

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, interest on the 2005 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$15,160,000**\$5,708,938.75**

**REDEVELOPMENT AGENCY OF THE CITY AND
COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 6
(MISSION BAY SOUTH PUBLIC IMPROVEMENTS)
SPECIAL TAX BONDS,
SERIES 2005A PARITY-SOUTH
(CURRENT INTEREST BONDS)**

**REDEVELOPMENT AGENCY OF THE CITY AND
COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 6
(MISSION BAY SOUTH PUBLIC IMPROVEMENTS)
SPECIAL TAX BONDS,
SERIES 2005B PARITY-SOUTH
(CAPITAL APPRECIATION BONDS)**

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

Type of 2005 Bonds	The Redevelopment Agency of the City and County of San Francisco (the "Agency") Community Facilities District No. 6 (Mission Bay South Public Improvements) (the "District") Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds) (the "Series 2005A Bonds") and the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds) (the "Series 2005B Bonds" and, together with the Series 2005A Bonds, the "2005 Bonds") are being issued by the Agency pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended, Sections 53311 <i>et seq.</i> , California Government Code (the "Mello-Roos Act"), a Fiscal Agent Agreement dated as of July 1, 2001 and supplements thereto (collectively, the "Fiscal Agent Agreement"), and a Resolution Authorizing the Issuance of Special Tax Bonds. The 2005 Bonds are secured by Special Taxes (described herein) on a parity with \$93,265,000 outstanding principal amount of bonds previously issued by the Agency under the Fiscal Agent Agreement.
Use of Proceeds	The proceeds of the 2005 Bonds will primarily be used to finance a portion of the costs of acquisition of various public capital improvements necessary for development and redevelopment to occur within the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements), which is wholly within a redevelopment project area of the Agency. See "THE DISTRICT."
Denominations	Interest due with respect to the 2005 Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2006. Initial purchases of beneficial interests in the 2005 Bonds will be made in book-entry form and the 2005 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Authorized Bond denominations are \$5,000 and any integral multiple thereof. Purchasers of beneficial interests in the 2005 Bonds will not receive certificates representing their interests in the 2005 Bonds and will not be paid directly by the 2005 Bond fiscal agent. See APPENDIX F—"DTC AND THE BOOK-ENTRY SYSTEM."
Redemption	The 2005 Bonds are subject to optional and mandatory redemption prior to their stated maturity, as described herein. See "THE 2005 BONDS—Redemption of 2005 Bonds" herein.
Security	The principal of, premium, if any, and the interest on the 2005 Bonds are payable primarily from the annual installments of the Special Tax levied and collected on the taxable real property within the District. Such Special Tax Revenues, which include any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, are pledged to the Fiscal Agent for the benefit of the Owners of the Bonds pursuant to the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS."
Reserve Fund	The Agency established a Reserve Fund from proceeds of the parity bonds issued in July 2001 and increased from proceeds of the parity bonds issued in November 2002. The Agency will increase the amount in the Reserve Fund with proceeds of the 2005 Bonds. If revenues from the Special Taxes are insufficient to pay the debt service on the 2005 Bonds, the monies in the Reserve Fund are available to cover the deficiency. There is no assurance that funds will be available for this purpose and if, during the period of revenue shortfall, there are insufficient moneys in the Reserve Fund, there may be a delay in payment to the owners of the 2005 Bonds.

THE 2005 BONDS ARE NOT GENERAL OBLIGATIONS OF THE AGENCY OR THE CITY AND COUNTY OF SAN FRANCISCO. THE 2005 BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND AMOUNTS IN THE BOND FUND PLEDGED BY THE AGENCY UNDER THE FISCAL AGENT AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2005 BONDS. THE FAITH AND CREDIT OF NEITHER THE AGENCY NOR THE CITY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2005 BONDS AND THE AGENCY HAS NO TAXING POWER.

MATURITY SCHEDULE

See inside front cover

The 2005 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Agency and the Underwriters by Lofton & Jennings, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed upon for the Principal Landowners as follows: for FOCIL (defined herein) by O'Melveny & Myers LLP and Pircher, Nichols & Meeks, Los Angeles, California, and for ARE (defined herein) by Steefel, Levitt & Weiss, San Francisco, California and for the Agency by its General Counsel. It is anticipated that the 2005 Bonds will be available for delivery through the facilities of DTC on or about July 26, 2005.

Stone & Youngberg LLC**Backstrom McCarley Berry & Co., LLC**

The date of this Official Statement is: July 8, 2005.

MATURITY SCHEDULE

\$15,160,000 Current Interest 2005A Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.[†]</u>
2007	\$70,000	3.050%	100%	79765W BY3
2008	140,000	3.350	100	79765W BZ0
2009	215,000	3.700	100	79765W CA4
2010	255,000	3.900	100	79765W CB2
2011	285,000	4.000	100	79765W CC0
2012	315,000	4.150	100	79765W CD8
2013	350,000	4.300	100	79765W CE6
2014	385,000	4.400	100	79765W CF3

\$13,145,000 5.150% Current Interest 2005A Bonds Maturing August 1, 2035, Price 99.544%—CUSIP No.[†] 79765W CQ9

\$5,708,938.75 Capital Appreciation 2005B Bonds

<u>Maturity Date (August 1)</u>	<u>Initial Amount</u>	<u>Yield to Maturity</u>	<u>Accreted Value at Maturity</u>	<u>CUSIP No.[†]</u>
2015	\$257,924.00	5.050%	\$425,000	79765W CR7
2016	255,658.50	5.200	450,000	79765W CS5
2017	249,241.00	5.350	470,000	79765W CT3
2018	245,866.50	5.450	495,000	79765W CU0
2019	239,778.85	5.530	515,000	79765W CV8
2020	234,619.20	5.630	540,000	79765W CW6
2021	229,700.75	5.700	565,000	79765W CX4
2022	224,890.30	5.750	590,000	79765W CY2
2023	219,567.30	5.800	615,000	79765W CZ9
2024	213,811.20	5.850	640,000	79765W DA3
2025	209,247.70	5.900	670,000	79765W DB1

\$978,280.40 Capital Appreciation 2005B Bonds Maturing August 1, 2030, Yield 5.930%; Accreted Value at Maturity \$4,220,000—CUSIP No.[†] 79765W DC9

\$2,150,353.05 Capital Appreciation 2005B Bonds Maturing August 1, 2034, Yield 5.980%; Accreted Value at Maturity \$11,885,000—CUSIP No.[†] 79765W DD7

[†] Copyright 2005, 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. The CUSIP number is provided for convenience of reference only. None of the Agency, the City or the Underwriters take any responsibility for the accuracy of such CUSIP number.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the 2005 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2005 Bonds. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement 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.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Agency in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend,” “planned” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs or business of the Agency, the Principal Landowners or any other entity described or referenced herein since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the 2005 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or the Underwriters. 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 2005 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriters. The Underwriters have submitted the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a 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.

Stabilization of Prices. In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the 2005 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2005 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

THE 2005 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2005 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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

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London Breed, *Vice President*
Francee Covington
Leroy King
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OFFICIAL STATEMENT

\$15,160,000

**REDEVELOPMENT AGENCY OF THE CITY AND
COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 6
(MISSION BAY SOUTH PUBLIC IMPROVEMENTS)
SPECIAL TAX BONDS,
SERIES 2005A PARITY-SOUTH
(CURRENT INTEREST BONDS)**

\$5,708,938.75

**REDEVELOPMENT AGENCY OF THE CITY AND
COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 6
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SPECIAL TAX BONDS,
SERIES 2005B PARITY-SOUTH
(CAPITAL APPRECIATION BONDS)**

INTRODUCTION

This Official Statement, which also includes the cover page and Appendices, sets forth certain information relating to the issuance and sale by the Redevelopment Agency of the City and County of San Francisco (the "Agency") of its Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds) (the "Series 2005A Bonds") and the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds) (the "Series 2005B Bonds" and, together with the Series 2005A Bonds, the "2005 Bonds"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Fiscal Agent Agreement (as defined below), some of which are set forth in APPENDIX A—"SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT—Definitions" herein.

Authorization for Issuance

The Agency is a community redevelopment agency, duly organized and validly existing under the California Constitution and the Community Redevelopment Law, as amended (California Health and Safety Code, Section 33000 et seq.) (the "Redevelopment Law"). The 2005 Bonds are being issued under the authority of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the California Government Code) (the "Mello-Roos Act") and Resolution No. 105-2005 authorizing issuance of the 2005 Bonds adopted by the Commission of the Agency on June 21, 2005 (the "Resolution"). The 2005 Bonds will be issued pursuant to and secured by a Fiscal Agent Agreement dated as of June 1, 2001, as amended and supplemented by a Supplemental Agreement No. 1 to Fiscal Agent Agreement dated as of October 1, 2002 and a Supplemental Agreement No. 2 to Fiscal Agent Agreement dated as of July 1, 2005 (collectively, the "Fiscal Agent Agreement"), by and between the Agency and Wells Fargo Bank, National Association, as Fiscal Agent (the "Fiscal Agent").

Use of 2005 Bond Proceeds

Proceeds of the 2005 Bonds will primarily be used to finance a portion of the costs of acquiring public infrastructure improvements (the "Infrastructure," as described herein) necessary for the development and redevelopment of property within the Agency's Community Facilities District No. 6 (Mission Bay South Public Improvements) (the "District") established under the Mello-Roos Act. FOCIL-MB, LLC, a Delaware limited liability company ("FOCIL"), is obligated to construct or cause the Infrastructure to be constructed as a result of a transfer, effective November 22, 2004, by Catellus Land and Development Corporation, a Delaware corporation, successor in interest to Catellus Development Corporation, a Delaware corporation (the "Original Landowner"), of its obligations to construct or cause the Infrastructure to be constructed. The Infrastructure consists generally of streets, rail and rail line bridges, sewer and storm drainage systems, water systems, street improvements (including freeway ramps or other demolition), traffic signal systems, dry utilities, open space (including, among other items, park

improvements and restrooms), and other improvements necessary for redevelopment of property within the District. See “THE INFRASTRUCTURE.” The District is located in the southern portion of the Mission Bay area of the City and County of San Francisco (the “City”). Proceeds of the 2005 Bonds will also be applied to make a deposit to the Reserve Fund and to pay costs of issuance of the 2005 Bonds. The 2005 Bonds are not secured by a lien on, deed of trust on or pledge of any interest in the Infrastructure.

The District

The District includes approximately 62 acres expected to be subject to the Special Tax within approximately 237 total acres of District land. The District is located in the Mission Bay area of the City, adjacent to and on the southwest side of SBC Park, the waterfront stadium for the San Francisco Giants (which is not in the District). All of the District is located within the Agency’s Mission Bay South Redevelopment Project Area, described under the caption “THE MISSION BAY DEVELOPMENT.” When the District was formed, all of the non-public use property in the District was owned by the Original Landowner, the initial master developer of the Mission Bay area. Since formation, some of the parcels have been sold to FOCIL, affiliates of Alexandria Real Estate Equities, Inc. (collectively, “ARE”), the J. David Gladstone Institutes (“Gladstone”) and BOSA Development California II, Inc. (“BOSA”). The Agency and FOCIL, as assignee of the Original Landowner, are parties to an owner participation agreement which provides that FOCIL is responsible for constructing the infrastructure improvements in the area. Under the participation agreement and other agreements, the Agency will allow the use of certain of the tax increment generated by the property in the District to pay the cost of such improvements. See “THE INFRASTRUCTURE–Tax Increment Contribution to Infrastructure Costs.”

Security and Sources of Payment for the 2005 Bonds

The 2005 Bonds are limited obligations of the Agency and are payable from a first pledge of the proceeds of a Special Tax (herein defined) to be levied on real property within the District, from amounts remitted by the Agency to the Fiscal Agent with written directions to deposit the same to the Revenue Fund and from amounts held in certain funds pursuant to the Fiscal Agent Agreement. The 2005 Bonds are payable from Special Taxes on a parity basis to the Agency’s Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2001-South (the “2001 Bonds”), which are currently outstanding in the aggregate principal amount of \$53,935,000 and the Agency’s Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2002 Parity-South (the “2002 Bonds”), which are currently outstanding in the aggregate principal amount of \$39,330,000, and on a parity with any additional Parity Bonds that may be issued by the Agency under, and subject to the provisions of, the Fiscal Agent Agreement. The 2001 Bonds, the 2002 Bonds, the 2005 Bonds and any additional Parity Bonds (defined below) that may be issued by the Agency are sometimes collectively referred to as the “Bonds.” The Special Tax is to be levied according to the rate and method of apportionment authorized by the District and is expected to be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the City and County of San Francisco. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS.” The property in the District is currently owned by the following: ARE; Gladstone; Catellus Operating Limited Partnership (“COLP”) and an affiliate; BOSA, and FOCIL, as the master developer of the development and redevelopment planned for the District. See “OWNERSHIP OF PROPERTY WITHIN THE DISTRICT.”

THE 2005 BONDS ARE NOT GENERAL OBLIGATIONS OF THE AGENCY OR THE CITY AND COUNTY OF SAN FRANCISCO. THE 2005 BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND AMOUNTS IN THE BOND FUND PLEDGED BY THE AGENCY UNDER THE FISCAL AGENT AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY AND COUNTY OF SAN FRANCISCO OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2005 BONDS. THE FAITH AND CREDIT OF NEITHER THE AGENCY NOR THE CITY ARE

PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2005 BONDS AND THE AGENCY HAS NO TAXING POWER.

Parity Bonds

The Agency may from time to time issue bonds (the “Parity Bonds”) secured on a parity with the 2005 Bonds. The total principal amount of Bonds and Parity Bonds may not exceed \$200,000,000. The 2005 Bonds are issued on parity with the \$54,000,000 original principal amount of 2001 Bonds and the \$39,330,000 original principal amount of 2002 Bonds, which are currently outstanding in the principal costs of \$53,935,000 and \$39,330,000, respectively. Following issuance of the 2005 Bonds, \$85,801,061.25 of additional Parity Bonds will remain authorized but unissued. The issuance of Parity Bonds require that value to lien, coverage and other applicable requirements of the Fiscal Agent Agreement be met. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS–Parity Bonds.”

Appraisal and Value to Special Tax Burden Ratio

The Agency obtained an appraisal by Hamilton, Ricci & Associates, Inc., San Francisco, California, of the estimated value as of June 1, 2005 of the property subject to the Special Tax of the District. The purpose of the Appraisal was to estimate the aggregate bulk sale value of the fee simple interest of the taxable property within the District and the leased fee interest in the Gap Building and the UCSF hospital site within the District. The Appraiser’s valuation conclusion for such property, as of such date, is \$470,000,000. The valuation conclusion in the Appraisal accounts for the impacts on the value of the Special Tax of the District. In considering the estimate of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value. The principal amount of the outstanding 2001 Bonds and the 2002 Bonds is \$93,265,000 and the amount of the 2005 Bonds to be issued is \$20,868,938.75 for a total of \$114,133,938.75, resulting in a value-to-Special Tax burden ratio of 4.12:1. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT” and APPENDIX B–“THE APPRAISAL.”

Risks of Investment

The purchase of the 2005 Bonds involves investment risk. If a risk materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2005 Bonds. Before purchasing any of the 2005 Bonds, all prospective investors and their professional advisors should carefully consider the risks of investment. These risks include, among other things, the fact that the 2005 Bonds are secured by Special Taxes to be levied, in part, on undeveloped real estate and failure to develop the property at the times and in the manner currently contemplated by the property owners may adversely affect their ability or willingness to pay Special Taxes levied in the District, and thereby adversely affect the timely payment of the 2005 Bonds. See “RISK FACTORS” herein.

Limited Obligation of Agency to Repay the Bonds

The Bonds are limited obligations of the Agency payable solely from, and equally and ratably secured by a pledge of Revenues (defined herein) which are primarily comprised of the proceeds of special taxes which the Agency may levy and collect on certain property within the District and other amounts remitted by the Agency to the Fiscal Agent with written directions to deposit the same to the Bond Fund established under the Fiscal Agent Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS.”

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, interest on the 2005 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” herein.

Summary of Information

Brief descriptions of the 2005 Bonds, the sources of payment for the 2005 Bonds, the Agency, the Infrastructure, the principal landowners in the District and proposed development within the District are included in this Official Statement, together with summaries of certain provisions of the Fiscal Agent Agreement and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the 2005 Bonds, the Fiscal Agent Agreement and other documents are qualified in their entirety by reference to the form of 2005 Bond included in the Fiscal Agent Agreement and the aforementioned documents, copies of all of which are available for inspection at the corporate trust office of the Fiscal Agent in San Francisco, California.

THE 2005 BONDS

Authority for Issuance

The bonds are designated the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds) (the “Series 2005A Bonds”) and the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds) (the “Series 2005B Bonds” and, together with the Series 2005A Bonds, the “2005 Bonds”) and are being issued by the Agency pursuant to the Mello-Roos Act, the Fiscal Agent Agreement and the Resolution.

Description of the 2005 Bonds

The 2005 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 2005 Bonds shall be issued as fully registered 2005 Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

Terms Applicable to All 2005 Bonds. The 2005 Bonds will each be dated their date of original delivery 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 2005 Bonds. Ownership interests in the 2005 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the 2005 Bonds purchased. Payments of principal of and interest on the 2005 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 2005 Bonds. See APPENDIX F—“DTC AND THE BOOK-ENTRY SYSTEM.”

Payment of interest on the Series 2005A 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 Series 2005A 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 Series 2005A 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 Series 2005A Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006 (each, an "Interest Payment Date").

Capital Appreciation Bonds. No payments with respect to the Series 2005B Bonds (the "Capital Appreciation Bonds") will be made prior to the respective maturity dates 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, 2006 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. 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 Fiscal Agent Agreement. See APPENDIX G—"TABLE OF ACCRETED VALUES" 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 determined in accordance with the terms of the Fiscal Agent Agreement which shall control over any different Accreted Value determined by reference to such Table.

Redemption of the 2005 Bonds

Optional Redemption. The 2005 Bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturity on any Interest Payment Date on or after August 1, 2015, as a whole or in part, pro rata among maturities and by lot within a maturity, at a redemption price equal to 100% of the principal amount of 2005 Bonds (or Accreted Value in the case of the Capital Appreciation Bonds) called for redemption, without premium, together with accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Payment Redemption.

Series 2005A Bonds. The Series 2005A Bonds maturing on August 1, 2035 are subject to mandatory sinking payment redemption in part on August 1, 2015 and on each August 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

2035 Term Bonds

<u>Redemption Date</u> <u>(August 1)</u>	<u>Sinking Payments</u>
2034	\$1,930,000
2035 (maturity)	11,215,000

Series 2005B Bonds. The Series 2005B Bonds maturing on August 1, 2030 and August 1, 2034 are subject to mandatory sinking payment redemption in part on August 1, 2026 and August 1, 2031, respectively, and on each August 1 thereafter to maturity, by lot, at a redemption price equal to the Accreted Value thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

2030 Term Bonds

<u>Redemption Date</u> <u>(August 1)</u>	<u>Sinking Payments</u>
2026	\$204,001.60
2027	199,365.20
2028	195,887.90
2029	191,251.50
2030 (maturity)	187,774.20

2034 Term Bonds

<u>Redemption Date</u> <u>(August 1)</u>	<u>Sinking Payments</u>
2031	\$180,930.00
2032	176,406.75
2033	172,788.15
2034 (maturity)	1,620,228.15

The amounts in the foregoing tables shall be reduced to the extent practicable so as to maintain level debt service on the 2005 Bonds as a result of any prior partial redemption of the 2005 Bonds.

Notice of Redemption. The Fiscal Agent shall give notice of any redemption by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Original Purchaser, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any 2005 Bonds designated for redemption, at their addresses appearing on the 2005 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2005 Bonds.

So long as the book-entry system is in effect with respect to the 2005 Bonds, all notices of redemption will be mailed to DTC (or its nominee), as the registered owner of the 2005 Bonds. See APPENDIX F–“DTC AND THE BOOK-ENTRY SYSTEM.”

