclosure. The Authority covenants and agrees that it will assist the Agency in complying with and carrying out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Participating Underwriter or the owners of at least 25% aggregate amount of the Bond Obligation, but only to the extent indemnified to its satisfaction from any liability or expense, including fees of its attorneys, shall) or any Bondholder may, take such actions as may be necessary and appropriate to compel performance by the Agency of its obligations under the Continuing Disclosure Certificate, including seeking mandate or specific performance by court order.

### **Amendment of Indenture**

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond 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 Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; 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 Authority may deem necessary or desirable, provided that under any circumstances such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds.

Except as described above, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority of the then Bond Obligation are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest or compounding rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal or Maturity Amount, as applicable, and interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of the Bond Obligation required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

### **Events of Default and Remedies**

Events of Default. The following events constitute Events of Default under the Indenture:

(a) Default by the Authority in the due and punctual payment of the principal amount, Maturity Amount or redemption premium (if any) of any Bond pursuant to the Indenture, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default by the Authority in the due and punctual payment of any installment of interest on any Bond pursuant to the Indenture.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) of the Bond Obligation; provided that such default shall not constitute an Event of Default under the Indenture if the Authority shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

(d) The filing by the Authority of a petition or answer 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 shall approve a petition, filed with or without the consent of the Authority, 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 shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies. Subject to the rights of the Insurer to control the exercise of all remedies as set forth in the Indenture, upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal, interest, Accreted Value and premium, if any, on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture.

If an Event of Default shall have occurred and be continuing, and if the Trustee has been indemnified as provided in the Indenture, the Trustee shall, upon the request of the Owners of at least 25% in aggregate principal amount of the Bond Obligation, be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy conferred upon or reserved to the Trustee or the Bond Owners by the terms of the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken 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 amount 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, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of principal or then Accreted Value, as applicable, of, and interest on, the Bonds then due and unpaid, with interest on overdue installments of principal,

Accreted Value and interest, to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the amount of such interest, Accreted Value and principal, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) second, to the payment of Accreted Value and principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such Accreted Value and principal in full, and

(c) third, to the payment of interest on overdue installments of principal, Accreted Value and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

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 aggregate principal amount of the Bonds Outstanding, it shall have full power, in the exercise of its discretion for the best interest 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 of the Bond Obligation under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. Nothing in the Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture, out of the Revenues and other moneys therein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to

exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or the provisions of the Indenture relating to default and remedies may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Rights and Remedies of Bond Owners. 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 Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds Outstanding shall have made a 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 thirty (30) 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 Bonds of any remedy under the Indenture; it being intended that no one or more Owners of Bonds shall have any right in any manner whatsoever, by his or their action, to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, held and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

## **Discharge of Indenture**

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(i) by paying or causing to be paid the principal or Maturity Amount, as applicable, of and interest and premium (if any) on, such Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Loan Agreements, is fully sufficient to pay such Bonds, including all principal or Maturity Amount, as applicable, interest and redemption premiums; or

(iii) by irrevocably depositing with the Trustee or any other fiduciary, in trust in an escrow, non-callable Defeasance Obligations in such amount as an Independent Certified Public Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Loan Agreements, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal or Maturity Amount, as applicable, interest and any redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid and all expenses and costs of the Trustee. Any funds thereafter held by the Trustee which are not required for said purposes, shall be paid over to the Authority.

Notwithstanding the foregoing, in the event that the principal of or interest on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the obligations of the Authority and the Trustee hereunder shall remain in full force and effect, and the Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid.

#### **Provisions Relating to the Insurance Policy**

As long as the Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) In the event that, on the second Business Day, and again on the Business Day prior to each Interest Payment Date, the Trustee has not received sufficient moneys to pay all principal and interest due on the Bonds on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, 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 Interest Payment Date, the Trustee shall so notify the Bond Insurer or its designee.

(c) In addition, if the Trustee has actual knowledge that any Owner of a Bond has been required to disgorge payments of principal or interest on the 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 a voidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone or telegraphic notice, 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 the Owners of the Bonds as follows:

(i) if and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (A) execute and deliver to U.S. Bank Trust National

Association or its successors under the Insurance Policy (the “Insurance Trustee”), in form satisfactory to the Insurance Trustee, an instrument appointing the Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (B) receive, as designee of the respective Owners of the Bonds (and not as Trustee) in accordance with the tenor of the Insurance Policy, payment from the Insurance Trustee with respect to the claims for interest so assigned, and (C) disburse the same to such respective Owners of the Bonds, and

(ii) if and to the extent of a deficiency in amounts required to pay principal on the Bonds, the Trustee shall (A) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Insurer as agent for such Owners in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Bonds 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 Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy, payment therefor from the Insurance Trustee, and (C) disburse the same to such Owners of the Bonds.

(e) Payments with respect to claims for interest on and principal of the Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee hereby agree for the benefit of the Insurer that,

(i) they recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Owners of the Bonds to receive the amount of such principal and interest from the Authority, with interest thereon as provided and solely from the sources stated in this Indenture and the Bonds; and

(ii) they will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to Owners of the Bonds, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

## **Rights of the Insurer**

*Amendments; Supplemental Indentures.* The Insurer’s consent shall be required for (i) any amendment to the Indenture, other than as described in Section 7.01(a) or (b) of the Indenture; and (ii) any amendment to any of the Several Loan Agreements, other than as described in Section 5.07 (i), (ii) or (iii) of the Several Loan Agreements. The Insurer’s consent must be obtained prior to the execution of and Supplemental Indenture other than in connection with a refunding to obtain savings or the issuance by



the Agency of Parity Debt (as defined in the Several Loan Agreements) pursuant to Section 2.07 of any of the Several Loan Agreements.

*Rights of Insurer Upon an Event of Default.* Anything in the Indenture to the contrary notwithstanding, **upon the occurrence and continuation of an Event of Default, the Insurer, acting alone, shall be entitled to direct the enforcement of all rights and remedies granted hereunder to the Owners of the Bonds, or to the Trustee for the benefit of the Owners of the Bonds, including but not limited to the right to approve all waivers of any Events of Default.** The Insurer shall be recognized as the registered owner of each Bond for the purposes of exercising rights and privileges available to Bondholders.

## **SUMMARY OF THE LOAN AGREEMENTS**

### **Terms of Loan; Payment of Principal and Interest**

Pursuant to the Agreements, the Authority agrees to make the Loans to the Agency on the Closing Date. The principal of and interest on each Loan is payable in installment payments to be made no later than January 20 and June 30 (or if the applicable January 20 or June 30 is not a Business Day, then on the next preceding Business Day) in each of the years and in the amounts, calculated at the rates per annum, corresponding to the principal and interest then coming due with respect to the Outstanding Bonds. Payments on the Loans are payable by the Agency to the Trustee, as assignee of the Authority under the Indenture, in immediately available funds.

### **Prepayment of Loans**

The Loans are subject to optional prepayment in whole, or in part, on any date (subject to certain restrictions) on which the Bonds are subject to optional redemption, from any available source of funds of the Agency, at a prepayment price corresponding to the redemption price of the Bonds to be redeemed from such prepayments. In lieu of depositing cash with the Trustee for all or part of any Loan payment relating to any maturity of the Bonds, the Agency has the option to tender to the Trustee for cancellation any amount of Bonds of such maturity purchased by the Agency at public or private sale as and when and at such prices as the Agency may in its discretion determine.

### **Reserve Accounts**

Each Loan Agreement establishes a separate Reserve Account to be held by the Trustee in trust for the benefit of the Authority and the Owners of the Bonds. The amount on deposit in any Reserve Account relating to any Loan shall be maintained at the related Reserve Requirement at all times so long as such Loan remains unpaid. If any such Reserve Account falls below the applicable Reserve Requirement, the Trustee is required to notify the Agency promptly. In the event that the Agency fails to deposit with the Trustee the full amount of principal and interest on any Loan on or before the third Business Day preceding any Interest Payment Date, as required under the applicable Loan Agreement, on such Interest Payment Date the Trustee will withdraw the amount of such deficiency from the related Reserve Account and transfer such amount to the Interest Account and the Principal Account, in such order. The Agency has reserved the right to deposit or substitute at any time one or more Qualified Credit Instruments in lieu of cash or any Qualified Credit Instrument then on deposit in or held by the applicable Reserve Account. Amounts on deposit in the Reserve Account relating to a Loan and any related Qualified Credit Instrument are not pledged or available to make payments with respect to any obligations other than the related Loan, except as otherwise expressly permitted under the applicable Loan Agreement.

In the event that the amount on deposit in a Reserve Account on the third Business Day preceding any Interest Payment Date (other than the final Interest Payment Date) exceeds the Reserve Requirement (including in any such calculation the then principal amount of any applicable Qualified Credit Instrument including any reinstatement of the principal thereof), the Trustee shall withdraw from such Reserve Account and transfer to the Interest Account held by the Trustee under the Indenture the amount of Investment Earnings and any other amounts on deposit in the Reserve Account which are in excess of the applicable Reserve Requirement. At the request of the Agency filed with the Trustee, all amounts then in a Reserve Account shall either (a) be credited, on the third Business Day preceding the final Interest Payment Date, to the deposit then required to be made by the Agency pursuant to the applicable Loan Agreement, or (b) transferred, on the final Interest Payment Date, to the Agency to be used for any lawful purpose relating to the applicable Project Area. Notwithstanding the foregoing, no amounts shall be withdrawn from the Reserve Account and transferred to the Agency during any period in which an Event of Default shall have occurred and be continuing under a Loan Agreement.

### **Parity Debt**

The Agency may (subject to certain limitations relating to outstanding bonds of the Agency) issue or incur Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt, subject to the following specific conditions which are made conditions precedent to the issuance and delivery of such Parity Debt issued under the applicable Loan Agreement:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the applicable Loan Agreement.

(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 outstanding bonded indebtedness, shall be at least equal to 100% of Maximum Annual Debt Service on the Loan and Parity Debt which 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 125% of Maximum Annual Debt Service on the Loan and Parity Debt which will be Outstanding immediately following the issuance of such Parity Debt. With respect to the Loan under the Mission Bay North Loan Agreement, if the assessed valuation of the property owned by the taxpayer with the largest assessed valuation of property within the Mission Bay North Project Area is greater than 33% of the remainder of (i) the total assessed valuation of property within the Mission Bay North Project Area less (ii) the base year assessed valuation of property within the Mission Bay North Project Area, then the amount of Allocable Tax Revenues, as provided above, shall be at least equal to 200% of Maximum Annual Debt Service on the Mission Bay Loan and Parity Debt which will be outstanding immediately upon the issuance of such Parity Debt, and if the assessed valuation of the property owned by the taxpayer with the largest assessed valuation of property within the Mission Bay North Project Area is greater than 20% and less than or equal to 33% of the remainder of (i) the total assessed valuation of property within the Mission Bay North Project Area less (ii) the base year assessed valuation of property within the Mission Bay North Project Area, then the amount of Allocable Tax Revenues, as provided above, shall be at least equal to 150% of Maximum Annual Debt Service on the Mission Bay Loan and Parity Debt which will be outstanding immediately upon the issuance of such Parity Debt.

(c) The Agency shall certify that the aggregate principal of and interest on the Loan, any Parity Debt (including the Parity Debt to be incurred) and Subordinate Debt coming due and

payable will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency with respect to the Project Area after the issuance of such Parity Debt.

(d) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in (a), (b) and (c) above have been satisfied.

(e) The Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

### **Subordinate Debt**

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the applicable Loan Agreement and the proceedings for the issuance of any Parity Debt;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues, then the aggregate amount of principal of and interest to accrue on the Loan, any Parity Debt and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit following the issuance of such Subordinate Debt; and

(c) The Agency shall deliver to the Trustee a written certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt described in (a) and (b) above have been satisfied.

### **Pledge and Deposit of Tax Revenues**

Subject to the Agency's obligations with respect to its Variable Rate Demand Refunding Bonds, 1986 Issue A, with respect to the Rincon Point-South Beach Project Area (and then only with respect to the Senior Encumbered Revenues applicable to such Project Area), the Loan and Parity Debt with respect to any Project Area are equally secured by a pledge of and lien on all of the Tax Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The payment obligations of the Agency pursuant to any Qualified Credit Instrument shall be secured for the benefit of the provider thereof by a pledge and lien on all of the Tax Revenues which pledge and lien shall be subordinate to the pledge and lien securing the Loan and any Parity Debt. The Loan shall be additionally secured for the benefit of the Authority and the Owners of the Bonds by a first pledge of and lien upon all of the moneys in the Reserve Account, excluding Investment Earnings. Subject to the Agency's obligations with respect to its Variable Rate Demand Refunding Bonds, 1986 Issue A, the Tax Revenues are hereby allocated in their entirety to the payment of the principal of and interest on the Loan and all Parity Debt. Except as provided below, except for the Tax Revenues and the Reserve Account, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on the Loan.

If at any time the amount of indebtedness outstanding with respect to any Project Area (including the Senior Debt, the Loan, all Parity Debt and Subordinate Debt which has previously been issued and all Parity Debt and Subordinate Debt which may hereafter be issued), including the interest to be paid

thereon, equals or exceeds 95% of the Plan Limit, the Agency shall, upon receipt of all Tax Revenues which are in excess of the amounts needed to pay debt service on all such indebtedness in the Bond Year in which they are received (the "Excess Tax Revenues"), deposit such Excess Tax Revenues in a special escrow account of the Agency to be established at such time, and shall use such Excess Tax Revenues only for the payment of debt service on the Loan and any Parity Debt.