Selection of 2005 Bonds for Redemption. Whenever provision is made for the redemption of less than all of the 2005 Bonds or any given portion thereof, the Fiscal Agent shall select the 2005 Bonds to be redeemed, from all 2005 Bonds or such given portion thereof not previously called for redemption, among maturities as directed in writing by the Finance Director (who shall specify 2005 Bonds to be redeemed so as to maintain, as much as practicable, the same debt service profile for the Bonds as in effect prior to such redemption) and by lot within a maturity, such selection within a maturity to be done in any manner which the Fiscal Agent deems appropriate.

SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS

General

The principal of, premium, if any, and the interest on the 2005 Bonds are payable primarily from the annual installments of the Special Tax levied and collected on the non-exempt property within the District. The 2005 Bonds are payable from Special Taxes on a parity basis with the 2001 Bonds and the 2002 Bonds. Additional bonds may be issued on a parity with the Bonds, subject to the conditions described herein.

The 2005 Bonds are limited obligations of the Agency on behalf of the District and are payable solely from and secured solely by the Revenues and the amounts in the Bond Fund, the Reserve Fund and the Revenue Fund created under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the Agency (other than to the limited extent provided in the Fiscal Agent Agreement), the City and County of San Francisco, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2005 Bonds.

Pledge of Revenues Under the Fiscal Agent Agreement

The Bonds, including the 2005 Bonds, are limited obligations of the Agency payable solely from, and equally and ratably secured by a pledge of “Revenues” which are defined in the Fiscal Agent Agreement as all amounts pledged thereunder to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following:

- (i) Special Tax Revenues.
- (ii) Any other amounts remitted by the Agency to the Fiscal Agent with written directions to deposit the same to the Revenue Fund; but such term does not include amounts deposited to the Administrative Expense Fund or the Improvement Fund, or any earnings thereon. See “THE INFRASTRUCTURE–Tax Increment Contribution to Infrastructure Costs” below.

Special Tax Revenues

“***Special Tax Revenues***” is defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the Agency, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Special Tax Revenues” does not include any penalties collected in connection with delinquent Special Taxes, which may be forgiven or disposed

of by the Agency in its discretion and, if collected, shall be used in a manner consistent with the Mello-Roos Act.

The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the Agency through the application of the Special Tax Formula (a copy of which is set forth in APPENDIX C hereto) for all taxable properties in the District. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on such property within the District, from amounts pledged and held in the Bond Fund, the Reserve Fund and the Revenue Fund established under the Fiscal Agent Agreement and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the Agency pursuant to the Mello-Roos Act in an amount determined according to the Special Tax Formula approved by the Agency and the qualified electors of the District at the time of formation of the District. See APPENDIX C–“SPECIAL TAX FORMULA.”

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the “Maximum Special Tax” in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount not in excess of the Maximum Special Tax. The Special Taxes and any interest earned on the Special Taxes shall constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and shall be held in trust for the benefit of the owners thereof and shall be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the annual Special Tax Requirement (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax Formula. See “–Method of Apportionment of Special Tax” below. See also APPENDIX C–“SPECIAL TAX FORMULA.”

The Agency may levy the Special Tax at the Maximum Special Tax rate authorized by the qualified electors within the District as set forth in the Special Tax Formula if conditions so require. The Agency has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the Maximum Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Special Tax Requirement will in fact be collected in any given year. See “RISK FACTORS–Insufficiency of Special Tax Revenues” herein. The Special Taxes are collected for the Agency by the City and County of San Francisco in the same manner and at the same time as *ad valorem* property taxes.

In the Fiscal Agent Agreement, the Agency has covenanted that the Finance Director (as defined in the Fiscal Agent Agreement) shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (including amounts necessary to discharge any rebate obligation) during such year, taking into account the balances in such funds and in the Revenue Fund, and the Tax Increment expected to be remitted to the Fiscal Agent pursuant to the Tax Increment Administration Agreement. The Special Taxes so levied shall not exceed the maximum authorized amounts as provided in the Special Tax Formula.

The 2005 Bonds are payable from Special Taxes on a parity with the 2001 Bonds and the 2002 Bonds. The Agency may, after issuance of the 2005 Bonds, issue additional bonds secured by the Special Tax in the District. See “–Parity Bonds” below.

The 2005 Bonds are limited obligations of the Agency on behalf of the District and are payable solely from and secured solely by the Revenues and the amounts in the Bond Fund, the Reserve Fund and the Revenue Fund created under the Fiscal Agent Agreement. The Agency is not obligated to advance any funds available to it to cure any deficiency in the Bond Fund or Reserve Fund; provided, however, the Agency may, in its sole discretion and pursuant to terms and conditions it shall deem appropriate, provide for the making of such advance to cure such deficiency. Subject to the Maximum Special Tax that may be levied on any parcel in the District as described below, the annual levy of the Special Tax may be increased to the extent necessary to replenish the Reserve Fund if amounts have been withdrawn from such fund to pay debt service on the 2005 Bonds due to delinquencies in payment of the Special Tax.

ANY TAX FOR THE PAYMENT OF THE 2005 BONDS SHALL BE LIMITED TO THE SPECIAL TAX. THE 2005 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE AGENCY FOR WHICH THE FULL FAITH AND CREDIT OF THE AGENCY IS PLEDGED OR FOR WHICH THE AGENCY IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXATION OTHER THAN THE SPECIAL TAXES. THE AGENCY HAS NO TAXING POWER. THE 2005 BONDS DO NOT CONSTITUTE DEBTS, LIABILITIES OR OBLIGATIONS OF THE CITY AND COUNTY OF SAN FRANCISCO IN ANY MANNER OR FORM.

Method of Apportionment of Special Tax

All capitalized terms used in this “Method of Apportionment of Special Tax” section, unless noted otherwise, shall have the meanings prescribed in the Special Tax Formula. See APPENDIX C–“SPECIAL TAX FORMULA.”

The Special Tax authorized under the Mello-Roos Act applicable to land within the District will be levied and collected according to the tax liability determined by the Agency through the application of the appropriate amount or rate as described in the Special Tax Formula set forth in APPENDIX C–“SPECIAL TAX FORMULA.” Each year, the Agency will determine the annual Special Tax Requirement of the District to be collected from Taxable Property for the upcoming fiscal year. The “Special Tax Requirement” includes the following items (i) to pay principal and interest on the Bonds due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds for the Bonds, (iii) to cure any delinquencies in the payment of Special Taxes which have occurred or (based on delinquency rates in prior years) may be expected to occur in the Fiscal Year in which the Special Tax will be collected, (iv) to pay Administrative Expenses, (v) to pay construction and/or acquisition costs and expenses of Infrastructure the Agency expects to fund from Special Tax proceeds in such Fiscal Year, (vi) to pay costs associated with the release of funds from an escrow account, if any, (vii) to pay for a letter of credit, bond insurance or any other type of credit enhancement for the Bonds, and (viii) to pay arbitrage or other rebate payments. The Special Tax Requirement may be reduced in any Fiscal Year, as determined by the Administrator, by taking into account money available from one or more of the following sources: (i) interest earnings on or surplus balances in the District funds and accounts that are available to be applied in such Fiscal Year to the payment of Bond debt service under the provisions of the Fiscal Agent Agreement, (ii) amounts in any capitalized interest account reasonably expected to be available in such Fiscal Year to pay debt service on the Bonds, (iii) Net Available Increment (as defined in the Mission Bay South Owner Participation Agreement and described under the caption “THE INFRASTRUCTURE–Tax Increment Contribution to Infrastructure Costs” below), and (iv) any other funds available to apply against the Special Tax Requirement as determined by the Agency. The annual Special Tax Requirement is the basis for the amount of Special Tax to be levied within the District for each fiscal year. In no event

may the Agency levy a Special Tax in any year above the Maximum Special Tax identified for each parcel in the Special Tax Formula.

Allocation of Maximum Special Tax. The Special Tax Formula describes the method for assigning the Maximum Special Tax to parcels within the District and provides that the Agency shall determine the Special Tax Requirement to be collected from Taxable Property in District in the applicable Fiscal Year. The Special Tax shall then be levied as follows:

First: The Special Tax shall be levied proportionately on each Assessor's Parcel of For-Sale Residential Property up to 100% of the Maximum Special Tax for each For-Sale Residential Unit;

Second: If additional monies are needed to pay the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property other than For-Sale Residential Property up to 100% of the applicable Maximum Special Tax for each such Parcel of Developed Property;

Third: If additional monies are needed to pay the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property.

No Special Taxes can be levied on any parcel after such parcel becomes Exempt Land, defined in the Special Tax Formula as any real property within the boundaries of the District (i) owned by a governmental agency as of the date of adoption of the Resolution of Formation (but not after the date, if any, such land is conveyed to a nongovernmental entity), (ii) from and after the date conveyed to a governmental agency under the terms of the Mission Bay South Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission, (iii) from and after the date conveyed to a governmental agency under the terms of the Land Transfer Agreements as in effect on the date the Resolution of Formation was adopted by the Commission, (iv) which is Agency Affordable Housing Parcels (as defined in the Mission Bay South Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission) from and after the date conveyed to the Agency or a Qualified Housing Developer (as defined in the Mission Bay South Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission), (v) which is a VARA Corridor, (vi) which makes up the strip of land under Interstate 280 that: (1) is owned by Catellus, (2) has a separate Assessor's Parcel number assigned to it, and (3) on the date the Resolution of Formation was adopted, was part of Assessor's Parcel number 8709-01 or 8723-01, or (vii) which is the subject of a public trust or other permanent easement to a public agency making impractical its use for other than the purposes set forth in the easement. Any land described in clauses (ii), (iii), (iv), or (vii) which is or becomes Exempt Land shall thereafter always remain Exempt Land.

Termination of the Special Tax. The Special Tax may be levied and collected until principal and interest on the Bonds have been repaid and the Infrastructure has been completed and accepted by the applicable governmental agency and paid for with proceeds of the Bonds, Special Taxes, Net Available Increment or bonds secured by Net Available Increment (as defined in the Mission Bay South Owner Participation Agreement), but in any event not later than the year 2050.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the Agency. The amount of a full or partial prepayment is to be calculated according to the methodology set forth in the Special Tax Formula, and is based on determining a benefit share of anticipated costs relating to the outstanding Bonds and future bonds, fees, call premiums, and expenses incurred by the Agency, less a "Reserve Fund Credit," as defined in the Special Tax Formula. See APPENDIX C—"SPECIAL TAX FORMULA."

Collection of Special Taxes

The Special Taxes are excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a “special tax” authorized by at least a two-thirds vote of the qualified electors as set forth in the Mello-Roos Act. Consequently, the Agency on behalf of the District has the power and is obligated by the Agreement to cause the levy and collection of the Special Tax.

The Special Taxes are to be levied and collected according to the Rate and Method of Apportionment of the Special Tax for the District. See APPENDIX C–“SPECIAL TAX FORMULA.” The Special Taxes so levied shall not exceed the authorized amount as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as *ad valorem* property taxes on real property are collected by the City, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

Although Special Taxes will constitute a lien on parcels of real property within the District, they do not constitute a personal indebtedness of the owner(s) of real property within the District. There is no assurance that the property owners, or any successors and/or assigns thereto or subsequent purchaser(s) of land within the District, will be able to pay the annual Special Taxes or, if able to pay the Special Taxes, that they will do so. See “RISK FACTORS” herein.

Reserve Fund

A Reserve Fund (the “Reserve Fund”) was established under the original Fiscal Agent Agreement in connection with the issuance of the 2001 Bonds, and is held by the Fiscal Agent and a portion of the proceeds of the 2001 Bonds were deposited therein. Upon issuance of the 2002 Bonds, an additional deposit to the Reserve Fund was made from proceeds thereof. Upon delivery of the 2005 Bonds, the amount on deposit in the Reserve Fund will be increased by depositing a portion of the proceeds of the 2005 Bonds therein such that the aggregate amount in the Reserve Fund equals the “Reserve Requirement” which means, as of any date of calculation an amount equal to the least of (i) the then Maximum Annual Debt Service on the Bonds and any Parity Bonds, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service on the Bonds and any Parity Bonds, or (iii) ten percent (10%) of the initial principal amount of the Bonds issued under the Fiscal Agent Agreement; provided that, there shall be excluded from the computations contemplated by the preceding clauses (i), (ii) and (iii) Bonds in a principal amount equal to the amount, if any, then on deposit in an escrow fund established with the proceeds of Parity Bonds with amounts therein subject to release as described in the Fiscal Agent Agreement. As of the date of delivery of the 2005 Bonds, the Reserve Requirement will be \$11,224,941.45.

Use of Reserve Fund. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. Except as otherwise allowed in the Fiscal Agent Agreement, amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, as described below, for the purpose of redeeming Bonds from amounts in the Bond Fund.

Transfer of Excess of Reserve Requirement. Whenever, on the business day prior to any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the following funds in the following order of priority: (i) so long as the Improvement Fund has not theretofore been closed, to the Bond Proceeds Account of the Improvement Fund to be used for the purposes thereof, and (ii) if the Improvement Fund is then closed, to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall upon the written direction of the Finance Director transfer the amount in the Reserve Fund to the Bond Fund to be applied in accordance with the Fiscal Agent Agreement, on the next succeeding Interest Payment Date to the payment and redemption of all of the outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the outstanding Bonds, the balance in the Reserve Fund will be transferred to the Agency to be used for any lawful purpose of the Agency.

Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed, and the original principal of the Bonds) shall be transferred on the business day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds.

Covenant for Superior Court Foreclosure

Pursuant to Section 53356.1 of the Mello-Roos Act, the Agency has covenanted in the Fiscal Agent Agreement with and for the benefit of the owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the Agency Attorney of any such delinquency of which it is aware, and the Agency Attorney shall commence, or cause to be commenced, such proceedings.

On or about February 15 and June 15 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Agency:

(A) **Individual Delinquencies.** If the Finance Director determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$2,500 or more, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Agency within 90 days of such determination to the extent permissible under applicable law. Notwithstanding the foregoing, the Finance Director may defer such action if the amount in the Reserve Fund is at least equal to the Reserve Requirement.

(B) **Aggregate Delinquencies.** If the Finance Director determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are ten (10) or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the

County, the Agency shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

No assurance can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installments. Although the Mello-Roos Act authorizes the Agency to cause such an action to be commenced and diligently pursued to completion, the Mello-Roos Act does not specify the obligations of the Agency with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale, nor does the Mello-Roos Act specify the priority relationship, if any, between the Special Taxes and other taxes and assessment liens.

As a result of the foregoing, in the event of a delinquency or nonpayment by the current owners or any future property owners in the District of one or more Special Tax installments, there can be no assurance that there would be available to the Agency sufficient funds to pay when due the principal of, interest on and premium, if any, on the 2005 Bonds (see “RISK FACTORS—Concentration of Ownership” herein).

Parity Bonds

The Agency may from time to time issue bonds (the “Parity Bonds”), in addition to the 2005 Bonds, up to the total amount of 2005 Bonds and Parity Bonds of \$200 million secured by a lien on the Revenues and funds pledged for the payment of the 2005 Bonds on a parity with all 2005 Bonds and other Parity Bonds then outstanding. The 2005 Bonds are issued on a parity with \$53,935,000 outstanding principal amount of 2001 Bonds and the \$39,330,000 outstanding aggregate principal amount of 2002 Bonds. Parity Bonds may be issued without the consent of any Bondowners, upon compliance with the certain provisions of the Fiscal Agent Agreement, which include the following:

Value-to-Lien Ratio. The market value of all parcels of real property in the District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined by reference to (i) an appraisal performed within six months of the date of issuance of any proposed Parity Bonds or any proposed release of moneys from any escrow fund by an MAI appraiser (the “Appraiser”) selected by the Agency, or (ii) in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the “Other District Bonds”) equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the special taxes needed to pay maximum annual debt service on the Other District Bonds when it occurs), based upon information from the most recent available Fiscal Year. For purposes of this calculation, there shall be excluded from the principal amount of any Bonds or Parity Bonds the portion thereof (if any) (i) representing amounts on deposit in an escrow fund subject to release only when the District Value is at

least three times the then Outstanding principal amount of the Bonds, plus the outstanding principal amount of any other special tax or assessment bonds secured by liens imposed upon land located in the District, or (ii) the payment of debt service on which is secured by a letter of credit or other similar security, which may be discharged upon a determination by an Authorized Officer that the three times coverage required above has been satisfied with respect to all Bonds not so secured.

Special Tax Coverage. The Agency shall obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year shall be at least one hundred ten percent (110%) of (a) the total Annual Debt Service for each such Fiscal Year on the Bonds and the proposed Parity Bonds plus estimated Administrative Expenses, less (b) ninety percent (90%) of the Tax Increment used to pay debt service on the Bonds in the Fiscal Year immediately prior to the then Fiscal Year.

Application of Net Available Increment. Pursuant to a Tax Allocation Agreement between the Agency and the City, the Agency agreed to contribute certain “Net Available Increment” to the cost of acquiring the Infrastructure. FOCIL has the ability to direct such amounts received at any time towards either direct payment of Infrastructure costs or to payment of debt service on the Bonds, and the Tax Allocation Agreement may be amended at any time without notice to or the need for any consent of the Bondowners. Such Net Available Increment is not pledged to payment of debt service on the Bonds. The Agency may in the future issue bonds secured in whole or in part by such Net Available Increment and apply the proceeds thereof to redeem Bonds, including 2005 Bonds, pursuant to the provisions of the Fiscal Agent Agreement relating to optional redemption. See “THE INFRASTRUCTURE–Tax Increment Contribution to Infrastructure Costs” and “THE 2005 BONDS–Redemption of the 2005 Bonds.”

SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of funds for the 2005 Bonds. A summary of the sources and uses of funds associated with the sale of the 2005 Bonds follows:

Estimated Sources of Funds:	
Principal Amount of 2005 Bonds	\$20,868,938.75
Less Underwriters’ Discount	(138,779.18)
Less: Original Issue Discount	<u>(59,941.20)</u>
Total	\$20,670,218.37
Estimated Uses of Funds:	
Deposit to Bond Proceeds Account ⁽¹⁾	\$17,831,332.19
Deposit to Project Supervision Account ⁽¹⁾	600,000.00
Deposit to Reserve Fund	1,963,386.18
Costs of Issuance ⁽²⁾	<u>275,500.00</u>
Total	\$20,670,218.37

⁽¹⁾ Amounts held in the Bond Proceeds Account will be used to pay the costs of the Improvements and amounts held in the Project Supervision Account will be used to pay costs of the Agency or the City incurred in connection with the acquisition of the Project.

⁽²⁾ Includes fees of Bond Counsel, Disclosure Counsel and the Fiscal Agent, costs of printing the Official Statement, reimbursement to FOCIL for costs of formation of the District, and other costs of issuance.

DEBT SERVICE SCHEDULE

The annual debt service on the 2005 Bonds based on the interest rates and maturity schedule set forth on the cover of this Official Statement and the annual debt service on the 2001 Bonds and the 2002 Bonds is set forth below, assuming no redemptions of Bonds prior to maturity other than scheduled sinking payment redemptions.