In order to determine whether, pursuant to the preceding paragraph, the Agency is required to deposit Excess Tax Revenues into a special escrow account, the Deputy Executive Director, Finance and Administration shall, on or about September 1 of each year, perform the calculation described in the preceding paragraph. The Agency shall, as soon as practicable thereafter, notify Moody's Investors Service and Standard & Poor's Ratings Services of the results of such calculation.

Each Loan Agreement establishes a Special Fund to be held by the Agency. The Agency shall deposit all of the Tax Revenues received in any Bond Year (after satisfying, with respect to the Senior Encumbered Revenues, the requirements of the Senior Indenture for such Bond Year as applicable to the Rincon Point-South Beach Project) ratably in the Special Fund and in any applicable Special Fund created by any Parity Debt Instrument promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee pursuant to the applicable provision of such Loan Agreement relating to payment amounts of such Bond Year; and (except as may be otherwise provided in any Parity Debt Instrument) any Tax Revenues received during such Bond Year in excess of such amounts shall be released from the pledge and lien under the applicable Loan Agreement and may be used for any lawful purpose of the Agency. Prior to the payment in full of the principal of and interest and prepayment premium (if any) on the Loan and all Parity Debt and the payment in full of all other amounts payable under the applicable Loan Agreement and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as provided in such Loan Agreement and in any Parity Debt Instrument, and such moneys shall be used and applied as set forth in the applicable Loan Agreement and in any Parity Debt Instrument.

In the event that there are insufficient Tax Revenues to make all payments required into the Special Fund and into all applicable Special Funds created by Parity Debt Instruments, the Agency shall allocate Tax Revenues among the Special Fund and the applicable Special Funds created by Parity Debt Instruments on a proportionate basis based on the relative amount of Tax Revenues that would have been required to make all such deposits in full.

The Agency shall withdraw from the Special Fund and transfer to the Trustee the following amounts at the following times and in the following order of priority:

(a) Interest and Principal Deposits. No later than each January 20 and June 30 of each year, commencing January 20, 2007, the Agency shall withdraw from such Special Fund and transfer to the Trustee all payment amounts on the Loan becoming due and payable on the applicable Interest Payment Date.

(b) Reserve Account Deposits. In the event that the amount on deposit in the Reserve Account relating to a Loan Agreement is less than the Reserve Requirement, the Trustee shall immediately notify the Agency and the Agency shall immediately withdraw from the Special Fund and transfer to the Trustee for deposit in the Reserve Account an amount of money necessary to maintain the Reserve Requirement in the Reserve Account; provided that amounts required to be transferred to the Reserve Account shall, if necessary, first be used to reinstate the principal amount of any Qualified Credit Instrument and shall then be used to replenish any cash portion of the Reserve Requirement. 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.

(c) Surplus. Except as may be otherwise provided in any documents authorizing the issuance of any Parity Debt, the Agency shall not be obligated to deposit in a Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in such Special Fund, exceeds the amounts required (i) to maintain the Reserve Account at the Reserve Requirement and (ii) to be transferred to the Trustee in such Bond Year pursuant to the foregoing provisions of the respective Loan Agreement. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any August 2 after making all of the transfers theretofore required to be made pursuant to the preceding clauses (a) and (b) and pursuant to any Parity Debt Instrument, the Agency may withdraw such amounts from the Special Fund for use for any lawful purposes of the Agency; provided that any interest, profits and other income from investment of moneys in the Reserve Account which is in excess of the Reserve Requirement shall first be applied, to the extent necessary, to restore the Reserve Requirement with respect to Other Loan Agreements, as described below under the caption "Other Covenants of the Agency -Limitation on Superior Debt; Subordinate Debt; Junior Pledge in Favor in Certain Other Loan Agreements; Junior Pledge in Favor of the Loan Agreement."

### **Investment of Moneys; Valuation of Investments**

All moneys in each Redevelopment Fund and Special Fund shall be invested by the Agency solely in Permitted Investments, maturing no later than the respective dates on which such moneys are estimated by the Agency to be required for application to the Redevelopment Project or required to be deposited with the Trustee pursuant to the applicable Loan Agreement, as applicable. All moneys in each Reserve Account shall be invested by the Trustee solely in Permitted Investments pursuant to the direction of the Agency given to the Trustee (and promptly confirmed in writing by the Agency) in advance of the making of such investments. In the absence of any such direction from the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof. Permitted Investments of moneys in the Reserve Account shall have a maturity of no greater than five (5) years, except for investment agreements approved by the Insurer.

Provided that the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement, Investment Earnings on amounts on deposit in the Reserve Account shall be transferred by the Trustee from the Reserve Account to the Interest Account held by the Trustee under the Indenture and used to pay debt service on the Bonds.

Investment Earnings on amounts on deposit in the Special Fund shall be deposited in a segregated account in the Agency's general fund or other such fund into which Agency administrative funds are deposited, such deposits to be made by the Agency Treasurer from time to time when Investment Earnings are available; but in any event, Investment Earnings on amounts on deposit in the Special Fund during any Fiscal Year shall be so deposited promptly following the last day of such Fiscal Year; provided that:

(i) at the time of any such deposit, the amount required to maintain the Reserve Requirement shall be on deposit in the Reserve Account; and

(ii) at the time of any such deposit, debt service payable on the Bonds during such Fiscal Year shall have been paid or provided for.

Permitted Investments acquired as an investment of moneys in any fund or account held under a Loan Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be calculated at the market value thereof excluding accrued interest. Permitted Investments on deposit in the Reserve Account shall be valued by the Trustee, and marked to market, at least annually. In making any valuation of Permitted Investments, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

### **Other Covenants of the Agency**

Limitation on Superior Debt: Subordinate Debt: Junior Pledge in Favor in Certain Other Loan Agreements: Junior Pledge in Favor of the Loan Agreement. So long as a Loan remains unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues securing such Loan, which lien is superior to or on a parity with the lien established for the security of such Loan, excepting only Parity Debt. The Agency may issue Subordinate Debt as described above.

The Agency determined in Resolution No. 120-89, adopted on June 13, 1989 and has confirmed such determination (and the Board of Supervisors of the City and County has determined in its Resolution No. 498-89, adopted June 26, 1989) that the low and moderate income housing components of the redevelopment projects financed or refinanced pursuant to the "Other Loan Agreements (as described in the respective Loan Agreement), are of benefit to the Project Area referenced in the respective Loan Agreement and that Tax Revenues shall be applied to meet any deficiency which may exist in the amounts required to be transferred to the Trustee from one or more of the Reserve Accounts relating to the Other Loan Agreements (as described in the respective Loan Agreement).