Debt Service Schedule

Year Ending (August 1)	<u>2005 Bonds</u>			<u>2001 Bonds Debt Service</u>	<u>2002 Bonds Debt Service</u>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest[†]</u>	<u>Debt Service</u>			
2005	—	—	—	\$1,736,141.25	\$1,230,751.25	\$2,966,892.50
2006	—	\$768,684.93	\$768,684.93	3,411,432.50	2,461,502.50	6,641,619.93
2007	\$70,000.00	758,155.00	828,155.00	3,482,002.50	2,461,502.50	6,771,660.00
2008	140,000.00	756,020.00	896,020.00	3,548,607.50	2,461,502.50	6,906,130.00
2009	215,000.00	751,330.00	966,330.00	3,620,905.00	2,461,502.50	7,048,737.50
2010	255,000.00	743,375.00	998,375.00	3,693,155.00	2,496,502.50	7,188,032.50
2011	285,000.00	733,430.00	1,018,430.00	3,765,105.00	2,549,752.50	7,333,287.50
2012	315,000.00	722,030.00	1,037,030.00	3,841,305.00	2,600,162.50	7,478,497.50
2013	350,000.00	708,957.50	1,058,957.50	3,921,025.00	2,647,550.00	7,627,532.50
2014	385,000.00	693,907.50	1,078,907.50	3,998,505.00	2,701,750.00	7,779,162.50
2015	257,924.00	844,043.50	1,101,967.50	4,078,230.00	2,757,175.00	7,937,372.50
2016	255,658.50	871,309.00	1,126,967.50	4,159,390.00	2,808,415.00	8,094,772.50
2017	249,241.00	897,726.50	1,146,967.50	4,241,145.00	2,870,330.00	8,258,442.50
2018	245,866.50	926,101.00	1,171,967.50	4,327,625.00	2,921,910.00	8,421,502.50
2019	239,778.85	952,188.65	1,191,967.50	4,413,037.50	2,982,710.00	8,587,715.00
2020	234,619.20	982,348.30	1,216,967.50	4,500,637.50	3,042,810.00	8,760,415.00
2021	229,700.75	1,012,266.75	1,241,967.50	4,591,537.50	3,106,145.00	8,939,650.00
2022	224,890.30	1,042,077.20	1,266,967.50	4,684,837.50	3,162,332.50	9,114,137.50
2023	219,567.30	1,072,400.20	1,291,967.50	4,779,637.50	3,226,262.50	9,297,867.50
2024	213,811.20	1,103,156.30	1,316,967.50	4,870,037.50	3,296,887.50	9,483,892.50
2025	209,247.70	1,137,719.80	1,346,967.50	4,970,437.50	3,359,075.00	9,676,480.00
2026	204,001.60	1,169,529.90	1,373,531.50	5,074,337.50	3,421,656.26	9,869,525.26
2027	199,365.20	1,199,305.70	1,398,670.90	5,171,187.50	3,493,968.76	10,063,827.16
2028	195,887.90	1,232,867.65	1,428,755.55	5,279,050.00	3,559,687.50	10,267,493.05
2029	191,251.50	1,263,880.75	1,455,132.25	5,381,087.50	3,635,625.00	10,471,844.75
2030	187,774.20	1,299,193.30	1,486,967.50	5,491,381.26	3,704,375.00	10,682,723.76
2031	180,930.00	1,334,007.50	1,514,937.50	5,598,093.76	3,780,625.00	10,893,656.26
2032	176,406.75	1,367,170.00	1,543,576.75	—	9,568,125.00	11,111,701.75
2033	172,788.15	1,404,524.70	1,577,312.85	—	9,759,062.50	11,336,375.35
2034	3,550,228.15	8,011,739.35	11,561,967.50	—	—	11,561,967.50
2035	<u>11,215,000.00</u>	<u>577,572.50</u>	<u>11,792,572.50</u>	<u>—</u>	<u>—</u>	<u>11,792,572.50</u>
Total	\$20,868,938.75	\$36,337,018.48	\$57,205,957.23	\$116,629,873.77	\$98,529,656.27	\$272,365,487.27

[†] Includes accreted interest.

THE AGENCY

History and Purpose

The Agency was organized in 1948 by the Board of Supervisors of the City and County of San Francisco 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 13 redevelopment plans in various stages of implementation. In addition, the City's Board of Supervisors has authorized three "survey areas" which are anticipated to become, or be incorporated into, project areas in the near future.

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>
London Breed	Executive	2005	9/3/07
Francee Covington	Businesswoman	2005	9/3/08
Leroy King	Labor Official Retired	1980	9/3/06
Richard H. Peterson, Jr.	Businessman	2005	9/3/08
Ramon E. Romero	Attorney	1998	9/3/05
Darshan Singh	Businessman	1995	9/3/07
Benny Y. Yee	Real Estate Broker	1994	9/3/06

The Redevelopment Agency currently employs approximately 111 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 has the power to issue bonds to accomplish its goals. A redevelopment agency can issue bonds which are repayable from the increase in property taxes attributable to the redevelopment activities completed through the efforts of the redevelopment agency

and parties to agreements that provide for improvements to be made to deteriorated property. **The 2005 Bonds are not secured from such increases in property taxes and are secured solely by Special Tax Revenues and other amounts pledged under the Fiscal Agent Agreement.**

The Mission Bay South Redevelopment Plan (the “Redevelopment Plan”) was adopted by the Board of Supervisors in November 1998. All real property in the Project Area is subject to the controls and restrictions of the Redevelopment Plan. The Project Area and the District are coterminous. The Redevelopment Plan requires 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 Redevelopment Plan establishes 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 the Project Area and therefor the District.

THE DISTRICT

Background

The District 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). Only 62 acres are expected to be subject to the Special Tax. The District 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. See the Master Plan map below. 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.

Existing structures in the District include an approximate 280,000 square foot office building which was completed in late 2002. The office building is owned by an affiliate of COLP and leased to Gap, Inc. but is currently unoccupied although the tenant is paying rent. Another existing structure is the 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. Under the Special Tax Formula, the amount of the Special Tax levied against property in the District is affected by its status as new development. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS—Method of Apportionment of Special Tax” and APPENDIX C hereto. Development in the District includes a major new University of California biotechnology and life sciences research campus on about 42 acres of land donated by the Original Landowner and the City, containing approximately 2.65 million gross square feet of instruction, research and support space. The University has completed three buildings and is expected to finish three more this summer. FOCIL’s development strategy for the area includes the anticipation that the nationally renowned bio-medical research institution will attract other biotechnology office/lab space users to the District. *The campus is located within the District but is not subject to the Special Tax.*

A substantial portion of the District land will not be subject to the Special Tax as development of the District proceeds, due to non-taxable uses. Such land which is not subject to the Special Tax will not be security for the Bonds; only 62 out of 237 acres in the District are eventually expected to be subject to the Special Tax. The land in the District which is not subject to the Special Tax and not security for the Bonds includes land planned for Agency-sponsored affordable housing projects, public facilities, public open space, streets, the University of California, San Francisco campus (excluding the hospital, which

will be on land subject to the Special Tax), and an approximately 2.2-acre school site for the San Francisco Unified School District on the UCSF campus. The UCSF campus is planned for approximately 2,650,000 square feet of research, administration and support space, which the City hopes will stimulate biotechnology development in the area. The first three buildings of the campus (totaling about 678,000 square feet of space) are complete and three more expected to be finished during the summer 2005 (a 431 unit apartment building, 600 space parking structure and a 107,000 square foot community center).

Land adjacent to the District 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 District 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, SBC 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.

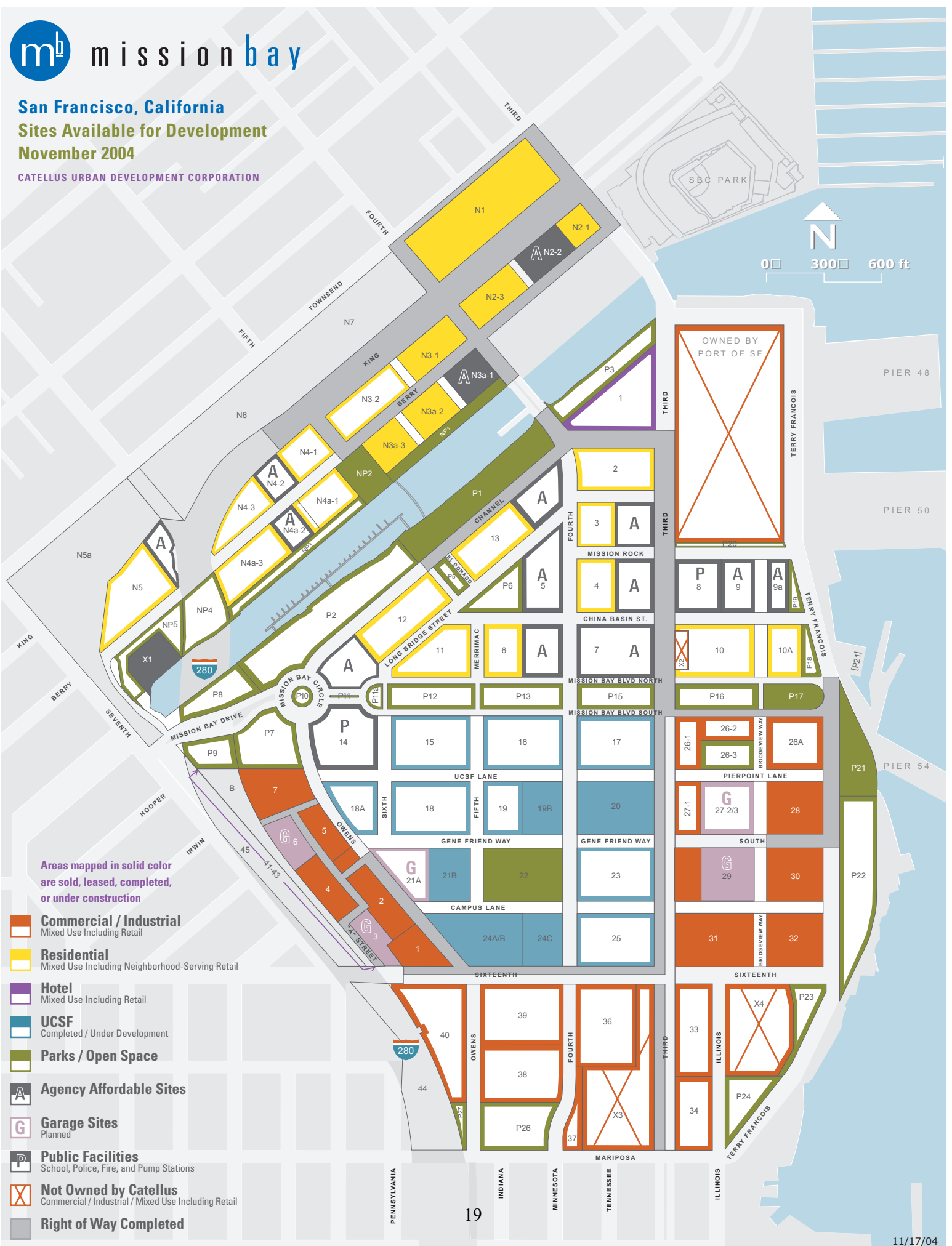
Current Status of Development

Two buildings on taxable land are complete within the District. At Block 28, an affiliate of COLP completed a 283,000 square foot office building that is leased to the Gap, Inc. At Block 41, Parcel 2 the J. David Gladstone Institutes completed a 180,000 square foot biotech building. A foundation has been constructed on Block 26A.

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San Francisco, California
Sites Available for Development
November 2004

CATELLUS URBAN DEVELOPMENT CORPORATION



Status of Entitlements

All entitlements required for development to proceed as planned by the Principal Landowners (see “OWNERSHIP OF PROPERTY WITHIN THE DISTRICT”) have been received, other than building permits or other ministerial permits and approvals expected to be received as needed.

THE MISSION BAY DEVELOPMENT

The information contained in this section is presented for background information on the Mission Bay area. Not all of the Mission Bay area is in the District. For information on the portion of the Mission Bay area in the District, see “THE DISTRICT” above.

The Mission Bay Project

Origin of the Project. The Original Landowner and its predecessors had been the owner of much of the property in and adjacent to the District since the 1800’s, having originally used most of it for railroad and industrial operations. In July 1999, the Original Landowner entered into agreements with the City and the State which provided for certain land exchanges necessary to implement approvals for the redevelopment of approximately 302 acres of land in the southeastern waterfront area of the City, which land includes all of the land within the District and land immediately north of the District, for development and redevelopment of the area as a redevelopment project area under the Redevelopment Law. The area which comprises the Mission Bay project is currently the subject of two Redevelopment Plans (described below) adopted by the City and is planned for redevelopment from vacant land and existing industrial uses located in old structures to commercial and high density residential uses located in new improvements, with open space and new public infrastructure appropriate to the new development. In November 2004, FOCIL assumed the rights and obligations of the Original Landowner except for property specific rights and obligations associated with the property retained by COLP and an affiliate.

Overview of Mission Bay Area. Geographically, the Mission Bay development is bounded by Townsend Street to the North, Seventh Street to the west, Mariposa Street to the south, and San Francisco Bay to the east. When complete, development of the project area is envisioned to create a new neighborhood in San Francisco. The Mission Bay development area is entitled for up to 6,000 high density housing units, 5.9 million square feet of office and flex space (including blocks X3 and X4, which are not part of the District), 2.65 million square feet of university research facilities, over 550 thousand square feet of retail space, a 500 room hotel, and about 49 acres of dedicated public open space. The Original Landowner commenced its redevelopment activities in the spring of 2001 with construction projected to continue for approximately 12-13 years, subject to market conditions.

The residential units are planned to consist of market rate and affordable units, both for rental and for sale. FOCIL or its assignees or transferees will develop approximately 4,500 units at a variety of densities, and in a variety of architectural styles. The Agency will sponsor development of the remaining residential units in the project area.

Retail uses in the Mission Bay development area are planned to include up to approximately 550,000 leasable square feet of retail space which will be oriented toward local users living in the neighborhood.

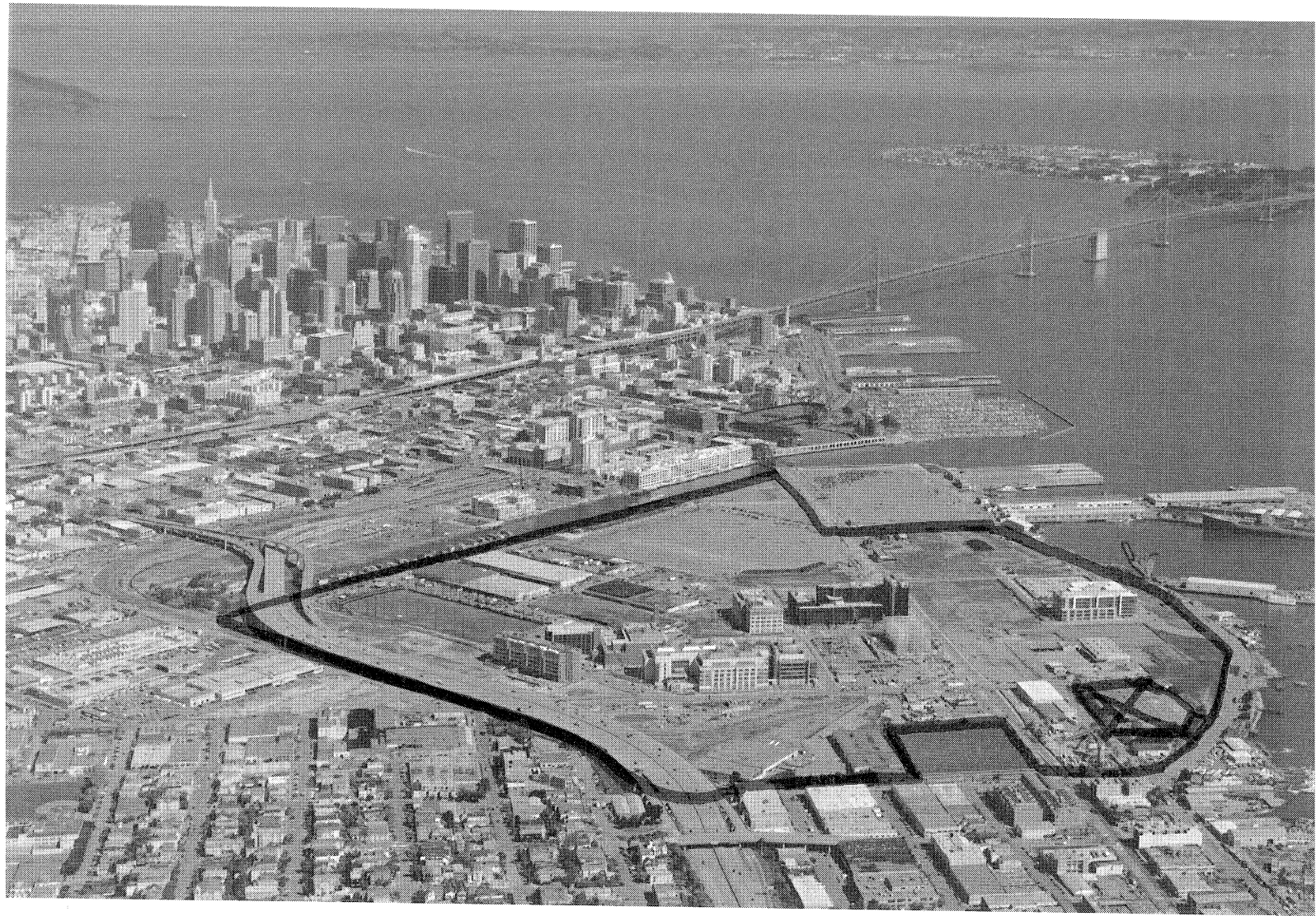
Commercial uses are planned to include a mix of approximately 5,000,000 leasable square feet of office, research and development, light manufacturing, multi-media, software development, and other commercial space suitable for biotechnology and multimedia users, and a 500-room hotel.

Development in the District is anchored by a major new University of California, San Francisco (“UCSF”) research campus on about 42 acres of land donated by the Original Landowner and the City, containing approximately 2.65 million gross square feet of instruction, research and support space for the nationally renowned bio-medical research institution. The University has approximately 678,000 square feet of buildings, and is expected to complete more during the summer 2005. The University property, other than the hospital to be constructed, is not on taxable property. The first completed building was Genentech Hall, a five-story research and teaching building, which opened its doors to faculty, staff and students in January 2003. UCSF’s second research building, Toni Rembe Rock Hall, opened for Genetics, Development and Behavioral Sciences in February 2004 and is occupied. The third completed building is QB3 which houses the headquarters of the California Institute for Quantitative Biomedical Research, a joint venture with UC Berkeley, UC Santa Cruz and UCSF which opened in March 2005.

Public oriented facilities planned in Mission Bay include about 49 acres of public parks, plazas and open space to serve a variety of recreational needs and a new and upgraded public infrastructure system necessary to serve residents, occupants, and visitors. All streets will either be new or upgraded with modern street surface systems as well as new sewer and utility provisions sub-surface. The land which becomes public use will not be subject to the Special Tax.

The District consists of only property therein and not the entire Mission Bay area. For information concerning the portion of the Mission Bay development which is within the District, the Special Taxes on which secure the Bonds, see “THE DISTRICT” above.

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THE INFRASTRUCTURE

The District was formed to finance a portion of the public infrastructure (the “Infrastructure”) necessary to support private development within the District, including open space (including, among other items, park improvements and restrooms), streets, rails and rail line bridges, sewer and storm drainage systems, water systems, dry utilities, and other improvements generally serving property within the District.

Public Infrastructure Improvements

FOCIL is obligated to construct or cause to be constructed all of the public improvements in the District, in accordance with obligations outlined in the South OPA. In general, the public infrastructure requirements for build-out of the District are phased at a minimum to serve the incremental service requirements of buildings as they are constructed. Accordingly, development of a specific area or Major Phase will generally be accompanied by development of adjacent public infrastructure and improvements, including streets, utilities and public open space. Installation of all facilities will be pursuant to bonded Improvement Plans and Agreements, resulting from the subdivision process, and which are approved by the City.

In connection with its acquisition of parcels in the District, FOCIL was required to assume all of the Original Landowner’s obligations under the South OPA to construct the Infrastructure. FOCIL has entered into an agreement with Catellus Urban Construction, Inc., a construction company and a subsidiary of the Original Landowner (“CUCI”), pursuant to which CUCI is to manage the construction of the Infrastructure.

Acquisition of the Infrastructure

The particular public improvements to be funded by proceeds of the 2005 Bonds represent a portion of the overall public infrastructure improvements to be constructed in the District. The Agency and the Original Landowner have entered into an Acquisition Agreement (the “Acquisition Agreement”) dated as of June 1, 2001, as supplemented as of October 1, 2002 and assumed by FOCIL in 2004. Under the terms of the Acquisition Agreement, the Agency will acquire the Infrastructure from FOCIL upon completion of various discrete components of infrastructure and inspection thereof by the City. The Acquisition Agreement provides that the Infrastructure will be acquired for an amount based upon the documented Actual Cost (as defined in the Acquisition Agreement) thereof or for such other amount as may be agreed upon by FOCIL, the Agency and the City.

Funding of the Infrastructure

FOCIL expects that the cost of the Infrastructure and other improvements necessary for its development and redevelopment activities in Mission Bay South will be approximately \$340 million. Proceeds of the 2001 Bonds and the 2002 Bonds in the aggregate amount of approximately \$70 million have been deposited in the Bond Proceeds Account of the Improvement Fund and approximately \$17-18 million of 2005 Bond proceeds is expected to be so deposited.

FOCIL expects that the cost of any Infrastructure not financed from Bonds will be financed by the use of Net Available Increment to be provided for the benefit of FOCIL by the Agency pursuant to the South OPA, as described below. Net Available Increment is a portion, but not all, of the *ad valorem* property taxes generated from new development within the District which are in excess of the taxes collected in the fiscal year the District was formed (1998-99). See “–Tax Increment Contribution to Infrastructure Costs” below.

Pursuant to a Tax Increment Allocation Pledge Agreement, dated as of November 16, 1998 (the “Tax Allocation Agreement”) between the City and the Agency and pursuant to the Fiscal Agent Agreement, Net Available Increment may be deposited into a Tax Increment Proceeds Account held by the Fiscal Agent to pay Infrastructure costs (or otherwise applied to payment or reimbursement of such costs), may be transferred to the Fiscal Agent for deposit into the Revenue Fund established under the Fiscal Agent Agreement to pay a portion of debt service on the Bonds, or may be applied to secure tax increment bonds issued by the Agency, the proceeds of which may be applied to payment or defeasance of the Bonds. **Net Available Increment is not pledged to debt service on, or repayment of, the Bonds.**

Tax Increment Contribution to Infrastructure Costs

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of 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 a redevelopment agency and may be pledged by a 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.

In order to facilitate the implementation of the Mission Bay South Redevelopment Plan, the Agency and the Original Landowner entered into a Mission Bay South Owner Participation Agreement (the “South OPA”), dated as of November 16, 1998, regarding the development of the property within the South Plan Area. The South OPA provides that the Original Landowner is responsible (which responsibility has been assumed by FOCIL) for constructing the Infrastructure and that the Agency will provide financing of a portion of the costs of the Infrastructure (i) through the establishment of one or more community facilities districts, such as the District, under the Mello-Roos Act and (ii) with respect to Infrastructure of primary benefit to the District, through the use of Net Available Increment (described in the next paragraph) and the issuance of bonds secured by a pledge (or otherwise payable from a contribution) thereof. See “THE AGENCY” and “THE MISSION BAY DEVELOPMENT.”

The South OPA includes a Financing Plan (the “Financing Plan”) under which the Agency has committed Net Available Increment from the South Plan Area to be used towards the payment of costs of the Infrastructure. “Net Available Increment” is an amount less than all of the tax increment generated from property in the District, and is defined in the Financing Plan to mean the tax increment revenues arising under the South Redevelopment Plan and received by the Agency, exclusive of: (i) Housing Increment (calculated solely at 20% of the total tax revenues received by the Agency pursuant to the South Redevelopment Plan), (ii) tax increment revenues required by the Redevelopment Law to be paid to other taxing agencies (initially, 20% of the total tax increment revenues received by the Agency, and otherwise pursuant to the Redevelopment Law and the South Redevelopment Plan), and (iii) tax increment revenues needed to pay Agency Costs (as defined in the Financing Plan) not otherwise paid from other sources. **Net Available Increment is not pledged to debt service on, or repayment of, the Bonds.**

Construction of the Infrastructure

Pursuant to the terms of the Acquisition Agreement and the South OPA the Original Landowner was required to construct the Infrastructure in accordance with the approved subdivision improvement plans and agreements entered into between the Original Landowner and the City. In connection with its purchase of parcels, FOCIL was required to assume all of such responsibilities. FOCIL has engaged CUCI, to oversee the construction activities. Construction of the Infrastructure is underway or

substantially complete for Master Plan Blocks 26-28 (Phases 1 and 2), Block 41-43, 16th and Owens, Owens Street at Park P1, Third Street, Pump Station Number 1, P16/17, 4th Street at UCSF, and Block P21 Landscape. The Infrastructure of Park P1, North Common Street at Parks P16/P17, Third Street/16th Street Utility Project, and Park P8 Bank Stabilization is complete. FOCIL anticipates that the remaining Infrastructure will be completed in phases, with each phase comprising approximately 12 months of construction.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Each Principal Landowner has provided the information concerning itself set forth below. Neither the Agency nor the Underwriters have made any independent investigation of the information presented herein as to the Principal Landowners and neither the Agency nor the Underwriters have verified the accuracy or completeness of such information, nor do they assume responsibility or liability therefor.

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance that the current owner or any subsequent owners, including the Principal Landowners, have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. Neither the Agency nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the 2005 Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

Background

At the time of initial formation of the District, substantially all the land therein was owned by Catellus Development Corporation (“Catellus” or the “Original Landowner”), a diversified real estate operating company formed in 1984 as the real estate operating subsidiary of the Santa Fe Pacific Railroad. In December 1990, Catellus was spun off by the common stockholders of Santa Fe Pacific along with the land holdings of its former railroad parent, which comprised one of the largest holdings of developable land in the western United States.

Since formation of the District, Catellus has disposed of most of its land holdings in the District. A substantial number of parcels (comprising 25.8 out of the 62 taxable acres in the District) have been sold to FOCIL-MB, LLC. Two parcels, the sites of the Gap building and the proposed UCSF hospital, are owned, directly or indirectly, by COLP, which is the successor by merger to Catellus.

Currently, substantially all of the taxable parcels in the District are owned by FOCIL-MB, LLC and affiliates of Alexandria Real Estate Equities, Inc. (each a “Principal Landowner” and collectively, the “Principal Landowners”). Brief information concerning the Principal Landowners and the other property owners in the District is set forth below.

FOCIL-MB, LLC

FOCIL-MB, LLC (“FOCIL”) is a Delaware limited liability company whose manager is Farallon Capital Management, L.L.C. FOCIL is the owner of approximately 25.8 acres of taxable land in the District comprised of parcels 1 through 7, 9, 9A, 10 through 13, 26A, 33, 34 and 40. (See the map of the District set forth under the caption “THE DISTRICT.” The aggregate appraised value of FOCIL’s parcels is \$145,500,000. See APPENDIX B–“THE APPRAISAL.” FOCIL acquired its property from COLP and its affiliates in November 2004 and June 2005 and intends to sell its parcels to other developers. This developer’s property has entitlements to construct 12 residential towers or 1,823 residential units and 1,300,000 square feet of office or biotech space.

FOCIL owns land that is subject to more than 20% of the annual Special Taxes levied in the District and has agreed to provide continuing disclosure reports pursuant to a Continuing Disclosure Certificate. See “CONTINUING DISCLOSURE.”

Alexandria Real Estate Equities, Inc.

Affiliates of Alexandria Real Estate Equities, Inc. (collectively, “ARE”) are the owners of approximately 21.99 net acres (following subdivision mapping) within the District, comprised of Master Plan Blocks 26, 27, 29 through 32 and 41 through 43 (excluding subparcel number 2, which is owned by Gladstone (described below under “Other Property Owners)). (See the map of the District set forth under the caption “THE DISTRICT.”) The aggregate appraisal value of the parcels owned by ARE is \$114,150,000. See APPENDIX B–“THE APPRAISAL.” ARE’s affiliates acquired their parcels over a period of time beginning in Summer, 2004 through Spring, 2005 and intend to construct buildings on their parcels as demand arises (with construction projected to begin on an approximately 165,000 square foot building by late 2005). The property owned by ARE affiliates is collectively entitled for an aggregate of 2,148,000 square feet.

Alexandria Real Estate Equities, Inc. (NYSE: ARE) is a real estate investment trust engaged primarily in the ownership, operation, management, acquisition, expansion and selective redevelopment and development of strategically located properties containing office and laboratory space designed and improved for lease principally to pharmaceutical, biotechnology, life science product and services companies, not-for-profit scientific research institutions, universities and related government agencies (collectively, the life science industry). Properties leased to tenants in the life science industry typically consist of office buildings containing scientific research and development laboratories and other improvements that are generic to tenants operating in the life science industry. As of December 31, 2004, ARE owned 112 properties in the United States with approximately 7.4-million rentable square feet of office and laboratory space.

ARE owns land that is subject to more than 20% of the annual Special Taxes levied in the District and has agreed to provide continuing disclosure reports pursuant to a Continuing Disclosure Certificate. See “CONTINUING DISCLOSURE.”

Other Property Owners

The information concerning the following property owners and their parcels within the District was assembled from publicly available information.

Catellus Operating Limited Partnership. Catellus Operating Limited Partnership (“COLP”) is the successor by merger to the Original Landowner. COLP and an affiliate own approximately 11.5 taxable acres in the District, the aggregate appraised value of which is \$134,500,000. One of its sites is improved with a structure leased to GAP, Inc. and the other is expected to be improved with structures constructed by UCSF on land to be ground leased to UCSF, as described below.

ProLogis and Catellus Development Corporation (NYSE: CDX), which is the sole general partner of Catellus Operating Limited Partnership, recently entered into a definitive merger agreement under which ProLogis will acquire all of the outstanding common stock of Catellus Development Corporation. The consummation of the merger transaction is subject to approval of the shareholders of both companies as well as other closing conditions. For information regarding the merger, see the Form 8-K filed by CDX with the Securities and Exchange Commission on June 8, 2005.

COLP/Gap, Inc. An affiliate of COLP owns a 280,000 square foot office building sited on 1.85-acre Parcel 28 in the District. The building was leased, in October, 2002, in its entirety to Gap, Inc., an international clothing retailer, for a term of 15 years, with three options to renew for five years. Although the building is not occupied, Gap, Inc. has always paid rent. The appraised value of the building is \$80,500,000. Gap, Inc. is a publicly-traded company (NYSE:GPS).

COLP/UCSF. COLP has entered into an option agreement and grant of option to lease with The Regents of the University of California for Parcels 36, 37, 38 and 39, aggregating approximately 9.65 acres. These parcels have an aggregate appraised value of \$54,000,000 based upon their recent entitlement to construct 1,020,000 square feet of biotechnology facilities. The lease agreements will contain an option to purchase the site in 2014 at a price of \$45,900,000, adjusted annually based upon the consumer price index for the area, with an annual floor and cap of 2% and 5%, respectively.

The J. David Gladstone Institutes. The J. David Gladstone Institutes (“Gladstone”) owns an approximately 180,000 square foot research facility sited on the approximately 1.38-acre Parcel 2 within the District. Gladstone’s property has an appraised value of \$78,000,000. The facility houses the Gladstone Institute for Cardiovascular Health, the Gladstone Institute of Virology and Immunology and the Gladstone Institute for Neurological Disease. While independent, Gladstone is formally affiliated with UCSF and many of its investigators hold university appointments and participate in many university activities, including the teaching and training of graduate students. Gladstone is a nonprofit entity but has elected to be subject to the Special Tax. Its principal source of funding is National Institutes of Health grants and support from the Gladstone Trust based in Irvine, California.

BOSA. BOSA Development California II, Inc. (“BOSA”) owns Parcels 10A in the District, comprised of 1.33 acres. The company has entered into contracts with FOCIL to acquire Parcels 2, 10, 11, 12 and 13. BOSA is a real-estate developer and intends to construct condominiums on such parcels, which have entitlements, in the aggregate, for 1,485 condominium units.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

The Agency ordered preparation of an appraisal report dated June 1, 2005 (the “Appraisal”) of the estimated value as of such date of the property in the District subject to the Special Tax. The Appraisal was prepared by Hamilton, Ricci & Associates, Inc., San Francisco, California (the “Appraiser”). A copy of the Appraisal is set forth in APPENDIX B hereto. *The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The Agency makes no representation as to the accuracy or completeness of the Appraisal.*

The purpose of the appraisal assignment is to estimate the aggregate bulk sale value of the fee simple, and leased fee interests of the subject property. At the express direction of the Agency, the appraisal considers five value elements comprising the aggregate bulk sale value. The value elements are (i) the fee simple interest of the land interests held by FOCIL and BOSA, (ii) the fee simple interest in the land interests held by ARE, (iii) the leased fee interest of the Gap property, (iv) the fee simple interest of the Gladstone property, and (v) the leased fee interest in the lands comprising the UCSF hospital site. The sum of these five value elements comprises the subject’s aggregate bulk sale value.

The total estimated valuation of the property subject to the Special Tax as of June 1, 2005 was determined by the Appraiser to be \$470 million.

The bulk sale value is defined in the Appraisal as the most probable price, in a sale of all parcels within a tract or development project to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specific date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under undue stress.

Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value. Because the Appraisal sets forth the Appraiser's opinion as to value only as of the date of such Appraisal, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events reveal hazardous material, such conditions or events could reduce the level of permitted development or delay the completion of any projected development and the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "RISK FACTORS—Failure or Inability to Complete Proposed Development on a Timely Basis" below. See APPENDIX B—"THE APPRAISAL" hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the 2005 Bonds are outstanding in that the Agency has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See "—Priority of Lien" below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see "RISK FACTORS" herein.

The complete Appraisal is on file with the Agency and is available for public inspection at the Agency offices at 770 Golden Gate Avenue, 3rd Floor, San Francisco California 94102 or during the initial marketing period from Stone & Youngberg LLC, 50 California Street, San Francisco, California 94111. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

Value to Special Tax Burden Ratios

The Appraisal sets forth the estimated bulk sale value of all taxable property within the District to be \$470,000,000, subject to the limiting conditions stated therein. See "—The Appraisal" above and APPENDIX B hereto. The outstanding aggregate principal amount of the 2001 Bonds and the 2002 Bonds and the aggregate principal amount of the Bonds is \$114,133,938.75. Consequently, the ratio of the estimated bulk sale value of the real property in the District to the aggregate principal amount of Bonds outstanding is 4.12:1.

In comparing the appraised value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Set forth in the table below are the individual value to Special Tax burden ratios for each of the landowners in the District.

	<u>Landowner</u>	<u>Parcels Owned</u>	<u>Net Taxable Acreage</u>	<u>Aggregate Valuation</u>	<u>Special Tax Burden⁽¹⁾</u>	<u>Value to Special Tax Burden Ratio</u>
FOCIL		1-7, 9, 9A, 10-13, 26A, 33, 34, 10A ⁽²⁾ and 40	25.8	\$145,500,000	\$49,514,525	2.94
BOSA		10A	1.33			
ARE		26, 27, 29-32, 41-1, 41-3, 41-4, 41-5, 41-6	21.99	114,150,000	39,321,519	2.90
COLP/Gap, Inc. lease		28	1.85	80,500,000	4,309,978	18.68
Gladstone		41-2	1.38	78,000,000	3,208,021	24.31
Catellus/UCSF ground lease		36-39	<u>9.65</u>	<u>54,000,000</u>	<u>17,255,692</u>	<u>3.13</u>
Total			62.00	\$470,000,000 ⁽³⁾	\$113,989,704	4.12

(1) Column does not total due to independent rounding.

(2) Since the date of the Appraisal, parcel 10A has been acquired by BOSA.

(3) Rounded aggregate bulk value per the Appraisal.

Other public agencies whose boundaries overlap those of the District could, without the consent of the Agency and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The purpose would be to finance additional regional or local public improvements or services. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the landowners or any merchant builder or other loans may be obtained by ultimate users of property in the District. The deeds of trust securing such debt on property within the District, however, will be in a junior position to the lien of the Special Tax.

Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Mello-Roos Act, regardless of when they are imposed on the property in the District. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The Agency, the City and certain other public agencies are authorized by the Mello-Roos Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

Property in the District is subject to the special tax of an additional community facilities district recently formed as Community Facilities District No. 5 (Mission Bay Maintenance District). This district encompasses the boundaries of the District and was formed for the principal purpose of maintaining public parks in the area. This district is not authorized to issue bonds. The special tax lien of this district is on a parity to the lien securing the Special Tax. The maximum annual special tax for the maintenance district is \$14,380 per acre (with an escalation provision) and, as to condominiums, will range from 55 cents to \$1.00 per square foot. The property is also within the City's CFD 90-1, which covers all of the City and provides money for the public school district.

There can be no assurance that the property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the City or some other public agency to finance additional public facilities, however no other special districts are currently contemplated by the Agency or FOCIL.

Private liens, such as deeds of trust securing loans obtained by a property owner, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

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Overlapping Debt

The following table shows direct and overlapping debt affecting property in the District. Data was compiled based upon the valuation shown in the Appraisal.

**Community Facilities District No. 6
(Mission Bay South Public Improvements)
Overlapping Debt Table
As of June 21, 2005**

2004-05 Local Secured Assessed Valuation: \$129,656,281

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/21/05</u>
Bay Area Rapid Transit District	0.035%	\$ 35,157
San Francisco Community College District	0.126	176,755
San Francisco Unified School District	0.126	70,604
City of San Francisco	0.126	1,250,999
City of San Francisco Mission Bay Community Facilities District No. 6	100.	<u>93,265,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$94,798,515
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	 <u>% Applicable ⁽²⁾</u>	 <u>Debt 6/21/05</u>
San Francisco Community College District Certificates of Participation	0.126%	\$ 29,098
San Francisco Unified School District Certificates of Participation	0.126	22,602
City of San Francisco General Fund Obligations	0.126	842,964
City of San Francisco Judgment Obligations	0.126	<u>48,637</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$943,301
 COMBINED TOTAL DEBT		\$95,741,816 ⁽³⁾

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

(2) Based on 2004-05 redevelopment adjusted all property assessed valuation of \$122,952,000.

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

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$359

Source: California Municipal Statistics, Inc.

RISK FACTORS

The purchase of the 2005 Bonds involves investment risk. If a risk materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2005 Bonds. Before purchasing any of the 2005 Bonds, all prospective investors and their professional advisors should carefully consider, among other things, the following risk factors, which are not meant to be an exhaustive listing of all risks associated with the purchase of the 2005 Bonds.

Insufficiency of Special Tax Revenues

In order for the Agency to pay debt service on the 2005 Bonds, it is necessary that the Agency collect Special Tax Revenues on a timely basis. Should the Special Tax not be paid on a timely basis, the Agency would utilize moneys on deposit in the Reserve Fund, to the extent available, to pay debt service on the 2005 Bonds.

As described under “SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS—Covenant for Superior Court Foreclosure,” the Agency has covenanted for the benefit of the Owners of the 2005 Bonds that it will initiate foreclosure proceedings in order to enforce the lien of the delinquent installments of the Special Tax against property in the District, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. However, in the event of a foreclosure and if the Reserve Fund has been depleted, there could be a delay in or insufficiency of payments to the owners of the 2005 Bonds pending such sales or the prosecution of foreclosure and receipt by the Agency of the proceeds of the sale. See “—Foreclosure and Sale Proceedings” hereinafter.

Concentration of Ownership

Most of the land within the District is currently owned by two entities. Because of such concentration of ownership of District land, the timely payment of the 2005 Bonds depends upon the willingness and ability of the owners to pay the Special Taxes when due. The only asset of an owner of property within the District which constitutes security for the 2005 Bonds is such owner’s real property holdings located within the District. Each parcel may only be foreclosed against for delinquent Special Taxes levied against such parcel.

Failure or Inability to Complete Proposed Development on a Timely Basis

The progress of land development within the District may be subject to unexpected delays, disruptions, changes and contingencies which may affect the willingness and ability of the property owners within the District to pay Special Taxes when due. For example, proposed development within the District could be adversely affected by unfavorable economic conditions, an inability of any Principal Landowner or future owners of the parcels to obtain financing, fluctuations in the real estate market or interest rates, unexpected delays in development or increases in development costs, changes in federal, state or local governmental policies relating to the ownership of real estate, faster than expected utilization of existing water resources or the appearance of previously unknown hazardous substances or other environmental impacts necessitating preparation of a supplemental environmental impact report and by other similar factors.

Undeveloped or partially developed land is less valuable than developed land and, therefore, provides less security for owners of the 2005 Bonds which is a particularly important factor should it be necessary for the Agency to foreclose on undeveloped property within the District due to the nonpayment of Special Taxes on such property. Moreover, failure to complete the development within the District on a timely basis could adversely affect the land values of those parcels which have been completed. Lower land values result in less security for the payment of principal of and interest on the 2005 Bonds and

could be expected to lower the amount of proceeds from any foreclosure sale necessitated by delinquencies in the payment of such Special Taxes.