The Agency has determined that a percentage (as set forth in the Loan Agreements) of the proceeds of the Loans and the Loans made from the proceeds of the Prior Bonds, the Bonds have been deposited in the Low and Moderate Income Housing Fund (including applicable reserves and financing and interest costs). As a result, the Agency shall have available Tax Revenues from the Project Area and Tax Revenues (as defined in the Other Loan Agreements) from the Other Project Areas in an amount not less than a dollar amount set forth in the Loan Agreements for the junior pledge set forth in each of the Loan Agreements and the Other Loan Agreements.

If appropriate determinations have been made by the Agency and the Board of Supervisors of the City and County that any portion of a redevelopment project to be financed with the proceeds of any indebtedness of the Agency with respect to the Other Project Areas is of benefit to the Project Area, then the Agency may provide in the applicable indebtedness instrument that provisions of like force and effect to the provisions described above apply with respect to any reserve fund established for such indebtedness and such provisions of such indebtedness instrument shall be deemed to be on a parity with the provisions described above.

Additionally, if and to the extent the Trustee is obligated to make a draw on the Reserve Account due to an insufficiency of Tax Revenues to make payments on the Loan, the Agency shall transfer tax revenues attributable to Other Project Areas to the Trustee to replenish the Reserve Account to the extent and as permitted by the Other Loan Agreements. The obligation of the Agency to transfer such tax revenues shall be subordinate to the obligation of the Agency to use such tax revenues to make payments due directly with respect to the Other Loan Agreements, but shall be on a parity with the obligation of the Agency to use such tax revenues to make payments due on a subordinate basis with respect to the Other Loan Agreements.

With respect to the Mission Bay North Loan Agreement, the provisions described in the preceding four paragraphs run to the benefit of the Mission Bay North Loan, but the Mission Bay North Loan Agreement is not one of the “Other Loan Agreements” with respect to any of the other Loans funded with Bond proceeds, *so that Mission Bay North funds are not eligible to make payments on or for deposit to the Reserve Accounts for, any of the other Loans funded with proceeds of the Bonds.*

Books and Accounts: Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Projects, the Tax Revenues, the Special Funds, the Redevelopment Funds and the Reserve Accounts and the Revenue Funds and the accounts therein established by the Indenture. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Authority, the Trustee (who shall have no duty to inspect) and the Owners of any Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and filed with the Trustee annually, within one hundred and eighty (180) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Funds and the Redevelopment Funds, the Reserve Accounts and the Revenue Funds and the accounts therein, and the financial condition of each Project Area, including the balances in all such Funds and Accounts relating to each such Project Area, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to any Bond Owner.

Protection of Security and Rights. The Agency will preserve and protect the security of the Loans and the rights of the Trustee and the Bond Owners with respect to the Loans. From and after the Closing Date, the Loans shall be incontestable by the Agency.

Taxation of Leased Property. All amounts derived by the Agency pursuant to Section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Loan Agreements, and shall be paid to the Agency for deposit in the respective Special Funds.

Disposition of Property. The Agency will not participate in the disposition of any land or real property in a 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 related Redevelopment Plan) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in such Project Area unless such disposition is permitted as hereinafter described. If the 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 Loan or the rights of the Authority, the Owners and the Trustee will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition.

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure 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 supplemental revenues and other amounts payable by the State) appropriate officials of the State, and shall forward information copies of each such filing to the Trustee. The Agency shall not enter into any agreement with the City and County or any other governmental unit

which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Loans. Nothing in any Loan Agreement is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Loans and all Parity Debt.

The Agency shall not approve any amendment to a Redevelopment Plan which would, in and of itself, cause the amount of Allocable Tax Revenues in any succeeding Fiscal year to fall below 125% of Maximum Annual Debt Service on the Loan and any Parity Debt.

Amendment of a Loan Agreement. A Loan Agreement may only be amended as provided in the Indenture.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of a Loan Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee has been indemnified from and against any loss, liability, cost or expense, including, without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

#### **Events of Default and Remedies**

The following events shall constitute Events of Default under a Loan Agreement:

(a) Failure by the Agency to pay the principal of or interest or prepayment premiums (if any) on the applicable Loan or any Parity Debt when and as the same shall become due and payable.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in the applicable Loan Agreement, other than as referred to in the preceding clause (a), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice (other than a failure to pay the fees and expenses of the Trustee) can be corrected, but not within such thirty (30)-day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (30)-day period and diligently pursued until such failure is corrected.

(c) The Agency commences a voluntary bankruptcy action under Title 11 of the United States Code or any substitute or successor statute.

Subject to the right of the Insurer to control remedies after the occurrence of an Event of Default, if an Event of Default has occurred and is continuing, the Trustee shall, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds Outstanding, (a) declare the principal of the related Loan, together with the accrued interest on all unpaid installment payments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the applicable Loan Agreement to the contrary notwithstanding, and (b) exercise any other remedies available to the Trustee in law or at equity. Immediately upon becoming actually aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the



Agency by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Loan 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 Agency shall deposit with the Trustee a sum sufficient to pay all payments on the Loans matured prior to such declaration, with interest on such overdue payments at the rate then borne by the Outstanding Series A Bonds, and the reasonable expenses of the Trustee (including but not limited to attorneys fees), and any and all other defaults known to the Trustee 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 Owners of a majority in aggregate principal amount of the Bonds Outstanding may, by written notice to the Trustee and the Agency 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 Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of any Loan Agreement shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee in carrying out the provisions of such Loan Agreement relating to remedies, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of all payments on such Loan then due and unpaid, with interest on overdue payments to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the order by which the overdue payments first became delinquent; and

Third, to the payment of all amounts then due and payable to or on behalf of the provider of the Qualified Credit Instrument by the Agency under the terms of the Qualified Credit Instrument.

No Waiver. Nothing in any provision of any Loan Agreement shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the applicable Tax Revenues and other amounts pledged thereunder, the payments and prepayment premiums (if any) on the applicable Loan to the Trustee, as therein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the applicable Loan Agreement.

A waiver of any default under a Loan Agreement by the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Trustee by the Redevelopment Law or by the Loan Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, the Agency and the Trustee shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

## **Discharge of Loan Agreement**

If the Agency shall pay and discharge all or a portion of the entire indebtedness on any Loan in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the payments on all or a portion of such Loan, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, cash in an amount which, together with the available amounts then on deposit in any of the funds and accounts established pursuant to the Indenture or the applicable Loan Agreement, is fully sufficient to pay all or a portion of the payments on such Loan; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant or Bond Counsel 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 or pursuant to the applicable Loan Agreement, be fully sufficient to pay and discharge all or a portion of the indebtedness on such Loan (including all prepayments and prepayment premiums) at or before maturity;

then, at the election of the Agency but only if all other amounts then due and payable under the applicable Loan Agreement shall have been paid or provision for their payment made and certain condition set forth in the Indenture have been met, the pledge of and lien upon the Tax Revenues and other funds provided for in the applicable Loan Agreement and all other obligations of the Trustee, the Authority and the Agency under the applicable Loan Agreement with respect to that portion of the Loan so prepaid and discharged shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Trustee, from the amounts so deposited with the Trustee or such other fiduciary, all sums due with respect to the Loan and all expenses and costs of the Trustee. Notice of such election shall be filed with the Authority and the Trustee.