The inability to develop the land within the District as currently planned could be anticipated to reduce the expected diversity of ownership of land within such District, making the payment of debt service on the 2005 Bonds more dependent upon timely payment of the Special Taxes levied on undeveloped property. Because of the concentration of undeveloped property ownership, the timely payment of the 2005 Bonds in particular depends upon the willingness and ability of the Principal Landowners (as defined and described herein) and any subsequent owners to whom lots or parcels are sold to pay the Special Taxes levied on the undeveloped land when due. Furthermore, such continued concentration of ownership also increases the potential negative impact of a bankruptcy or similar financial adversity experienced by any Principal Landowner or a major successor landowner who purchases parcels from a Principal Landowner. See “–Bankruptcy” below.

Factors Affecting Parcel Value and Aggregate Values

The value of a particular parcel of property is affected by a variety of factors, including market value. Market value generally is determined by the price a willing seller would achieve by selling the property to a willing buyer, each having similar information and neither being forced by other circumstances to sell nor to buy. However, this general principle is of limited use estimating the selling price at a foreclosure sale because the sale is forced and the buyer may not have the benefit of full information. Various facts and circumstances are of importance in determining the value of individual taxed parcels, including the following:

Completion of the Infrastructure Improvements. Infrastructure improvements (i.e., street, water and sewer, storm drainage and other improvements) generally are required to serve the parcels subject to the Special Taxes. While a direct relationship between the value of a taxed parcel and various types of improvements does not necessarily exist, failure to complete such improvements in a timely manner nevertheless may result in value less than expected or in any event uncertainty in value, which may cause the Special Taxes to exceed a secure relationship to value.

For example, should a contractor’s bid prove to be too low, or should a contractor experience financial difficulties (whether or not the difficulties lead to bankruptcy), timely completion of improvements may be affected. Contracts for improvements are awarded pursuant to plans and estimated quantities. Should actual construction conditions differ from those upon which the plans or estimated quantities are based, or should the plans or estimated quantities prove to be defective, or should changes be made in the plans or estimated quantities, or should the progress of the work be delayed, timely completion of the improvements may be affected.

Any increases in the costs of infrastructure improvements for any reason, the cumulative effect of which is to exceed the amount readily available for their payment, puts at risk not only timely completion, but ultimate completion, or at the least, completion of the various improvements of the type and to the extent expected. While a developer or municipality may have a claim against a contractor or others for reimbursement, the cost and delay of litigation that might be necessary to assert the claim may make the claim an unreliable source of funds for timely completion.

Progress of Land Development. The basis for value may not only require the timely completion of basic infrastructure improvements, but may also require the timely provision of additional infrastructure improvements and development of the taxed parcels. Land development, as well as the market value of a given parcel, is an activity subject to varying risks. Risk factors include general or local economic conditions, local real estate market conditions, governmental regulation and approval requirements, particularly environmental quality, land use, zoning and building requirements, development, financing and marketing capabilities of the various landowners, and development plans and

timely plans accomplishment, including but not limited to the provision of infrastructure improvements as described above.

The formation of the District by the Agency in no way implies that the Agency has evaluated these risks or the reasonableness of these risks, and to the contrary the Agency has made no such evaluation. The Agency is assisting in the financing of the construction of improvements and facilities within the District even though such risks may ultimately halt or slow the progress of land development and forestall the realization of taxed parcel values because of the need to provide public infrastructure and facilities to adequately meet projected growth requirements.

Foreclosure and Sale Proceedings

Payment of the Special Taxes is secured by the parcels taxed. In the event an installment of the Special Taxes included in the tax bill of a taxed parcel is not paid when due, the Agency can institute foreclosure proceedings in court to cause that parcel to be sold in order to recover the delinquent amount from the proceeds of the sale. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS—Covenant for Superior Court Foreclosure" herein. Foreclosure and sale may not always result in the recovery of any or the full amount of delinquent Special Taxes.

Sufficiency of the foreclosure sales proceeds to cover the delinquent amount depends in part upon the market for and the value of a parcel at the time of the foreclosure sale. Future events may result in significant changes from the existing value and may result in a significant erosion in value, with consequent reduced security of the 2005 Bonds.

Sufficiency of foreclosure sale proceeds to cover a delinquency may also depend upon the value of prior or parity liens and similar claims. A variety of governmental liens may arise in the future with respect to a parcel which, unless subordinate to the lien securing the Special Taxes, may effectively reduce the value of a parcel. Further, other governmental claims, such as hazardous substance claims, may affect the realizable value even though such claims may not rise to the status of liens.

Bankruptcy

Regardless of the priority of the Special Taxes securing the 2005 Bonds over non-governmental liens on a parcel, the exercise by the Agency of the foreclosure and sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of, or anyone else who claims an interest in, a parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies or the institution of bankruptcy proceedings may cause Special Tax collections to be insufficient to pay debt service on the 2005 Bonds. This is especially true when ownership is concentrated with a few property owners, as is the case in the District.

Further, should remedies be exercised under the bankruptcy law against a parcel, payment of Special Taxes may be subordinated to other claims in the bankruptcy proceedings. Thus, certain claims may have priority over a claim for unpaid Special Taxes, even though, in the absence of the bankruptcy proceedings, no such priority would exist.

On July 30, 1992 the United States Court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glaspy Marine Industries* holding that ad valorem property taxes levied by a county in the State of Washington after the date that the property owner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed subsequent to the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after the claims of all secured creditors. As a result, the

secured creditor was able to foreclose on the subject property and retain all the proceeds from the sale thereof except the amount of the pre-petition taxes. Pursuant to this holding, post-petition taxes would be paid only as administrative expenses and only if a bankruptcy estate has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would be subject only to current ad valorem taxes (i.e., not those accruing during the bankruptcy proceeding).

Glasply was controlling precedent on bankruptcy courts in the State of California for several years subsequent to the date of the Ninth Circuit's holding. Pursuant to state law, the lien date for general *ad valorem* property taxes levied in the State of California is the March 1 preceding the Fiscal Year for which the taxes are levied. Under the *Glasply* holding, a bankruptcy petition filing would have prevented the lien for general *ad valorem* property taxes levied in Fiscal Years subsequent to the filing of a bankruptcy petition from attaching and becoming a lien so long as the property was a part of the estate in bankruptcy. However, the *Glasply* holding was for the most part subsequently rendered inoperative with respect to the composition of a lien for and the collection of *ad valorem* taxes by amendments to the federal Bankruptcy Code (Title 11 U.S.C.) which were part of the Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") passed by Congress during the later part of 1994. The Bankruptcy Reform Act added a provision to the automatic stay section of the Bankruptcy Code which, pursuant to Section 362(b)(18) thereof, excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state, if such tax comes due after the filing of the petition" by a debtor in bankruptcy court. The effect of this provision is to continue the secured interest of *ad valorem* taxes on real property (i.e., post-petition taxes) in effect during the period following the filing of a bankruptcy petition, including during the period bankruptcy proceedings are pending.

Without further clarification by the courts or Congress, however, the original rationale of the *Glasply* holding could still result in the treatment of post-petition special taxes (and assessments) as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings. First, as noted above, special taxes have a different lien date than the lien date for general *ad valorem* taxes in the State of California noted above. The lien of a Mello-Roos special tax attaches upon recordation of the notice of the special tax lien as provided for in Section 53328.3 of the Mello-Roos Act, as opposed to the March 1 lien date for general *ad valorem* taxes. Thus, in deciding whether the original *Glasply* ruling is applicable to a bankruptcy proceeding involving special taxes rather than general *ad valorem* property taxes, a court might consider the differences in the statutory provisions for creation of the applicable tax lien (general *ad valorem* or special tax) in determining whether there is a basis for post-petition special taxes to be entitled to a lien on the property during pending bankruptcy proceedings. If a court were to apply *Glasply* to eliminate the priority of the special tax lien as a secured claim against property with respect to post petition levies of the Special Taxes made against property owners within the District who file for bankruptcy, collections of the Special Taxes from such property owners could be reduced as the result of being treated as "administrative expenses" of the bankruptcy estate. Second, and most importantly, is the fact that the original holding in *Glasply* and the mitigation of that holding by the Bankruptcy Reform Act of 1994 both appear to be applicable only to general *ad valorem* taxes, and, therefore, the exemption from the automatic stay in Section 362(b)(18) discussed above may not be applicable to special taxes or assessments since they were not expressly mentioned or provided for in this section, nor defined to be included within the term "*ad valorem* taxes."

Natural Disasters

Real estate values can be adversely affected by a variety of natural events and conditions. These include geologic conditions such as earthquakes and topographic conditions such as earth movements and floods. The Agency expects that one or more of these conditions may occur from time to time, and such conditions may result in damage to property improvements. Additionally, the property within the District is located on landfill, which could result in an increase in any damage occurring to property within the

District as a result of an earthquake. Any damage resulting from a natural disaster may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of real estate within the District could depreciate substantially.

Like other areas of Northern California, property in the District is subject to the risk of major earthquake damage. It should be assumed, therefore, that an earthquake or one or more of such other conditions may occur and may cause damage to improvements on parcels in the District of varying seriousness, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the market value of property in the District or in such property becoming unmarketable.

Priority of Liens

The Special Taxes and any penalties thereon will constitute a lien against a parcel of land within the District on which they will be annually imposed until they are paid in full. Such lien is on a parity with all special taxes and special assessments levied by other public entities, agencies and districts and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same real property. The Special Taxes have priority over all existing and future private liens imposed on the real property within the District. The Agency, however, has no control over the ability of other public entities, agencies and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the Parcel. Any such special taxes or assessments may have a lien on such real property on a parity with the Special Taxes.

Accordingly, the liens on parcels within the District could greatly increase, without any corresponding increase in the value of the parcel, and thereby severely reduce the value to lien ratio of the land-secured public debt existing at the time the 2005 Bonds are issued. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owner within the District to pay the Special Taxes when due.

Secondary Market

There can be no assurance that there will be a secondary market for purchase or sale of the 2005 Bonds or, if a secondary market exists, that such 2005 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price. From time to time, there may be no secondary market for the 2005 Bonds, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market in the 2005 Bonds, and the financial condition and results of operations of the owners of property within the District. The 2005 Bonds should therefore be considered long-term investments in which funds are committed to maturity.

No Acceleration

The principal of the 2005 Bonds will not be subject to acceleration for default under the provisions of the Fiscal Agent Agreement. Nothing in the Agreement shall in any way prohibit the defeasance of the 2005 Bonds and discharge of the Fiscal Agent Agreement.

Loss of Tax Exemption

As discussed in the section herein entitled “TAX MATTERS,” interest on the 2005 Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance, as a result of acts or omissions of the Agency subsequent to issuance in violation of the Agency’s covenants applicable to the 2005 Bonds. Should interest become includable in gross income the 2005 Bonds are not subject to redemption by reason thereof and may remain outstanding.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of holders and Beneficial Owners of the 2005 Bonds to provide certain financial and operating data (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Agency shall, or cause the Dissemination Agent to, not later than nine months after the end of the Agency’s Fiscal Year (i.e., March 31), commencing March 31, 2005 with the report for the 2004-2005 Fiscal Year, provide to each Repository and the Participating Underwriter the Annual Report which is consistent with the requirements of the Continuing Disclosure Certificate.

Each of the Principal Landowners (see “OWNERSHIP OF PROPERTY WITHIN THE DISTRICT”) has also covenanted for the benefit of owners of the 2005 Bonds to semiannually provide certain financial information and operating data relating to the District (the “Landowner Report”) by not later than 120 days after the end of each Principal Landowner’s fiscal year, commencing with the report for the 2005 fiscal year and to provide notices of the occurrence of certain enumerated events. Additionally, each Principal Landowner will provide semiannual reports during a time period detailed in the Continuing Disclosure Certificate. Each Principal Landowner’s obligation to provide such information is in effect only so long as such Principal Landowner, or such Principal Landowner’s affiliates, own land in the District subject to at least 20% of the Special Taxes levied in the District in the most recent fiscal year. The specific nature of the information to be contained in the Annual Reports or the notices of material events is set forth in APPENDIX D—“FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The Agency has timely filed all information required by continuing disclosure undertakings under the Rule in the past. Each of the Principal Landowners who have had responsibility for continuing disclosure relative to the 2001 Bonds or the 2002 Bonds has represented to the Agency that it has made timely filings of all information required.

AVAILABILITY OF DOCUMENTS

Copies of the documents summarized in this Official Statement are available prior to the issuance of the 2005 Bonds at the Agency, 770 Golden Gate Avenue, 3rd Floor San Francisco, California 94102; and thereafter at the office of the Trustee, Wells Fargo Bank, National Association, 707 Wilshire Boulevard, 17th Floor, MAC E2818-176, Los Angeles, California 90071.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, subject to the Agency's compliance with certain covenants, interest on the 2005 Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the Agency to comply with one or more of such covenants could cause interest on the 2005 Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the 2005 Bonds.

In the further opinion of Bond Counsel, interest on the 2005 Bonds is exempt from California personal income taxes.

Bondowners should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2005 Bonds might have tax consequences other than as described above. Bond Counsel expresses no opinion regarding any collateral tax consequences arising with respect to the 2005 Bonds other than as expressly described above.

The complete text of Bond Counsel's proposed opinion is set forth in APPENDIX E.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the 2005 Bonds and with regard to the tax status of interest thereon under existing law are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon the sale and delivery of the 2005 Bonds.

Certain legal matters will be passed upon for the Agency and the Underwriter by Lofton & Jennings, San Francisco, California, for FOCIL by O'Melveny & Myers LLP and Pircher, Nichols & Meeks, Los Angeles, California, for ARE by Steefel, Levitt & Weiss, San Francisco, California, and for the Agency by its General Counsel.

ABSENCE OF LITIGATION

Based upon opinions and certifications of FOCIL and the Agency to be delivered on the Closing Date, there is no known action, suit or proceeding pending or threatened which seeks to restrain or enjoin the execution or delivery of the 2005 Bonds or the Fiscal Agent Agreement, or in any way contesting or affecting the validity of the foregoing or the law pursuant to which the 2005 Bonds have been issued.

ENFORCEABILITY OF REMEDIES

The remedies available to the Fiscal Agent and the registered owners of the 2005 Bonds upon an event of default under the Fiscal Agent Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2005 Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 2005 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

NO RATING

The Agency has not made, and does not contemplating making, an application to any rating agency for the assignment of a rating of the 2005 Bonds. No such rating should be assumed based upon any other Agency obligations which have been rated. Prospective purchasers of the 2005 Bonds are required to make independent determinations as to the credit quality of the 2005 Bonds and their appropriateness as an investment (see “RISK FACTORS–Secondary Market”).

UNDERWRITING

The 2005 Bonds have been purchased by Stone & Youngberg LLC and Backstrom McCarley Berry & Co., LLC, as the Underwriters. Pursuant to a bond purchase agreement by and between the Underwriters and the Agency (the “Bond Purchase Agreement”), the Underwriters have agreed to purchase the 2005 Bonds from the Agency at a purchase price of \$20,670,218.37 (representing the principal amount of the 2005 Bonds, less an underwriters’ discount of \$138,779.18 (\$100,814.53 for the 2005A Bonds and \$37,964.64 for the 2005B Bonds) and less an original issue discount of \$59,941.20 (\$59,941.20 for the 2005A Bonds and \$0 for the 2005B Bonds)). In addition, the Bond Purchase Agreement provides that the Underwriters will purchase all of the 2005 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

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MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof and which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact.

This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or Owners of any of the 2005 Bonds.

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

REDEVELOPMENT AGENCY OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: /s/ Ayisha Benham
Deputy Executive Director, Finance
and Administration

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of certain provisions of the Fiscal Agent Agreement, and Supplemental Agreements Nos. 1 and 2 to the Fiscal Agent Agreement, and is not to be considered a complete statement of such documents. Reference is made to the full text of the Fiscal Agent Agreement and of Supplemental Agreements Nos. 1 and 2 to the Fiscal Agent Agreement, copies of which are available at the offices of the Agency, 770 Golden Gate Avenue, 3rd Floor, San Francisco, California 94102.

Definitions

“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 with respect to the Series 2005 B Bonds solely by reference to the Tables of Accreted Values set forth on the respective Series 2005 B Bond and in Exhibit E to the Fiscal Agent Agreement; 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 the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

“Acquisition Agreement” means the Acquisition Agreement, dated as of June 1, 2001, between Catellus and the Agency, as originally executed and as thereafter amended or supplemented in accordance with its terms, and any other such agreement permitted under the terms of the South OPA.

“Administrative Expenses” means costs directly related to the administration of the District consisting of the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Finance Director or designee thereof or both) and the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes and the Tax Increment to the Fiscal Agent; fees and costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement and the Tax increment Administration Agreement; the costs of the Agency or its designee of complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement, the Tax increment Administration Agreement and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser, the costs of the Agency or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government in order for the Agency to comply with the federal rebate provisions of the Fiscal Agent Agreement; an allocable share of the salaries of the Agency staff directly related to the foregoing and a proportionate amount of Agency general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the Agency for any administrative purpose of the District, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure compliance with the federal rebate provisions of the Fiscal Agent Agreement, and the costs of commencing and prosecuting the foreclosure of delinquent Special Taxes.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the outstanding Bonds in such Bond Year, assuming that the outstanding Bonds are retired as scheduled (including by reason of the provisions of the Fiscal Agent Agreement providing for mandatory sinking payments), and (ii) the principal amount of the outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to the Fiscal Agent Agreement).

“Auditor” means the auditor/controller of the City and County of San Francisco.

“Bonds” means the Series 2001-South Bonds, the Series 2002 Parity-South Bonds, the Series 2005 Parity-South Bonds and, if the context requires, any additional Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement.

“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 the one-year period beginning on August 2nd in each year and ending on August 1st in the following year, except that the first Bond Year shall begin on the Closing Date and end on August 1, 2003.

“Capital Appreciation Bonds” means the Series 2005 B Bonds, on which interest is compounded and paid solely at maturity or upon earlier redemption.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, dosing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the Agency or Catellus in connection with the issuance of the Bonds and the establishment of the District, special tax consultant fees and expenses, preliminary engineering fees and expenses, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, financial consultants’ fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing. “Costs of Issuance” shall include reimbursable amounts described in Section 2.4(a) of the Acquisition Agreement.

“Current Interest Bonds” means the Series 2001-South Bonds, the Series 2002 Parity-South Bonds and the Series 2005 A Bonds, all of which pay interest to the Owners thereof on Interest Payment Dates during their respective terms.

“Debt Service” means the scheduled amount of interest and amortization of principal (including mandatory sinking payments) payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“District Value” means the market value, as of the date of the appraisal described below, of all parcels of real property in the District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined by reference to an appraisal performed within six (6) months of the date of issuance

of any proposed Parity Bonds or any proposed release of moneys from any escrow fund by an MAI appraiser (the "Appraiser") selected by the Agency; or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Finance Director. Neither the Agency nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent:

- (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

- (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (1,) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Finance Director" means the Deputy Executive Director, Finance and Administration, of the Agency or such other officer or employee of the Agency performing the functions of the chief financial officer of the Agency.

"Financing Plan" means the Financing Plan which is Attachment E to the South OPA.

"Fiscal Agent Agreement" means the Fiscal Agent Agreement, as amended or supplemented by Supplemental Agreement No. 1 and by Supplemental Agreement No. 2, and as it may be further amended and supplemented from time to time by any additional Supplemental Agreement entered into pursuant to the provisions hereof.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the Agency or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds, or the levy and collection of special taxes, under the Act; (ii) is in fact independent and not under the domination of the Agency; (iii) does not have any substantial interest, direct or indirect, with or in the Agency, or any owner of real property in the District, or any real property in the District; and (iv) 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.

“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 the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any outstanding Bonds.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means any bonds issued by the Agency for the District on a parity with any then outstanding Bonds pursuant to the Fiscal Agent Agreement.

“Payment Request” has the meaning given such term in the Acquisition Agreement and shall be generally in the form of Exhibit A to the Acquisition Agreement.

“Permitted Investments” means any of the following obligations if and to the extent that, at the time of making the investment, they are permitted by law:

- (i) Direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including any receipt, certificate or any other evidence of an ownership interest in such an obligation or in specified portions thereof (which may consist of specified portions of interest thereon);

- (ii) Obligations issued by the Resolution Funding Corporation, the Student Loan Marketing Association, Fannie Mae, the Federal Home Loan Bank Board, the Federal Farm Credit Bank or the Federal Home Loan Mortgage Association, or obligations, participations or other instruments or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

- (iii) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase through a bank that is a member of the Federal Reserve System and which are drawn on any commercial bank the short-term obligations of which commercial bank are rated in the highest letter and numerical rating category as provided by the Rating Agency; provided, that eligible bankers’ acceptances may not exceed two hundred seventy (270) days’ maturity,

- (iv) Commercial paper of “prime” quality of the highest rating category as provided by the Rating Agency, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A-1” or “P-1”, or higher (or its

equivalent), rating for the issuer's unsecured debentures, other than commercial paper, as provided by the Rating Agency or Moody's Investors Service, as applicable; provided, that eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of any issuing corporation;

(v) Medium-term notes with a maximum maturity of five (5) years which notes are limited issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "AA" or higher (or its equivalent), rating for the issuer's unsecured debentures, as provided by the Rating Agency;

(vi) Negotiable and non-negotiable certificates of deposit or bank notes issued by a state or national bank (including the Fiscal Agent and its affiliates) or a state-licensed branch of a foreign bank that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank (including the Fiscal Agent and its affiliates) or state-licensed branch of a foreign bank are rated no lower "AA" (or the equivalent) by the Rating Agency;

(vii) Any repurchase agreement or reverse repurchase agreement of any securities enumerated in subdivisions (i) and (ii) of this definition with any state or national bank or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, and with respect to which repurchase agreement or reverse repurchase agreement, it is either. (a) with any institution which has debt rated no lower than "AA" (or the equivalent) by the Rating Agency or whose commercial paper is rated no lower than "A1+" (or the equivalent) by the Rating Agency, (b) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (1) the term of such repurchase agreement or reverse repurchase agreement is less than one (1) year or due on demand, (2) a third party acting solely as agent has possession of the collateral (3) the market value of the collateral (as determined at least once every seven (7) days) exceeds the principal amount of the repurchase agreement or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to the Rating Agency, (4) failure to maintain the requisite collateral levels will require an immediate liquidation of collateral and (5) the repurchase agreement or reverse repurchase agreement securities are free and clear of any third-party lien or claim; or (c) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" that falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that (1) the market value of the collateral (as determined at least once every seven (7) days) exceeds the principal amount of the repurchase agreement or reverse repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to the Rating Agency; (2) a third party acting solely as agent has possession of the collateral (3) the agent has a perfected first priority security interest in the collateral (4) the collateral is free and clear of third-party liens and, in the case of a Securities Investors Protection Corporation broker, was not acquired pursuant to repurchase agreement or reverse repurchase agreement; and (5) failure to maintain the requisite collateral percentage will require an immediate liquidation of the collateral; and with respect to any reverse repurchase agreement, the investment is solely done to supplement the income normally received from such securities;

(viii) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or any local agency therein which are rated in the highest short-term rating category or within one of the two highest long-term rating categories by the Rating Agency (excluding securities that do not have a fixed par value and/or the terms of which do not provide a fixed dollar amount at the maturity or call date);

(ix) Interest-bearing demand or time deposits (including certificates of deposit) in a state or national bank (including the Fiscal Agent and its affiliates) fully insured by the Federal Deposit Insurance Corporation; provided, that not greater than one hundred thousand dollars (\$100,000) in the aggregate shall be deposited in any one such financial institution;

(x) Investments in a money market fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of "AAAM-G," "AAAM" or "AAm" which fund may include a fund for which the Fiscal Agent, its affiliates or its subsidiaries provide investment, advisory or other services;

(xi) Investment agreements with entities that meet and maintain the following credit and collateral requirements: (a), they are initially rated "AA" or better (or its equivalent) by the Rating Agency; (b) if the credit quality falls below "PA-" or its equivalent by the Rating Agency the provider (A) will respond with adequate collateralization within ten (10) business days, (B) will value assets weekly, and (C) will present collateral at one hundred two percent (102%) on U.S. Government Treasury securities and one hundred five percent (105%) on U.S. Government Agency securities, or (2) will substitute another entity as the provider so that the rating is PA or better, (c) the provider must maintain minimum credit quality of "A" or its equivalent by the Rating Agency; and (d) the investment agreement must be subject to termination at the option of the Fiscal Agent or the Agency if credit ratings reach "A-" or its equivalent by the Rating Agency; and

(xii) Other investments approved in writing by the Agency.

"Project" means the public improvements and facilities authorized to be financed by the District, as described in the Resolution of Formation.

"Rating Agency" means Moody's or S&P.

"Record Date" means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

"Reserve Requirement" means, as of any date of calculation an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the initial principal amount of the Bonds issued under the Fiscal Agent Agreement; provided that, there shall be excluded from the computations contemplated by the preceding clauses (i), (ii) and (iii) Bonds in a principal amount equal to the amount then on deposit in an escrow fund established with the proceeds of Parity Bonds with amounts therein subject to release as described in the last sentence of Section 2.11(D) of the Fiscal Agent Agreement.

"Revenues" means all amounts pledged under the Fiscal Agent Agreement to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following: (i) Special Tax Revenues, (ii) Tax Increment, and (iii) any other amounts remitted by the Agency to the Fiscal Agent with written directions to deposit the same to the Revenue Fund, but such term shall not include amounts deposited to the Administrative Expense Fund or the Improvement Fund, or any earnings thereon.

"South OPA" means the Mission Bay South Owner Participation Agreement, entered into as of November 16, 1998, between the Agency and Catellus Development Corporation, as originally executed and thereafter amended or supplemented in accordance with its terms.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the Agency, as calculated pursuant to the Rate and Method of Apportionment of the Special Taxes for the District, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the Agency, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Special Tax Revenues” does not include any penalties collected in connection with delinquent Special Taxes, which maybe forgiven or disposed of by the Agency in its discretion and, if collected, shall be used in a manner consistent with the Act.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Agency under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is a specifically authorized under the Fiscal Agent Agreement.

“Supplemental Agreement No. 1” means Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of October 1, 2002, between the Agency, for and on behalf of the District, and the Fiscal Agent.

“Supplemental Agreement No. 2” means Supplemental Agreement No. 2 to Fiscal Agent Agreement, dated as of July 1, 2005, between the Agency, for and on behalf of the District, and the Fiscal Agent.

“Tax Consultant” means any Independent Financial Consultant retained by the Agency for the purpose of computing the Special Taxes.

“Tax Increment” means Net Available Increment, as defined in the Financing Plan, but only to the extent remitted to the Fiscal Agent for deposit to the Revenue Fund under the terms of the Tax Increment Administration Agreement.

“Tax Increment Administration Agreement” means Tax Increment Administration Agreement, dated as of June 1, 2001, between the Agency and the Fiscal Agent, as executed on July 10, 2001, and as thereafter amended or supplemented in accordance with its terms.

Pledge of Revenues

The Bonds are secured by a first pledge of all of the Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein) and the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Revenue Fund.

Funds and Accounts

The following funds and accounts are established under the Fiscal Agent Agreement:

- Improvement Fund
 - Bond Proceeds Account
 - Tax Increment Proceeds Account
 - Project Supervision Account
- Costs of Issuance Fund
- Reserve Fund
- Bond Fund
 - Special Tax Prepayments Account
 - Capitalized Interest Account
- Revenue Fund
- Administrative Expense Fund

Improvement Fund

Disbursements from the accounts within the Improvement Fund will be made by the Fiscal Agent upon receipt of an officer's certificate. Amounts held in the Bonds Proceeds Account and the Tax Increment Proceeds Account will be used to pay the costs of the Project pursuant to the terms of the Acquisition Agreement or, if no Acquisition Agreement is then in effect, as permitted by the Act; provided that (i) unless otherwise directed by an authorized officer in writing amounts in the Bond Proceeds Account must be used prior to the use of amounts in the Tax Increment Proceeds Account for such purpose; and (ii) amounts in the Tax Increment Proceeds Account may not be used to pay costs of the Project for portions thereof which the Agency identifies to the Fiscal Agent as not within or of direct benefit to the South Plan Area (as defined in, and determined by the Agency consistent with the terms of, the South OPA). Amounts held in the Project Supervision Account will be used to pay costs of the Agency or the City incurred in connection with the acquisition of the Project under the Acquisition Agreement (including costs related to inspections, bid package and other reviews, cost verification and any other activities conducted by the City or the Agency or any consultants retained by either of them pursuant to the Acquisition Agreement), or to pay other Agency costs.

Upon the filing of an officer's certificate stating that the Project has been completed and that all costs of the Project and all Agency Costs have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Fiscal Agent will transfer (i) the amount, if any; remaining in the Bond Proceeds Account within the Improvement Fund to the Bond Fund to be used (A) to pay debt service on the Bonds (if the amount so transferred is less than \$100,000, or with respect to any amount not used to redeem Bonds), or (B) to redeem Bonds on the next redemption date for which notice of redemption can timely be given under the Fiscal Agent Agreement if the amount so transferred is in excess of \$100,000, but only in increments of \$5,000 or any integral multiple in excess thereof), and (ii) the amount, if any, remaining in the Tax Increment Proceeds Account and the Project Supervision Account within the Improvement Fund to the Agency for application as provided in the Tax Increment Administration Agreement or otherwise in accordance with the Financing Plan.

In addition to the foregoing, if (i) the Finance Director determines that work necessary to construct and complete the Project has ceased for a continuous period of over twelve months such that the construction of the Project effectively has been abandoned, or that for any reason (including, but not limited to, termination of, or the occurrence of any event that would permit termination of, any Acquisition Agreement then in effect) all or any portion of the amounts then on deposit in the Bond Proceeds Account will not be expended for Project costs or Agency Costs, or (ii) the Finance Director receives a written certificate of an Independent Financial Consultant to the effect that the Project has been abandoned or all or any portion of the amounts then on deposit in the Bond Proceeds Account will not be

expended for Project costs or Agency Costs, the Finance Director shall file an officer's certificate with the Fiscal Agent to that effect and which identifies the amounts then on deposit in the Bond Proceeds Account of the Improvement Fund that are not expected to be used for Project costs or Agency Costs due to such abandonment or other reason. The Fiscal Agent, upon receipt of such certificate, will transfer the amounts identified therein from the Bond Proceeds Account to the Bond Fund to be used (A) to pay debt service on the Bonds (if the amount so transferred is less than \$100,000 or with respect to any amount not used to redeem Bonds), or (B) to redeem Series 2001-South Special Term Bonds on the next redemption date for which notice of redemption can timely be given under the Fiscal Agent Agreement, but not after August 1, 2006 (if the amount so transferred is in excess of \$100,000, but only in increments of \$5,000 or any integral multiple in excess thereof).

Following the disbursement of all amounts in the Improvement Fund and the accounts therein, the Improvement Fund will be closed. Amounts in the Improvement Fund are not pledged as security for the Bonds.

Costs of Issuance Fund

Amounts in the Costs of Issuance Fund will be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees signed by the Finance Director and delivered to the Fiscal Agent concurrently with the delivery of the Bonds. The Fiscal Agent will maintain the Costs of Issuance Fund for a period specified in the Fiscal Agent Agreement and then will transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund. Following the disbursement of all amounts in the Costs of Issuance Fund, the Costs of Issuance Fund shall be closed. Amounts in this fund are not pledged as security for the Bonds.

Reserve Fund

Moneys in the Reserve Fund are held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and are subject to a lien in favor of the Owners of the Bonds. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund are to be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at anytime in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming Bonds from the Bond Fund.

Whenever, on the business day prior to any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent will provide written notice to the Finance Director of the amount of the excess and will transfer an amount equal to the excess from the Reserve Fund to the following funds in the following order of priority (i) so long as the Improvement Fund has not theretofore been closed, to the Bond Proceeds Account of the Improvement Fund to be used for the purposes thereof, and (ii) if the Improvement Fund is then closed, to the Bond Fund to be used for the payment of interest on the Bond& on the next Interest Payment Date in accordance with the Fiscal Agent.

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, upon the written direction of the Finance Director, the Fiscal Agent is required to transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Fiscal Agent Agreement, of all of the outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the outstanding Bonds, the

balance in the Reserve Fund shall be transferred to the Agency to be used for any lawful purpose of the Agency.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the optional redemption provisions of the Fiscal Agent Agreement, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed, and the original principal of the Bonds) will be transferred to the Bond Fund to be applied to the redemption of the Bonds.

Amounts in the Reserve Fund may at anytime be used, at the written direction of an authorized officer, for purposes of paying any rebate liability owed to the federal government in connection with the Bonds.

Bond Fund

Moneys in the Bond Fund and the accounts therein are to be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, are to be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement, and, pending such disbursement, will be subject to a lien in favor of the Owners of the Bonds.

On each Interest Payment Date, the Fiscal Agent will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments, or a redemption of the Bonds required by the Fiscal Agent Agreement. Amounts in the Bond Fund as a result of a transfer to the Bond Fund upon the closing of the Improvement Fund must be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the Fiscal Agent Agreement, the Fiscal Agent will withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the required payments provided for in the Fiscal Agent Agreement, the Fiscal Agent is required to apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled will be added to the sinking payment to be made on the next sinking payment date.

Moneys in the Special Tax Prepayments Account are required to be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given to be used to redeem Bonds.

Moneys in the Capitalized Interest Account will be transferred to the Bond Fund on the business day prior to the dates, and in the amounts, set forth in the Fiscal Agent Agreement to be used for the payment of interest on the Bonds due on such dates.

Revenue Fund

Moneys in the Revenue Fund are held in trust by the Fiscal Agent for the benefit of the Agency and the Owners of the Bonds, and, pending disbursement, are subject to a lien in favor of the Owners of the Bonds and the Agency. The Fiscal Agent Agreement requires the Fiscal Agent to deposit, as soon as practicable following receipt any Revenues and any amounts required by the Fiscal Agent Agreement to be deposited therein. Notwithstanding the foregoing, (i) any proceeds of Special Tax Prepayments are required to be transferred by the Finance Director directly to the fiscal Agent for deposit by the Fiscal

Agent in the Special Tax Prepayments Account, and (ii) any Special Tax Revenues constituting payments of delinquent Special Taxes and identified by the Agency to the Fiscal Agent as such must be transferred to the Reserve Fund as necessary to increase the amount on deposit therein to the then Reserve Requirement.

On the third business day before each Interest Payment Date, the Fiscal Agent Agreement requires the Fiscal Agent to withdraw from the Revenue Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Capitalized Interest Account, and the Special Tax Prepayments Account to the Bond Fund pursuant to the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on the next Interest Payment Date, and (ii) to the Reserve Fund the amount, if any, necessary to increase the amount on deposit therein to the then Reserve Requirement. Amounts then in the Revenue Fund will also be transferred from time to time by the Fiscal Agent to the Administrative Expense Fund as necessary to pay Administrative Expenses, upon receipt by the Fiscal Agent of an officer's certificate requesting such a transfer, but any such transfers must not exceed, in any fiscal year, the aggregate of (i) the amount, if any, included in the Special Tax levy for such fiscal year for Administrative Expenses and (ii) the amount of any Tax Increment transferred to the Fiscal Agent under the Tax Increment Administration Agreement for deposit in the Revenue Fund and identified by the Agency to be used to pay Administrative Expenses.

Administrative Expense Fund

Amounts deposited in the Administrative Expense Fund will be used to pay Administrative Expenses or Costs of Issuance. Annually, on the last day of each fiscal year, the Fiscal Agent will withdraw any amounts then remaining in the Administrative Expense Fund and transfer such amounts to the Revenue Fund. Amounts in this fund are not pledged as security for the Bonds.

Investment of Moneys in Funds and Accounts

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent are to be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an officer's certificate filed with the Fiscal Agent. In the absence of any such officer's certificate, the Fiscal Agent will invest, to the extent reasonably practicable, any such moneys in Permitted Investments described in use (x) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement.

Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to the Fiscal Agent Agreement. The Fiscal Agent shall not be required to determine the legality of any investments.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code and (unless valuation is undertaken at least annually)

investments in the subaccounts within the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director thereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Additional Bonds

The Fiscal Agent Agreement permits the Agency to issue Parity Bonds subject to the specific conditions precedent, including the following:

(i) The Agency shall be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements.

(ii) The Supplemental Agreement providing for the issuance of such Parity Bonds must provide that interest thereon shall be payable on February 1 and August 1, and principal thereof is to be payable on August 1 in any year in which principal is payable (provided that there is no requirement that any Parity Bonds pay interest on a current basis).

(iii) The Supplemental Agreement providing for the issuance of such Parity Bonds is required to provide for a deposit to the Reserve Fund in an amount necessary so that the amount on deposit therein, following the issuance of such Parity Bonds, is equal to the Reserve Requirement.

(iv) The District Value must be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the special taxes needed to pay the maximum annual debt service on the Other District Bonds when it occurs), based upon information from the most recent available fiscal year. For purposes of this requirement, there shall be excluded from the principal amount of any Bonds or Parity Bonds the portion thereof (if any) (i) representing amounts on deposit in an escrow fund subject to release only when the District Value is at least three times

the then outstanding principal amount of the Bonds, plus the outstanding principal amount of any other special tax or assessment bonds secured by liens imposed upon land located in the District, or (ii) the payment of debt service on which is secured by a letter of credit or other similar security, which maybe discharged upon a determination by an authorized officer that the requirements of the first sentence of clause (iv) has been satisfied with respect to all Bonds not so secured.

(v) The Agency is required to obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that maybe levied in each fiscal year shall be at least one hundred ten percent (110%) of (a) the total Annual Debt Service for each such fiscal year on the Bonds and the proposed Parity Bonds plus estimated Administrative Expenses, less (b) ninety percent (90%) of the Tax Increment used to pay debt service on the Bonds in the fiscal year immediately prior to the then fiscal year.

Determination of Percentage of Bond Owners

Whenever in the Fiscal Agent Agreement the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the total Bond Obligation then Outstanding.

Provisions Related to Payment of Capital Appreciation Bonds

Notwithstanding any other provision of the Fiscal Agent Agreement to the contrary, whenever the Fiscal Agent Agreement refers to the payment of principal of and/or interest on the Bonds, any such provision, when referring to any Capital Appreciation Bond, shall be deemed to refer to the Maturity Amount of the Capital Appreciation Bond or, as may be applicable, the Accreted Value of the Capital Appreciation Bond as of the date of earlier redemption thereof.

Certain Covenants of the Agency

Against Encumbrances. The Agency will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien in the Fiscal Agent Agreement created for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

Compliance with Law. The Agency will comply with all applicable provisions of the Act and law in administering the District and completing the acquisition of the Project.

Collection of Revenues. The Agency will comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. The Finance Director must effect the levy of the Special Taxes each fiscal year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director must prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll. Notwithstanding the foregoing, any Special Taxes to be levied on possessory interests must be communicated by the Finance Director to the Auditor at such time as is necessary to include such amounts on the Counts unsecured tax rolls for the applicable fiscal year.

The Finance Director is required to fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in such funds and in the Revenue Fund, and the Tax Increment expected to be remitted to the Fiscal Agent pursuant to the Tax Increment Administration Agreement. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Notwithstanding the foregoing, the Finance Director may in his or her discretion cause the of any Special Taxes by direct, first class mail billing to the then owner of each parcel or possessory interest, as applicable, so owned in lieu of billing for such Special Taxes in the same manner as general taxes as aforesaid. Such direct billing is to be made not later than November 1 of the fiscal year and is to direct the owner of the property affected to pay the Special Taxes directly to the Finance Director in two equal installments, the first of which shall be due and delinquent if not paid on December 10 and the second of which maybe paid with the first and which, in any event, shall be due and delinquent if not paid on April 10 of the fiscal year. Any such Special Taxes so billed shall have the same priority and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

On the Business Day prior to each Interest Payment Date, the Finance Director is required to cause the Trustee (under and as defined in the Tax Increment Administration Agreement) to remit to the Fiscal Agent an amount equal to the lesser of (a) an amount equal to the difference between the debt service due on the Bonds on such Interest Payment Date and the amount then on deposit in the Bond Fund, or (b) the amount then on deposit and available therefor under the Tax Increment Administration Agreement. Notwithstanding the foregoing, the Bondholders shall have no interest in any account or funds held under the Tax Increment Administration Agreement and said agreement maybe amended or terminated at anytime by the Agency without any notice to or consent of the Fiscal Agent or the Bondowners.