## **Additional Provisions Relating to Insurance Policy and Insurer**

The Insurer is providing an Insurance Policy guaranteeing the scheduled payment of principal and interest on the Bonds when due. Notwithstanding any other provision of a Loan Agreement, as long as the Insurance Policy shall be in full force and effect and the Insurer is not in default of its obligations thereunder, the Authority and the Agency agree to comply with the following provisions:

(a) The Insurer, acting alone, shall have the right to direct all remedies under a Loan Agreement following an Event of Default thereunder.

(b) The Agency shall reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Agency's obligations, or the preservation or defense of any rights of the Insurer, under a Loan Agreement, and (ii) any consent, amendment, waiver or other action with respect to a Loan Agreement or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less, and the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

## **Provisions Relating to the Surety Bond**

As long as the Surety Bond shall be in full force and effect, or amounts are owed under the Guaranty Agreement, the Agency and the Trustee agree to comply with the following provisions:

(a) The Trustee shall ascertain the necessity for a claim upon the Surety Bond and shall provide notice to the Insurer in accordance with the terms of the Surety Bond and the Guaranty Agreement at least three (3) Business Days prior to each Interest Payment Date. In the event and to the extent that moneys on deposit in the Special Fund, plus all amounts on deposit in and credited to the Reserve Account in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due on the related Loan, then the Trustee promptly shall take all actions necessary under the Surety Bond to make a claim thereunder in the amount of the insufficiency; provided, however, if the Reserve Requirement is then satisfied by the Surety Bond and any Qualified Credit Instrument, the Trustee shall draw pro rate upon the Surety Bond and any such Qualified Credit Instrument. The Surety Policy provides that upon one (1) day after receipt by the Financial Guaranty Insurer of a demand for payment in accordance with the Surety Bond (the "Demand for Payment"), duly executed by the Trustee certifying that payment due hereunder has not been made to the Trustee, the Insurer will make a deposit of funds in an account with the Trustee sufficient for the payment to the Trustee of amounts which are then due to the Trustee hereunder (as specified in the Demand for Payment) up to but not in excess of the maximum amount of the Surety Bond.

(b) The Trustee shall, after submitting to Insurer the Demand for Payment as described in (a) above, make available to Insurer all records relating to the funds and accounts maintained by it under the applicable Loan Agreement.

(c) The Trustee shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the applicable Reserve Account to the extent of moneys received pursuant to such Demand for Payment.

(d) The Reserve Account shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on any other Qualified Credit Instrument then held in the Reserve Account shall be paid from first available Tax Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Surety Bond and any such Qualified Credit Instrument, shall be deposited from next available Tax Revenues.

(e) The Bonds shall not be optionally redeemed under the Indenture unless all amounts owed to the Insurer under the Guaranty Agreement have been paid in full.

(f) A Loan Agreement shall not terminate until all amounts owed to the Insurer under the related Guaranty Agreement have been paid in full.

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Redevelopment Agency of the City and County of San Francisco (the “Agency”) in connection with the issuance of by the City and County of San Francisco Redevelopment Financing Authority (the “Authority”) its \$50,731,330.80 aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 1-2006 of the Authority and Resolution No. 91-2006 of the Agency, each adopted July 18, 2006, and an Indenture of Trust (the “Indenture”) dated as of August 1 2006, between the Authority and The Bank of New York Trust Company, NA., as trustee (the “Trustee”). The Bonds are payable from and secured by certain amounts payable by the Agency to the Authority pursuant to various loan agreements obligating the Agency to pay amounts which are calculated to be sufficient to pay debt service on the Bonds when due. The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture and Loan Agreements 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 Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“CPO” means the Internet-based filing system currently located at [www.DisclosureUSA.org](http://www.DisclosureUSA.org), or such other similar filing system approved by the Securities and Exchange Commission.

“Dissemination Agent” means the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information regarding the National Repositories as of a particular date is available on the Internet at [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm).

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means each National Repository and each State Repository.

“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.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

### Section 3. Provision of Annual Reports.

(a) The Agency shall provide, or shall cause the Dissemination Agent to provide, to each Repository (or, in lieu of providing to each Repository, provide to the CPO) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate by not later than six months after the end of the Agency's fiscal year in each year commencing not later than January 1, 2007. Not later than fifteen (15) Business Days prior to each such January 1, the Agency shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding each of the Project Areas described in the Official Statement (collectively, the "Project Areas") may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's or any of the Project Area's fiscal year changes, the 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). The 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 Agency and shall have no duty or obligation to review such Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the Dissemination Agent may file such notice with the CPO.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine the name and address of each National Repository and each State Repository, if any, each year prior to the date for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the Agency, file a certificate with the 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 and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The 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 Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Assessed valuations and tax revenues 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” tables for the Project Areas shown in the Official Statement for the Bonds;
2. Description of any Parity Debt (date, amount, term, rating, insurance) issued by the Agency in the fiscal year to which the Annual Report pertains and amount of all Agency debt outstanding payable with tax increment revenue from the Project Areas as of the end of the fiscal year to which the Annual Report pertains;
3. Estimated annual debt service coverage for obligations of the Agency by means of an update to the “Estimated Annual Debt Service Coverage by Project Area” table for the Project Areas shown in the Official Statement for the Bonds;
4. Assessment appeals, of which the Agency is aware after reasonable inquiry, of property holdings in each Project Area which, if successful, could reduce the tax increment revenue in such Project Area by ten percent (10%) or more;
5. Top ten property tax assessees in each Project Area for the fiscal year to which the Annual Report pertains, taxable value and percentage of total taxable value for such Project Area.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The 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 Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Unscheduled Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in San Francisco, California, the Trustee (who shall have no obligation to determine the materiality thereof) shall contact the Agency at its notice address in the Indenture, inform it of the event, and request that the Agency promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure

Certificate, “actual knowledge” means actual knowledge at the Trust Office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture.

(c) Whenever the Agency obtains knowledge of the occurrence of any Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency shall determine as soon as possible if such event would constitute material information for Holders of Bonds within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall, or by written direction cause the Dissemination Agent (if not the Agency) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Certificate holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Certificate holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the City or the Dissemination Agent may file such notice of a Listed Event with the CPO.

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event.