Reduction of Special Taxes. The Agency covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any fiscal year, equal to 110% of the aggregate of the debt service due on the Bonds in such fiscal year, plus a reasonable estimate of Administrative Expenses for such fiscal year.

Limits on Special Waivers and Bond Tenders. The Agency covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the Agency having insufficient Special Tax revenues to pay the principal of and interest on the Bonds that will remain outstanding following such tender.

Books and Records. 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, in which complete and correct entries shall be made of all transactions relating to the Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Improvement Fund (including the accounts therein), the Administrative Expense Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Agency and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then outstanding, or their representatives duly authorized in writing.

State Reporting Requirements. The following additional reporting requirements apply to the Bonds:

(i) Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director is required to supply the following information to the California Debt and Investment Advisory Commission: (i) the principal amount of the Bonds outstanding; (ii) the balance in the Reserve Fund; (iii) the balance, if any, in the Capitalized Interest Account; (iv) the number of parcels in the District which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (v) the balances in the accounts within the Improvement Fund and the balance, if any, in the Escrow Fund, if any, and (vi) the assessed value of all parcels in the District subject to the levy of the Special Taxes as shown in most recent equalized roll.

(ii) If at anytime the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent must notify the Finance Director of such failure or withdrawal in writing, and the Finance Director must notify the California Debt and Investment Advisory Commission and the original purchasers of the Bonds from the Agency of such failure or withdrawal within 10 days of such failure or withdrawal

(iii) The chief fiscal officer of the Agency is required to file a report with the Commission of the Agency no later than January 1, 2002 and at least once a year thereafter, which annual report will contain: (i) the amount of Special Taxes collected and expended with respect to the District, (ii) the amount of Bond proceeds collected and expended with respect to the District, and (iii) the status of the Project. The Fiscal Agent Agreement provides that the Revenue Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the Capitalized Interest Account, the Reserve Fund, Costs of Issuance Fund, Bond Proceeds Account, Project Supervision Account and Administrative Expense Fund are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code.

(iv) The reporting requirements described under the caption "State Reporting Requirements," will automatically be amended from time to time, to reflect amendments to the corresponding provisions of the California Government Code. Any such amendment shall not, in itself, affect the Agents obligations under the Continuing Disclosure Agreement.

Upon the written request of any Bondowner and payment by the person requesting the information of the cost of the Agency to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Finance Director, the Finance Director will provide copies of any or all of the reports prepared pursuant to California reporting requirements.

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as maybe reasonably necessary or proper to carry out the intention or to facilitate the performance of the Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement.

Limited Liability of the Agency

The Agency will shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it. The Agency will not be liable in connection with the performance of its duties under the Fiscal Agent Agreement except for its own negligence or willful default. The Agency will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the Agency, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Agency and conforming to the requirements of the Fiscal Agent Agreement. The Agency, including the Finance Director, not e liable for any error of judgment made in good faith unless it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement requires the Agency to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations thereunder, or in the exercise of any of its rights or powers, if it has have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Agency and the Finance Director may rely and will be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or proper parties.

Whenever in the administration of their duties under the Fiscal Agent Agreement the Agency or the Finance Director shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed in the Fiscal Agent Agreement) may, in the absence of willful misconduct on the part of the Agency, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, an Independent Financial Consultant or a Tax Consultant, but in its discretion the Agency or the Finance Director may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to them may seem reasonable.

In order to perform its duties and obligations under the Fiscal Agent Agreement, the Agency and/or the Finance Director may employ such persons or entities as it deems necessary or advisable. The Agency shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith under the Fiscal Agent Agreement, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

Fiscal Agent

Wells Fargo Bank, National Association, is the Fiscal Agent and paying agent for the Bonds. Upon thirty (30) days prior written notice, the Agency may remove the Fiscal Agent initially appointed, and any successor thereto, and may a point a successor or successors thereto, but any such successor shall

be a bank, corporation or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000). and subject to supervision or examination by federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Fiscal Agent Agreement, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the Agency and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the Agency will promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made within forty-five (45) days after the Fiscal Agent shall have given to the Agency written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, or reasonable agency, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent thereunder shall be assumed by and vest in the Finance Director of the Agency in trust for the benefit of the Owners. In such event, the Finance Director may designate a successor Fiscal Agent qualified to act as Fiscal Agent under the Fiscal Agent Agreement.

Modification or Amendment of the Fiscal Agent Agreement

The Fiscal Agent Agreement and the rights and obligations of the Agency and of the Owners thereunder may be modified or amended at anytime by a Supplemental Agreement, without the consent of any Owners, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Agency, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved to or conferred upon the Agency in the Fiscal Agent Agreement;
- (ii) to make modifications not adversely affecting any outstanding series of Bonds of the Agency in any material respect;
- (iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the Agency or the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not materially adversely affect the rights of the Owners of the Bonds;
- (iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds; and
- (v) in connection with the issuance of Parity Bonds under the Fiscal Agreement.

The Fiscal Agent Agreement and the rights and obligations of the Agency and of the Owners of the Bonds maybe modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding. No such

modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Agency to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Agency of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or (iii) reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

Discharge of the Fiscal Agent Agreement; Unclaimed Moneys

The Agency has the option to pay and discharge the entire indebtedness on all or any portion of the Bonds outstanding in anyone or more of the following ways: (i) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds outstanding, as and when the same become due and payable; (ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Reserve Fund and the Bond Fund is fully sufficient to pay such Bonds outstanding, including all principal, interest and redemption premiums; or (iii) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the Agency shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the Reserve Fund and the Bond Fund be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the Agency shall have taken any of the actions specified in the preceding paragraph, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given in accordance with the Fiscal Agent Agreement or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the Agency thereunder with respect to such Bonds outstanding shall cease and terminate.

Upon compliance by the Agency with the discharge provisions of the Fiscal Agent Agreement with respect to all Bonds outstanding, and after payment of the fees and expenses of the Fiscal Agent, any funds held by the Fiscal Agent, shall be paid over to the Agency and any Special Taxes thereafter received by the Agency shall not be remitted to the Fiscal Agent but shall be retained by the Agency to be used for any purpose permitted under the Act.

Moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the Agency as its absolute property free from any trust, and the Fiscal Agent will thereupon be released and discharged with respect thereto and the Owners must look only to the Agency for the payment of the principal of, and interest and any premium on, such Bonds.

SUMMARY OF CERTAIN PROVISIONS OF SUPPLEMENTAL AGREEMENT NO. 1 TO THE FISCAL AGENT AGREEMENT

Definitions

“2002 Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Series 2002-South Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the Agency or Catellus in connection with the issuance of the Series 2002-South Bonds, special tax consultant fees and expenses, preliminary engineering fees and expenses, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, financial consultants’ fees, charges for execution, transportation and safekeeping of the Series 2002-South Bonds and other costs, charges and fees in connection with the foregoing. “2002 Costs of Issuance” shall include reimbursable amounts described in the Acquisition Agreement.

“2002 Costs of Issuance Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

Terms of the Series 2002 Parity-South Bonds

Supplemental Agreement No. 1 sets forth the terms of the Series 2002 Parity-South Bonds, most of which terms are described earlier in the Official Statement under “THE 2002 BONDS—Description of the Bonds.”

Application of Proceeds of Sale of Series 2002 Parity-South Bonds

Upon the receipt of payment for the Series 2002 Parity-South Bonds on the delivery date the proceeds from the sale of the Series 2002 Parity-South Bonds will be deposited into certain of the funds and accounts as set forth in the Official Statement under “SOURCES AND USES OF FUNDS.”

2002 Costs of Issuance Fund

Amounts in the 2002 Costs of Issuance Fund will be disbursed from time to time to pay 2002 Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Finance Director and delivered to the Fiscal Agent concurrently with the delivery of the Series 2002 Parity-South Bonds. The Fiscal Agent will maintain the 2002 Costs of Issuance Fund for a period of 90 days from the date of delivery of the Series 2002 Parity-South Bonds and then will transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund. Following the disbursement of all amounts in the 2002 Costs of Issuance Fund, the 2002 Costs of Issuance Fund shall be closed.

Security for Series 2002 Parity-South Bonds

The Series 2002 Parity-South Bonds shall be secured in the manner set forth in the Fiscal Agent Agreement and as set forth in the Official Statement under “SOURCES OF PAYMENT FOR THE 2002 BONDS

Establishment of Funds

Supplemental Agreement No. 1 establishes the following subaccounts:

Subaccounts of Bonds Proceeds Account and Project Supervision Account

Created within the Bonds Proceeds Account and within the Project Supervision Account are separate subaccounts designated as the “2002 Subaccount” of the respective account, which subaccounts are established for purposes of accounting for the use and disposition of Series 2002 Parity-South Bonds, a portion of the proceeds of which will be deposited to such 2002 Subaccounts pursuant to Supplemental Agreement No. 1 and, amounts in such subaccounts shall for all purposes be deemed to be part of the amounts on deposit in the respective accounts to which they pertain until disbursed in accordance with Supplemental Agreement No. 1.

2001 South Bonds proceeds deposited to the Bond Proceeds Account and the Project Supervision Account pursuant to the Fiscal Agreement, and any investment earnings thereon, to satisfy draws on such accounts, respectively, shall be used prior to using amounts deposited to the 2002 Subaccounts established within such accounts and any investment earnings on amounts in such 2002 Subaccounts.

Subaccount of Reserve Fund

Created within the Reserve Fund is a separate subaccount designated as the “2002 Subaccount” which subaccount is established for purposes of accounting for the use and disposition of Series 2002 Parity-South Bonds, a portion of the proceeds of which will be deposited to such 2002 Subaccount pursuant to Supplemental Agreement No. 1, and amounts in such 2002 Subaccount shall for all purposes of the Fiscal Agreement be deemed to be part of the amounts on deposit in the Reserve Fund and amounts in such 2002 Subaccount and any earnings thereon in such 2002 Subaccount shall be @awn upon pro rata with all other amounts into the Reserve Fund whenever a draw is made on the Reserve Fund under the Fiscal Agreement.

Subaccount of Capitalized Interest Account

Created within the Capitalized Interest Account is a separate subaccount designated as the “2002 Subaccount” which subaccount is hereby established for purposes of accounting for the disposition of Series 2002 Parity-South Bonds, a portion of the proceeds of which will be deposited in to such 2002 Subaccount pursuant to Supplemental Agreement No. 1 and, except for disbursements in accordance with the Fiscal Agent Agreement, amounts in such 2002 Subaccount shall for all purposes of the Fiscal Agent Agreement be deemed to be part of the amounts on deposit in the Capitalized Interest Account.”

Proceeds of the 2001 South Bonds deposited to the Capitalized Interest Account pursuant to the Fiscal Agent Agreement and any investment earnings thereon shall be used solely to make payments on the Series 2001 South Bonds, and proceeds of the Series 2002 Parity-South Bonds deposited pursuant to Supplemental Agreement No. 1 to the 2002 Subaccount of the Capitalized Interest Account and any investment earning thereon shall be applied solely to make payments on the Series 2002 Parity-South Bonds as follows:

February 1, 2003, August 1, 2003,
February 1, 2004 and August 1, 2004

The amount necessary, taking into account any amounts then on deposit in the Bond Fund available for such purpose, to pay interest on the Series 2002 Parity-South Bonds on the Interest Payment Date which occurs on such date.

February 1, 2005

All amounts then on deposit in the Capitalized Interest Account.

SUMMARY OF CERTAIN PROVISIONS OF SUPPLEMENTAL AGREEMENT NO. 2 TO THE FISCAL AGENT AGREEMENT

Definitions

“2005 Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Series 2005 Parity-South Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the Agency, Catellus or FOCIL-MB, LLC (or any other owner of property in the District) in connection with the issuance of the Series 2005 Parity-South Bonds, special tax consultant fees and expenses, preliminary engineering fees and expenses, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, disclosure counsel, financial consultants’ fees, charges for execution, transportation and safekeeping of the Series 2005 Parity-South Bonds and other costs, charges and fees in connection with the foregoing. “2005 Costs of Issuance” shall include reimbursable amounts described in the Acquisition Agreement.

“2005 Costs of Issuance Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

Terms of the Series 2005 Parity-South Bonds

Supplemental Agreement No. 2 sets forth the terms of the Series 2005 Parity-South Bonds, most of which terms are described earlier in the Official Statement under the heading “THE 2005 BONDS.”

Application of Proceeds of Sale of Series 2005 Parity-South Bonds

Upon the receipt of payment for the Series 2005 Parity-South Bonds on the delivery date the proceeds from the sale of the Series 2005 Parity-South Bonds will be deposited into certain of the funds and accounts as set forth in the Official Statement under the heading “SOURCES AND USES OF FUNDS.”

2005 Costs of Issuance Fund

Amounts in the 2005 Costs of Issuance Fund will be disbursed from time to time to pay 2005 Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Finance Director and delivered to the Fiscal Agent concurrently with the delivery of the Series 2005 Parity-South Bonds. The Fiscal Agent will maintain the 2005 Costs of Issuance Fund for a period of approximately 6 months from the date of delivery of the Series 2002 Parity-South Bonds and then will transfer any moneys remaining therein, including any investment earnings thereon, to the Bond Fund. Following the disbursement of all amounts in the 2005 Costs of Issuance Fund, the 2005 Costs of Issuance Fund shall be closed.

Security for Series 2005 Parity-South Bonds

The Series 2005 Parity-South Bonds shall be secured in the manner set forth in the Fiscal Agent Agreement and as set forth in the Official Statement under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2005 BONDS.”

Establishment of Funds

Supplemental Agreement No. 2 establishes the following subaccounts:

Subaccounts of Bonds Proceeds Account and Project Supervision Account

Created within the Bonds Proceeds Account and within the Project Supervision Account are separate subaccounts designated as the “2005 Subaccount” of the respective account, which subaccounts are established for purposes of accounting for the use and disposition of Series 2005 Parity-South Bonds, a portion of the proceeds of which will be deposited to such 2005 Subaccounts pursuant to Supplemental Agreement No. 2, and amounts in such subaccounts shall for all purposes be deemed to be part of the amounts on deposit in the respective accounts to which they pertain until disbursed in accordance with Supplemental Agreement No. 2.

Subaccount of Reserve Fund

Created within the Reserve Fund is a separate subaccount designated as the “2005 Subaccount” which subaccount is established for purposes of accounting for the use and disposition of Series 2005 Parity-South Bonds, a portion of the proceeds of which will be deposited to such 2005 Subaccount pursuant to Supplemental Agreement No. 2, and amounts in such 2005 Subaccount shall for all purposes of the Fiscal Agreement be deemed to be part of the amounts on deposit in the Reserve Fund and amounts in such 2002 Subaccount and any earnings thereon in such 2002 Subaccount shall be drawn upon pro rata with all other amounts into the Reserve Fund whenever a draw is made on the Reserve Fund under the Fiscal Agreement.

APPENDIX B
THE APPRAISAL

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APPRAISAL OF

**Mission Bay South
Community Facilities District No. 6
San Francisco, California**

A Mixed-Use Development Site & Related Developed Property

AT THE REQUEST OF

**SAN FRANCISCO REDEVELOPMENT AGENCY
770 Golden Gate Avenue
San Francisco, California 94102**

AS OF

June 1, 2005

PREPARED BY

**HAMILTON, RICCI & ASSOCIATES, INC.
930 Montgomery Street, Suite 300
San Francisco, CA 94133**



HAMILTON, RICCI & ASSOCIATES, INC., 930 MONTGOMERY ST., 4TH FLOOR SAN FRANCISCO, CA 94133 415 788-7722 FAX 415 394-7778

June 1, 2005

25-05-047

Ms. Amy Neches
Senior Project Manager
SAN FRANCISCO REDEVELOPMENT AGENCY
770 Golden Gate Avenue
San Francisco, California 94102

**RE: Mission Bay South
Community Facilities District No. 6
San Francisco, California**

Dear Ms. Neches:

At your request and authorization, Hamilton, Ricci & Associates, Inc., has appraised Mission Bay South (CFD No. 6), a 62 taxable acre development site in San Francisco, California. The subject property is entitled (or proposed to be entitled) for development of 3,476,347 square feet of biotech/R&D space, 1,935 residential units, a 500-room hotel, a hospital facility and related retail and parking structures. The property is further improved with a 280,000 square foot office building leased to The GAP (GAP Building) and a 180,000 square foot research building.

The purpose of the following appraisal is to estimate the **aggregate bulk sale value** of the fee simple interest and leased fee interests in the subject property. The function of this appraisal is for use by the Agency in preparation of a tax-exempt municipal bond issue.

In the course of our investigation, we have inspected the subject property, including the improvements, the site, and the surrounding neighborhood in which it is located. In our valuation analysis we have utilized the Sales Comparison and Income Approaches to value as well as the discounted cash flow method. The following appraisal constitutes a Complete Appraisal in a self-contained format.

Based on our investigation and analysis, and subject to the Special Limiting Conditions and Critical Assumptions attached herewith, it is our opinion that the **aggregate bulk sale value** of the fee simple interest in the subject property's development land and the leased fee interest in the GAP Building, as of June 1, 2005, is:

**FOUR HUNDRED SEVENTY MILLION DOLLARS
(\$470,000,000)**

Ms. Amy Neches
June 1, 2005
Page 2

The subject property's marketing and exposure time is estimated to be 12 to 18 months

The report that follows contains a summary of our investigation and analysis. The conclusions contained herein are subject to the limiting conditions attached. This report has been produced in conformity with the Uniform Standards of Professional Practice (USPAP) of the Appraisal Foundation, and is subject to the requirements of the Code of Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. This report also conforms to the appraisal standards for land secured bonds of the California Debt and Investment Advisory Commission (CDIAC).

Respectfully submitted,

HAMILTON, RICCI & ASSOCIATES, INC.


Walter L. Ricci, MAI, CCIM
Certified General Appraiser
California Certificate #AG009489


John S. Mateo, MAI
Certified General Appraiser
California Certificate #AG0022411

Tax ID 94-3190470

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STATEMENT OF LIMITING CONDITIONS

1. Date and definitions of value, together with other definitions and assumptions on which our analyses are based, are set forth in appropriate sections of this report. These are to be considered part of these limiting conditions as if included here in their entirety.
2. The conclusions stated herein, including values which are expressed in terms of the U.S. Dollar, apply only as of the date of value and are based on prevailing physical and economic conditions and available information at that time. No representation is made as to the effect of subsequent events.
3. Title to the property is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management, and available for its highest and best use.
4. All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief. The appraisal is based upon the assumption that data which is of public record or which has been secured through interviews with owners, agents or other informed persons is true and correct. The appraisers reserve the right to make appropriate revisions in the event of discovery of additional or more accurate data.
5. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
6. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for arranging for engineering studies that may be required to discover them.
7. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local environmental regulations and laws, unless otherwise stated.
8. The property is appraised assuming that all applicable zoning and use regulations and restrictions have been complied with, unless otherwise stated.
9. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.
10. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
11. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is

assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

12. Since earthquakes are not uncommon in the area, no responsibility is assumed due to their possible effect on individual properties, unless detailed geologic reports are made available.
13. This appraisal covers only the real property described herein. Unless specifically stated to the contrary, it does not include consideration of mineral rights or related right of entry, nor personal property or the removal thereof. Values reported herein are not intended to be valid in any other context, nor are any conclusions as to unit values applicable to any other property or utilization than that specifically identified herein.
14. By reason of this assignment, testimony or attendance in court or at any government or other hearing with reference to the property is not required without prior arrangements having been made relative to such additional employment.
15. No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.
16. Maps, plats and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.
17. No opinion is intended to be expressed for matters that require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
18. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
19. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication, without prior written consent and approval of the authors.