(g) The Trustee may rely conclusively on an opinion of counsel that the Agency’s instructions to the Trustee under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. From time to time, the 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 any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty days prior written notice to the Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:



(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the 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 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 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 10. Default. In the event of a failure of the 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 25% aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the 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 Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent 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 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 Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August \_\_, 2006

REDEVELOPMENT AGENCY OF THE  
CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Deputy Executive Director, Finance and  
Administration

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer:           Redevelopment Agency of the City and County of San Francisco

Name of Issue:           City and County of San Francisco Redevelopment Financing Authority 2006  
Series A Taxable Tax Allocation Revenue Bonds (San Francisco  
Redevelopment Projects)

Date of Issuance:        August 24, 2006

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the Redevelopment Agency of the City and County of San Francisco (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 4.18 of the Several Loan Agreements (as such term is defined in the Indenture of Trust, dated as of August 1, 2006, by and between the City and County of San Francisco Redevelopment Financing Authority and The Bank of New York Trust Company, N.A., as trustee. The Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

REDEVELOPMENT AGENCY OF THE  
CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Title: \_\_\_\_\_

cc: Trustee

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**APPENDIX F**  
**FORM OF BOND COUNSEL FINAL OPINION**

August \_\_, 2006

Board of Directors  
City and County of San Francisco  
Redevelopment Financing Authority  
1 South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, California 94103

**OPINION:** \$50,731,330.80 City and County of San Francisco Redevelopment Financing Authority 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects)

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Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the City and County of San Francisco Redevelopment Financing Authority (the "Authority") of its \$50,731,330.80 City and County of San Francisco Redevelopment Financing Authority 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) (the "Bonds") pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"), an Indenture of Trust, dated as of August 1, 2006 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee, and a resolution of the Authority adopted on July 18, 2006 (the "Resolution"). The proceeds of the Bonds will be used by the Authority to make four loans to the Redevelopment Agency of the City and County of San Francisco (the "Agency") pursuant to four separate Loan Agreements, each dated as of August 1, 2006 (collectively, the "Loan Agreements"), each among the Authority, the Agency and the Trustee. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and of the Agency contained in the Loan Agreements, and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture and the Loan Agreements have been duly entered into by the Authority and constitute valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms.

3. The Loan Agreements have been duly entered into by the Agency and constitute valid and binding obligations of the Agency enforceable upon the Agency in accordance with their respective terms.

4. Pursuant to the Act, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution, the Indenture and the Loan Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Board of Directors  
City and County of San Francisco  
Redevelopment Financing Authority  
August \_\_, 2006  
Page 3

In rendering this opinion, we have relied upon certifications of the Authority, the Agency and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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## APPENDIX G

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix G concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The Agency and the Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture and the Loan Agreement. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Bonds for the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Indenture and will not be conducted by the Authority or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority 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 (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the 2006 Indenture will apply. The foregoing information concerning DTC concerning and DTC’s book-entry system has been provided by DTC, and neither the Authority nor the Trustee take any responsibility for the accuracy thereof.

The Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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## **APPENDIX H**

### **SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

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# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance 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/TRUSTEE] 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, unless the Insurer 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 a 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]  
[LEGAL NAME OF ISSUE]

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 113 King Street, Armonk, New York 10504 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].

MBIA Insurance Corporation

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

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## APPENDIX I

### TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

The Accreted Value (which includes the initial principal amount and accreted interest thereon) per each \$5,000 Maturity Amount of Capital Appreciation Bonds as of each February 1 and August 1 is set forth in the following table.

#### Maturity Dates, Interest Rates and CUSIP Numbers

<b>Interest Payment Date</b>	<b>8/1/2019 5.930% 79771PD51</b>	<b>8/1/2020 5.990% 79771PD69</b>	<b>8/1/2021 6.000% 79771PD77</b>	<b>8/1/2022 5.990% 79771PD85</b>	<b>8/1/2023 6.020% 79771PD93</b>	<b>8/1/2024 6.020% 79771PE27</b>
8/24/2006	\$2,347.80	\$2,196.60	\$2,067.70	\$1,952.05	\$1,831.10	\$1,725.65
2/1/2007	2,408.40	2,253.85	2,121.70	2,002.90	1,879.10	1,770.85
8/1/2007	2,479.80	2,321.40	2,185.35	2,062.90	1,935.65	1,824.15
2/1/2008	2,553.30	2,390.90	2,250.90	2,124.70	1,993.90	1,879.10
8/1/2008	2,629.00	2,462.50	2,318.45	2,188.35	2,053.90	1,935.65
2/1/2009	2,706.95	2,536.25	2,388.00	2,253.85	2,115.75	1,993.90
8/1/2009	2,787.25	2,612.25	2,459.65	2,321.40	2,179.45	2,053.90
2/1/2010	2,869.90	2,690.45	2,533.45	2,390.90	2,245.05	2,115.75
8/1/2010	2,954.95	2,771.05	2,609.45	2,462.50	2,312.60	2,179.45
2/1/2011	3,042.60	2,854.05	2,687.70	2,536.25	2,382.20	2,245.05
8/1/2011	3,132.80	2,939.50	2,768.35	2,612.25	2,453.90	2,312.60
2/1/2012	3,225.70	3,027.55	2,851.40	2,690.45	2,527.80	2,382.20
8/1/2012	3,321.35	3,118.25	2,936.95	2,771.05	2,603.85	2,453.90
2/1/2013	3,419.80	3,211.60	3,025.05	2,854.05	2,682.25	2,527.80
8/1/2013	3,521.20	3,307.80	3,115.80	2,939.50	2,763.00	2,603.85
2/1/2014	3,625.60	3,406.90	3,209.30	3,027.55	2,846.15	2,682.25
8/1/2014	3,733.10	3,508.90	3,305.55	3,118.25	2,931.80	2,763.00
2/1/2015	3,843.80	3,614.00	3,404.75	3,211.60	3,020.05	2,846.15
8/1/2015	3,957.75	3,722.25	3,506.85	3,307.80	3,110.95	2,931.80
2/1/2016	4,075.10	3,833.75	3,612.10	3,406.90	3,204.60	3,020.05
8/1/2016	4,195.95	3,948.55	3,720.45	3,508.90	3,301.05	3,110.95
2/1/2017	4,320.35	4,066.80	3,832.05	3,614.00	3,400.45	3,204.60
8/1/2017	4,448.45	4,188.60	3,947.00	3,722.25	3,502.80	3,301.05
2/1/2018	4,580.35	4,314.05	4,065.45	3,833.75	3,608.25	3,400.45
8/1/2018	4,716.15	4,443.25	4,187.40	3,948.55	3,716.85	3,502.80
2/1/2019	4,856.00	4,576.35	4,313.00	4,066.80	3,828.70	3,608.25
8/1/2019	5,000.00	4,713.40	4,442.40	4,188.60	3,943.95	3,716.85
2/1/2020	—	4,854.60	4,575.70	4,314.05	4,062.65	3,828.70
8/1/2020	—	5,000.00	4,712.95	4,443.25	4,184.95	3,943.95
2/1/2021	—	—	4,854.35	4,576.35	4,310.95	4,062.65
8/1/2021	—	—	5,000.00	4,713.40	4,440.70	4,184.95
2/1/2022	—	—	—	4,854.60	4,574.35	4,310.95
8/1/2022	—	—	—	5,000.00	4,712.05	4,440.70
2/1/2023	—	—	—	—	4,853.85	4,574.35
8/1/2023	—	—	—	—	5,000.00	4,712.05
2/1/2024	—	—	—	—	—	4,853.85
8/1/2024	—	—	—	—	—	5,000.00

**TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS**

(Continued)

**Maturity Dates, Interest Rates and CUSIP Numbers**

<b>Interest Payment Date</b>	<b>8/1/2025 6.030% 79771PE35</b>	<b>8/1/2026 6.040% 79771PE43</b>	<b>8/1/2027 6.050% 79771PE50</b>	<b>8/1/2028 6.060% 79771PE68</b>	<b>8/1/2029 6.060% 79771PE76</b>	<b>8/1/2030 6.060% 79771PE84</b>
8/24/2006	\$1,623.30	\$1,526.70	\$1,435.60	\$1,349.65	\$1,271.40	\$1,197.75
2/1/2007	1,665.90	1,566.85	1,473.40	1,385.25	1,304.95	1,229.35
8/1/2007	1,716.10	1,614.15	1,517.95	1,427.20	1,344.50	1,266.60
2/1/2008	1,767.85	1,662.90	1,563.85	1,470.45	1,385.25	1,304.95
8/1/2008	1,821.15	1,713.10	1,611.20	1,515.00	1,427.20	1,344.50
2/1/2009	1,876.05	1,764.85	1,659.90	1,560.90	1,470.45	1,385.25
8/1/2009	1,932.65	1,818.15	1,710.15	1,608.20	1,515.00	1,427.20
2/1/2010	1,990.90	1,873.05	1,761.85	1,656.95	1,560.90	1,470.45
8/1/2010	2,050.95	1,929.65	1,815.15	1,707.15	1,608.20	1,515.00
2/1/2011	2,112.75	1,987.90	1,870.05	1,758.85	1,656.95	1,560.90
8/1/2011	2,176.45	2,047.95	1,926.65	1,812.15	1,707.15	1,608.20
2/1/2012	2,242.10	2,109.80	1,984.90	1,867.10	1,758.85	1,656.95
8/1/2012	2,309.70	2,173.50	2,044.95	1,923.65	1,812.15	1,707.15
2/1/2013	2,379.35	2,239.15	2,106.85	1,981.95	1,867.10	1,758.85
8/1/2013	2,451.05	2,306.75	2,170.55	2,042.00	1,923.65	1,812.15
2/1/2014	2,524.95	2,376.45	2,236.20	2,103.85	1,981.95	1,867.10
8/1/2014	2,601.10	2,448.20	2,303.85	2,167.60	2,042.00	1,923.65
2/1/2015	2,679.50	2,522.15	2,373.55	2,233.30	2,103.85	1,981.95
8/1/2015	2,760.30	2,598.30	2,445.35	2,300.95	2,167.60	2,042.00
2/1/2016	2,843.55	2,676.80	2,519.35	2,370.70	2,233.30	2,103.85
8/1/2016	2,929.25	2,757.60	2,595.55	2,442.50	2,300.95	2,167.60
2/1/2017	3,017.60	2,840.90	2,674.05	2,516.50	2,370.70	2,233.30
8/1/2017	3,108.55	2,926.70	2,754.95	2,592.75	2,442.50	2,300.95
2/1/2018	3,202.30	3,015.10	2,838.30	2,671.35	2,516.50	2,370.70
8/1/2018	3,298.85	3,106.15	2,924.15	2,752.30	2,592.75	2,442.50
2/1/2019	3,398.30	3,199.95	3,012.60	2,835.65	2,671.35	2,516.50
8/1/2019	3,500.75	3,296.60	3,103.75	2,921.60	2,752.30	2,592.75
2/1/2020	3,606.30	3,396.15	3,197.60	3,010.10	2,835.65	2,671.35
8/1/2020	3,715.05	3,498.70	3,294.35	3,101.35	2,921.60	2,752.30
2/1/2021	3,827.05	3,604.40	3,394.00	3,195.30	3,010.10	2,835.65
8/1/2021	3,942.45	3,713.25	3,496.70	3,292.10	3,101.35	2,921.60
2/1/2022	4,061.30	3,825.35	3,602.45	3,391.85	3,195.30	3,010.10
8/1/2022	4,183.75	3,940.90	3,711.45	3,494.65	3,292.10	3,101.35
2/1/2023	4,309.90	4,059.90	3,823.70	3,600.55	3,391.85	3,195.30
8/1/2023	4,439.80	4,182.50	3,939.35	3,709.65	3,494.65	3,292.10
2/1/2024	4,573.70	4,308.85	4,058.55	3,822.05	3,600.55	3,391.85
8/1/2024	4,711.60	4,438.95	4,181.30	3,937.85	3,709.65	3,494.65
2/1/2025	4,853.65	4,573.00	4,307.80	4,057.15	3,822.05	3,600.55
8/1/2025	5,000.00	4,711.10	4,438.10	4,180.10	3,937.85	3,709.65
2/1/2026	—	4,853.40	4,572.35	4,306.75	4,057.15	3,822.05
8/1/2026	—	5,000.00	4,710.65	4,437.25	4,180.10	3,937.85
2/1/2027	—	—	4,853.15	4,571.70	4,306.75	4,057.15
8/1/2027	—	—	5,000.00	4,710.20	4,437.25	4,180.10
2/1/2028	—	—	—	4,852.95	4,571.70	4,306.75
8/1/2028	—	—	—	5,000.00	4,710.20	4,437.25
2/1/2029	—	—	—	—	4,852.95	4,571.70
8/1/2029	—	—	—	—	5,000.00	4,710.20
2/1/2030	—	—	—	—	—	4,852.95
8/1/2030	—	—	—	—	—	5,000.00

**TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS**

(Continued)

**Maturity Dates, Interest Rates and CUSIP Numbers**

<b>Interest Payment Date</b>	<b>8/1/2031 6.060% 79771PE92</b>	<b>8/1/2032 6.060% 79771PF26</b>	<b>8/1/2033 6.060% 79771PF34</b>	<b>8/1/2034 6.060% 79771PF42</b>	<b>8/1/2035 6.060% 79771PF59</b>	<b>8/1/2036 6.060% 79771PF67</b>
8/24/2006	\$1,128.30	\$1,062.95	\$1,001.35	\$943.30	\$888.65	\$837.15
2/1/2007	1,158.10	1,090.95	1,027.75	968.20	912.05	859.20
8/1/2007	1,193.15	1,124.00	1,058.90	997.50	939.70	885.25
2/1/2008	1,229.35	1,158.10	1,090.95	1,027.75	968.20	912.05
8/1/2008	1,266.60	1,193.15	1,124.00	1,058.90	997.50	939.70
2/1/2009	1,304.95	1,229.35	1,158.10	1,090.95	1,027.75	968.20
8/1/2009	1,344.50	1,266.60	1,193.15	1,124.00	1,058.90	997.50
2/1/2010	1,385.25	1,304.95	1,229.35	1,158.10	1,090.95	1,027.75
8/1/2010	1,427.20	1,344.50	1,266.60	1,193.15	1,124.00	1,058.90
2/1/2011	1,470.45	1,385.25	1,304.95	1,229.35	1,158.10	1,090.95
8/1/2011	1,515.00	1,427.20	1,344.50	1,266.60	1,193.15	1,124.00
2/1/2012	1,560.90	1,470.45	1,385.25	1,304.95	1,229.35	1,158.10
8/1/2012	1,608.20	1,515.00	1,427.20	1,344.50	1,266.60	1,193.15
2/1/2013	1,656.95	1,560.90	1,470.45	1,385.25	1,304.95	1,229.35
8/1/2013	1,707.15	1,608.20	1,515.00	1,427.20	1,344.50	1,266.60
2/1/2014	1,758.85	1,656.95	1,560.90	1,470.45	1,385.25	1,304.95
8/1/2014	1,812.15	1,707.15	1,608.20	1,515.00	1,427.20	1,344.50
2/1/2015	1,867.10	1,758.85	1,656.95	1,560.90	1,470.45	1,385.25
8/1/2015	1,923.65	1,812.15	1,707.15	1,608.20	1,515.00	1,427.20
2/1/2016	1,981.95	1,867.10	1,758.85	1,656.95	1,560.90	1,470.45
8/1/2016	2,042.00	1,923.65	1,812.15	1,707.15	1,608.20	1,515.00
2/1/2017	2,103.85	1,981.95	1,867.10	1,758.85	1,656.95	1,560.90
8/1/2017	2,167.60	2,042.00	1,923.65	1,812.15	1,707.15	1,608.20
2/1/2018	2,233.30	2,103.85	1,981.95	1,867.10	1,758.85	1,656.95
8/1/2018	2,300.95	2,167.60	2,042.00	1,923.65	1,812.15	1,707.15
2/1/2019	2,370.70	2,233.30	2,103.85	1,981.95	1,867.10	1,758.85
8/1/2019	2,442.50	2,300.95	2,167.60	2,042.00	1,923.65	1,812.15
2/1/2020	2,516.50	2,370.70	2,233.30	2,103.85	1,981.95	1,867.10
8/1/2020	2,592.75	2,442.50	2,300.95	2,167.60	2,042.00	1,923.65
2/1/2021	2,671.35	2,516.50	2,370.70	2,233.30	2,103.85	1,981.95
8/1/2021	2,752.30	2,592.75	2,442.50	2,300.95	2,167.60	2,042.00
2/1/2022	2,835.65	2,671.35	2,516.50	2,370.70	2,233.30	2,103.85
8/1/2022	2,921.60	2,752.30	2,592.75	2,442.50	2,300.95	2,167.60
2/1/2023	3,010.10	2,835.65	2,671.35	2,516.50	2,370.70	2,233.30
8/1/2023	3,101.35	2,921.60	2,752.30	2,592.75	2,442.50	2,300.95
2/1/2024	3,195.30	3,010.10	2,835.65	2,671.35	2,516.50	2,370.70
8/1/2024	3,292.10	3,101.35	2,921.60	2,752.30	2,592.75	2,442.50
2/1/2025	3,391.85	3,195.30	3,010.10	2,835.65	2,671.35	2,516.50
8/1/2025	3,494.65	3,292.10	3,101.35	2,921.60	2,752.30	2,592.75
2/1/2026	3,600.55	3,391.85	3,195.30	3,010.10	2,835.65	2,671.35
8/1/2026	3,709.65	3,494.65	3,292.10	3,101.35	2,921.60	2,752.30
2/1/2027	3,822.05	3,600.55	3,391.85	3,195.30	3,010.10	2,835.65
8/1/2027	3,937.85	3,709.65	3,494.65	3,292.10	3,101.35	2,921.60
2/1/2028	4,057.15	3,822.05	3,600.55	3,391.85	3,195.30	3,010.10
8/1/2028	4,180.10	3,937.85	3,709.65	3,494.65	3,292.10	3,101.35
2/1/2029	4,306.75	4,057.15	3,822.05	3,600.55	3,391.85	3,195.30
8/1/2029	4,437.25	4,180.10	3,937.85	3,709.65	3,494.65	3,292.10

**TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS**

(Continued)

**Maturity Dates, Interest Rates and CUSIP Numbers**

<b>Interest Payment Date</b>	<b>8/1/2031 6.060% 79771PE92</b>	<b>8/1/2032 6.060% 79771PF26</b>	<b>8/1/2033 6.060% 79771PF34</b>	<b>8/1/2034 6.060% 79771PF42</b>	<b>8/1/2035 6.060% 79771PF59</b>	<b>8/1/2036 6.060% 79771PF67</b>
2/1/2030	\$4,571.70	\$4,306.75	\$4,057.15	\$3,822.05	\$3,600.55	\$3,391.85
8/1/2030	4,710.20	4,437.25	4,180.10	3,937.85	3,709.65	3,494.65
2/1/2031	4,852.95	4,571.70	4,306.75	4,057.15	3,822.05	3,600.55
8/1/2031	5,000.00	4,710.20	4,437.25	4,180.10	3,937.85	3,709.65
2/1/2032	—	4,852.95	4,571.70	4,306.75	4,057.15	3,822.05
8/1/2032	—	5,000.00	4,710.20	4,437.25	4,180.10	3,937.85
2/1/2033	—	—	4,852.95	4,571.70	4,306.75	4,057.15
8/1/2033	—	—	5,000.00	4,710.20	4,437.25	4,180.10
2/1/2034	—	—	—	4,852.95	4,571.70	4,306.75
8/1/2034	—	—	—	5,000.00	4,710.20	4,437.25
2/1/2035	—	—	—	—	4,852.95	4,571.70
8/1/2035	—	—	—	—	5,000.00	4,710.20
2/1/2036	—	—	—	—	—	4,852.95
8/1/2036	—	—	—	—	—	5,000.00