SPECIAL LIMITING CONDITIONS AND CRITICAL ASSUMPTIONS

1. The appraisers were not provided a copy of the subject's *Preliminary Title Report*. A legal description of the subject property appears in the Addendum. Title to the property is assumed to be marketable, and free and clear of all liens, encumbrances, easements and restrictions, except those specifically discussed in the report.
3. Unless otherwise stated in this report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value stated herein. Failure to comply with the requirements of the ADA may negatively impact the value of the property. The appraisers recommend that an expert in the field be retained should there be any concerns regarding the subject property and compliance with ADA.
4. Building and lot sizes are based on information provided by Catellus (or the Developer) and on architectural site drawings and specifications submitted. Descriptions of the improvements are based on physical inspection of the buildings and information provided by the Developer. The Developer-provided information was of significant importance in estimating building and site areas, and this information is assumed to be accurate.
5. A summary of the environmental conditions and approvals regarding the subject property is located in the addenda to the report. No evidence of toxic contamination or hazardous waste was observed during our on-site inspection, however, the appraisers are not qualified to detect or advise on such matters, and offer no warranty or opinion. ***The appraisers are not qualified to make any judgments regarding toxic contamination. Furthermore, the values estimated in this report assume the subject site(s) will not require special remediation costs prior to development.***
6. At the express direction of the Client, the appraisal considers five value elements comprising the aggregate bulk sale value. The value elements are (1) the fee simple interest of the land interests held by FOCIL-MB, (2) the fee simple interest in the land interests held by wholly owned affiliates of Alexandria Real Estate Equities (AREE), (3) the leased fee interest of the GAP property, (4) the fee simple interest of the Gladstone Institutes (Gladstone) property, and (5) the leased fee interest in the lands comprising the UCSF Hospital site. The sum of these five value elements comprises the subject's **aggregate bulk sale value**.
7. At the express direction of the Client, the following valuation methodologies are used for the AREE, GAP, Gladstone and UCSF Hospital parcels. The actual bulk sale price recently transacted is used to estimate AREE's interests. A prior appraisal (performed by Hamilton, Ricci & Associates in 2002) and consideration of market changes since its date of value is used to estimate the leased fee interest in the GAP property. Construction costs and estimated land value via sales comparison is used to estimate the fee simple interest in the Gladstone property. Finally, a capitalized analysis is used to estimate the leased fee interest in the UCSF hospital land.

8. UCSF has signed an option to enter into a ground lease for CFD-6 land that will be improved with a hospital. A variety of contingencies and negotiated issues must be resolved before execution of the ground lease happens. The general time frame for the contingencies and issues to be resolved is approximately seven months from the date of value of this report. Discussions with municipal officials involved in the negotiations report that the execution of the ground lease is 'very likely.' The estimated value of the lease as appraised in this report is dependent on the lease being executed. The value concluded assumes the lease is executed.
9. Portions of the discounted cash flow analysis (DCF) relied on information provided by Catellus and Goodwin Consulting Group, a redevelopment increment tax consultant working for Catellus. The information provided had material impact on the value concluded. The information is assumed to be accurate.
10. Catellus is in the final stages of transferring ownership of Block 40 to FOCIL-MB. The transaction participants report that the transfer will be completed by the third week of June, 2005. Given the likelihood of this ownership transfer occurring, this report assumes FOCIL-MB is the owner of Block 40.

INTRODUCTION

Identification

The subject property is known as the Mission Bay South Redevelopment Project Area (Mission Bay South) or the Community Facilities District No. 6 (CFD No. 6) of the City and County of San Francisco, California. This is a major mixed-use redevelopment area located approximately 1.5 miles south of San Francisco's Central Business District (CBD). CFD No. 6 contains approximately 62 taxable acres and is entitled (or proposed to be entitled) for development of 3,476,347 square feet of biotech/R&D space, 1,935 residential units, a 500-room hotel, a hospital facility and related retail, open space and parking structures. The property is further improved with a 280,000 square foot office building leased to The GAP (GAP Building) and a 180,000 square foot research building. The subject property is bounded by the Mission Creek Channel to the north, Mariposa Street to the south, 7th Street to the west, and the San Francisco Bay to the east.

Purpose of the Appraisal

The purpose of the appraisal assignment is to estimate the **aggregate bulk sale value** of the fee simple, and leased fee interests of the subject property. At the express direction of the Client, the appraisal considers five value elements comprising the aggregate bulk sale value. The value elements are (1) the fee simple interest of the land interests held by FOCIL-MB, (2) the fee simple interest in the land interests held by wholly owned affiliates of Alexandria Real Estate Equities (AREE), (3) the leased fee interest of the GAP property, (4) the fee simple interest of the Gladstone Institutes (Gladstone) property, and (5) the leased fee interest in the lands comprising the UCSF Hospital site. The sum of these five value elements comprises the subject's aggregate bulk sale value.

Function of the Appraisal

The function of this appraisal is for the use of the San Francisco Redevelopment Agency in preparation of a tax-exempt municipal bond issue.

Property Rights Appraised

The property rights appraised are the fee simple interest in the subject property's development land

and Gladstone property, the leased fee interest in the GAP property and the leased fee interest in the lands comprising the UCSF Hospital site. Property rights are defined in the definitions section of this report.

Date of Inspection

The date of inspection is May 22, 2005.

Date of Appraised Value

At the request of the client, the effective date of the **market values** estimated in this report is, June 1, 2005.

Competency

Hamilton, Ricci & Associates, Inc. has extensive experience in the appraisal of development land, special purpose buildings, ground leases and office buildings in the San Francisco Bay Area and no steps to competency were required.

Property Sales History

The owners of the majority of the real property within CFD No. 6. are Catellus Operating Limited Partnership and its affiliates (Catellus) and FOCIL-MB, an entity that has a relationship with Catellus. In March of 2001, Catellus sold a 1.37-acre parcel within the CFD to the J. Gladstone Institutes for a total of \$12,600,000 (see office land sale 4). Gladstone has since improved the property with a medical and life science research facility. In 2001 Catellus entered into a long-term lease with the GAP and constructed a 280,000 square foot build-to-suit office building on Block 28. The building was completed in late 2002. The tenant has not occupied the building in the interim, but has continued to pay rent to Catellus. The GAP property is included in the aggregate bulk value at its estimated market value based on the prior appraisal performed by Hamilton Ricci & Associates (2002), with adjustments made for current market conditions. Catellus transferred most of its CFD-6 land to FOCIL-MB in a transaction that took place in late-2004. FOCIL-MB is controlled by Farallon Capital Management LLC, a large San Francisco based hedge fund. Catellus retained three parcels in name comprising 9.4 acres that will be ground leased to UCSF for the construction of a new hospital facility. As discussed in the *Special Limiting Conditions & Critical*

Assumptions section at the beginning of the report, Block 40, a 3.4 acre site entitled for the construction of 480,000 square feet of bio-tech office space, is about to be transferred from Catellus to FOCIL-MB. For purposes of ownership recording, this transaction is assumed to be complete. The hospital site's leased fee value utilizes a capitalized analysis appearing later. FOCIL-MB is in contract to sell five parcels of residential land to Bosa Development Corp with entitlements for the construction of 1,485 condominium units; one sale is pending and the remaining have future obligation dates ranging to 2008. Since only one of these contracted sales is pending, and the remainder represents options to purchase, the Bosa parcels are included in the (DCF) bulk sales analysis. Due to confidentiality, the contracted Bosa sales are displayed in aggregate format. 12 of the CFD-6 bio-tech office parcels were sold to AREE by Catellus/FOCIL-MB in transactions occurring between September of 2004 and February of 2005; the parcels are entitled for the construction of approximately 2.15 million square feet of bio-tech office space. This sale is treated as a bulk sale in this appraisal report. A summary of the sales appears below, and some appear later as comparable sales in the *Land Sales Summary*. A summary of current ownership appears later in this report. There are no other known sales of the subject property within three years from the date of this appraisal. There are no other known listings, offers or options on the subject property.

SOUTH OF CHANNEL SUMMARY OF LAND TRANSACTIONS											
Area	Planning Block-Parcel	Type	Density ¹	Acres ²	Date	Price ³	\$/Unit \$/FAR	Buyer	Seller	Sale Status	
South	41 - 43; 1,3,4,5,6,7	Bio-Tech	508,000	7.5	Sep-04	\$31,000,000	\$61	Alexandria REE	Catellus	Closed	
South	29 - 32	Bio-Tech	935,000	5.3	Oct-04	\$50,425,000	\$54	Alexandria REE	Catellus	Closed	
South	26 - 1, 2, 3; 27 - 1, 2, 3	Bio-Tech	705,000	3.6	Feb-05	\$31,725,000	\$45	Alexandria REE	FOCIL-MB	Closed	
South	10A	Condo	112	1.6	May-05	\$10,438,000	\$93.196	Bosa Dev Corp	FOCIL-MB	Pending	
South	2, 10, 11, 12 & 13	Condo	1,376	9.4	Varies	\$144,863,200	\$105.278	Bosa Dev Corp	FOCIL-MB	Contract	
Notes:											
(1) For commercial land; FAR. For residential land; no. units.											
(2) Acreage is net of parking garage land, and in some instances is gross vs. net buildable.											
(3) The sale of Blocks 29 - 32 to AREE is subject to an environmental remediation hold-back. The price ultimately paid may range from a low of \$48.125 million to \$50.425 million.											

Scope of the Appraisal

At the express direction of the Client, the appraisal considers five value elements comprising the aggregate bulk sale value. The value elements are (1) the fee simple interest of the land interests held by FOCIL-MB and Catellus, (2) the fee simple interest in the land interests held by AREE, (3) the leased fee interest of the GAP property, (4) the fee simple interest of the Gladstone Institutes (Gladstone) property, and (5) the leased fee interest in the lands comprising the UCSF Hospital site.

The sum of these five value elements comprises the subject's aggregate bulk sale value. A combination of sales analysis and DCF analysis is used to estimate the land interests held by FOCIL-MB. The actual bulk sale is used to estimate AREE's interests. A prior appraisal and consideration of market changes since its date of value are used to estimate the leased fee interest in the GAP property. Construction costs and estimated land value via sales comparison is used to estimate the fee simple interest in the Gladstone property. Finally, a capitalized analysis is used to estimate the leased fee interest in the UCSF hospital land. Based on the foregoing, this report constitutes a Complete Appraisal in a self-contained format. The appraisers reviewed County records and talked with brokers, appraisers, buyers and sellers, to find comparable sales and applicable land capitalization rates. The appraisers reviewed published data and interviewed investment participants to estimate an appropriate discount rate for use in the DCF. All comparables were confirmed with principals or participatory agents, and were inspected.

Marketing Time and Exposure Times

To estimate the marketing and exposure time for the subject property, we have considered the marketing times indicated by the comparable sales, as well as the indication of brokers familiar with development land sales in the area. These brokers indicated that a reasonably priced property would require a marketing period of between twelve and eighteen months. Our estimate of market value is considered to be competitive and we have estimated the marketing time for the development land at 12 to 18 months. To estimate the marketing and exposure time for the GAP building, the appraisers considered the marketing times indicated by the comparable office sales, as well as the indication of brokers familiar with development land sales in the area (see information sources in the Sales Comparison Approach). Marketing times typically varied from two to nine months for the sales in our survey. Overall, the estimated marketing and exposure time for the GAP building is estimated at less than 12 months. The estimated marketing time for the Gladstone property is also estimated to be 12 months or less.

DEFINITIONS

Market Value

"Market value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.(USPAP, 1999 edition)¹

Fee Simple Interest

The term "fee simple interest" is defined:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

¹USPAP 99, Uniform Standards of Professional Appraisal Practice, 1999 Edition (Washington: Appraisal Standards Board of the Appraisal Foundation, March 1999) p. 139

²The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago: Appraisal Institute, 2002), p. 113.

Leased Fee Interest

The term "leased fee interest" is defined:

"An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease."³

Bulk Sale Value

"Bulk Sale Value" means the most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to a present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue stress.⁴

REGIONAL DESCRIPTION

San Francisco is the economic and cultural center of the nine-county Bay Area, a region with a population of approximately 7.1 million people, and the fourth largest metropolitan area in the United States.

The City and County of San Francisco, sharing identical geographic boundaries, comprise a peninsula containing 47 square miles. San Francisco is bordered on the west by the Pacific Ocean, on the north by the straits of the Golden Gate joining the Pacific Ocean and San Francisco Bay, on the east by San Francisco Bay, and on the south by San Mateo County.

The Bay Area has a diverse and balanced economic base. San Francisco is a center for service industries: city, state, and federal government; public and private health care; finance; insurance; real estate; and support services such as law, accounting and architecture. The height of the dot-com boom in the late 1990's saw the Bay Area's economy flourish with an influx of Internet and multimedia companies, especially in the South of Market area (SOMA) of San Francisco. However, significant changes in the economy have left many dot-com companies without profit or investment capital and the effects are seen throughout the regional and national economies. The East Bay cities of Oakland, Richmond and Hayward are industrial centers, providing most of the region's manufacturing base, distribution services and port facilities. Santa Clara County, particularly the cities of Palo Alto, Sunnyvale and San Jose, comprises a commercial region known as Silicon Valley. The Silicon Valley is a national center for research, development, manufacturing and distribution of computer, software and communications related goods and services. In addition, biotechnology enterprise represents the fastest growing industry, and is of strategic importance to the communities surrounding the Bay Area's preeminent research institutions; the University of California at Berkeley, University of California at San Francisco (UCSF), and Stanford University.

Population

In 2000, the Bay Area's total population was approximately 6.8 million persons. In 2010 the population is estimated to increase to 7.4 million persons, representing a compound annual increase of 0.90%. By 2015 the population is projected to increase to approximately 7.7 million persons, representing a compound annual increase of 0.87%. Current growth in this region is primarily in the East Bay-Contra Costa County with growth spikes predicted for Santa Clara and Solano Counties as well. ABAG predicts that the population in the City of San Francisco will sustain

³The Dictionary of Real Estate Appraisal, Fourth Edition (Chicago: Appraisal Institute, 2002), p. 161.

⁴ Appraisal Standards for Land-Secured Financings, California Debt Advisory Commission, CDAC 94-6, May 1994, page 9.

moderate growth compared to the remainder of the region due primarily to the fully built out nature of the city. However, it should be noted that recent construction projects, like the Mission Bay redevelopment project, will transform a significant amount of real estate and consequently, increase the number of households and commercial enterprises. The table below presents historic and projected population growth patterns for San Francisco in relation to other Bay Area Counties.

Bay Region Population							
	2000	2010	Ann. % Change	2015	Ann. % Change	2020	Ann. % Change
Alameda	1,443,741	1,584,500	0.93%	1,648,800	0.80%	1,714,500	0.78%
Contra Costa	948,816	1,055,600	1.07%	1,102,300	0.87%	1,150,900	0.87%
Marin	247,289	258,500	0.44%	268,700	0.78%	275,000	0.46%
Napa	124,279	139,700	1.18%	144,800	0.72%	148,100	0.45%
San Francisco	776,733	810,700	0.43%	825,800	0.37%	859,200	0.80%
San Mateo	707,163	741,000	0.47%	773,900	0.87%	806,500	0.83%
Santa Clara	1,682,585	1,855,500	0.98%	1,959,100	1.09%	2,073,300	1.14%
Solano	394,542	466,100	1.68%	504,500	1.60%	532,400	1.08%
Sonoma	458,614	508,000	1.03%	521,200	0.51%	534,100	0.49%
Total	6,783,762	7,419,600	0.90%	7,749,100	0.87%	8,094,000	0.87%

Source: ABAG - Projections 2005

Of the various factors impeding population growth in San Francisco, people's ability to afford housing has been among the top factors cited. When comparing household incomes with housing costs, San Francisco remains one of the least affordable areas in the Nation. Lack of buildable land within the City is often cited as another factor contributing to decline in growth rate. Buildable land within the City and County has, with few exceptions, been improved. Due to the peninsula's geographic constraints and the saturation of development, new development in San Francisco relies primarily on displacement of older improvements.

Employment

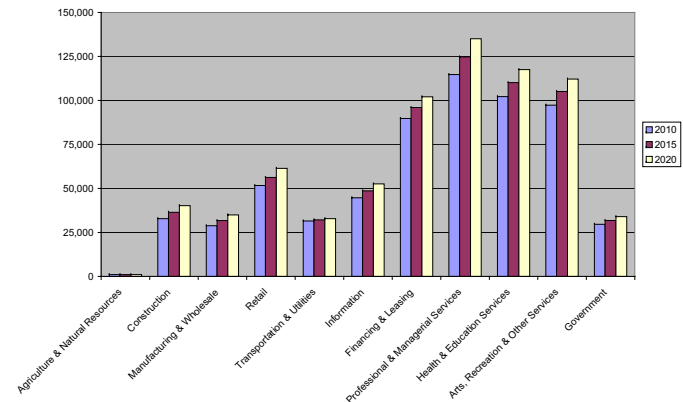
The following table displays the breakdown of jobs in San Francisco County in relation to the 9-county Bay Area region.

Employment by Industry Group								
Industry	San Francisco County				Bay Area Region			
	2005	2010	2015	2020	2005	2010	2015	2020
Agriculture & Natural Resources	1,020	1,020	1,020	1,020	24,470	24,870	24,870	25,070
Construction	30,000	32,790	38,410	40,210	226,380	246,360	268,830	292,530
Manufacturing & Wholesale	26,500	28,860	31,720	34,960	557,480	602,420	647,230	694,670
Retail	47,210	51,640	56,240	61,350	364,870	397,870	430,670	464,470
Transportation & Utilities	31,150	31,530	32,150	32,830	172,080	181,780	189,420	196,970
Information	40,700	44,660	48,640	52,570	166,440	182,740	200,790	221,140
Financing & Leasing	83,010	89,730	95,950	102,070	289,850	315,600	337,150	361,860
Professional & Managerial Services	105,210	114,760	124,750	135,050	520,320	571,540	623,690	674,700
Health & Education Services	94,500	102,160	110,130	117,540	634,690	700,070	759,790	816,980
Arts, Recreation & Other Services	89,000	97,330	105,070	112,130	423,440	466,280	507,370	547,800
Government	27,500	29,570	31,790	33,940	136,940	147,190	157,440	167,440
Totals	575,800	624,050	673,870	723,670	3,516,960	3,836,540	4,147,250	4,463,830

Source: ABAG - Projections 2005

Overall, the economy of the region, as well as that of San Francisco County, can be characterized as a service oriented economy. The presence of UC Berkeley, UCSF and Stanford University has fostered a close relationship between academic research and business applications particularly in the biotechnology and high technology fields. Silicon Valley in the southern end of the Bay Area region is generally regarded as the nation's, if not the world's, high technology center. Leading manufacturing companies, which are headquartered in Silicon Valley include: Hewlett Packard, Intel, Cisco Systems and Sun Microsystems. Software related businesses are also a large employer in the region that includes companies such as: Oracle; Sybase and Autodesk. Lastly, Northern San Mateo County and the Berkeley/Emeryville area have large concentrations of biotechnology uses centered on industry leaders Genentech, Chiron and a variety of larger companies.

San Francisco County Industry Breakdown

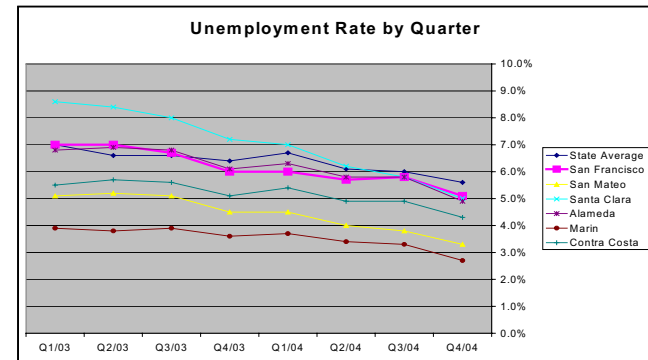


San Francisco's economy is dominated by two sectors, tourism and financial services. In recent years, healthcare and educational institutions have grown to become important sectors as well. Due to San Francisco's draw as a major tourist attraction for both recreational and business travelers, tourism is a major component of the local economy. Economists estimate that the tourism is directly responsible for more than 60,000 jobs in the San Francisco economy with hotels, restaurants, and retail establishments the primary beneficiaries of the tourist trade. Tourism was negatively affected by the earthquake in 1989 as it coincided with a decline in general business

travel due to the 1990-1994 recession. In the 1995-2000 period, business travel to the city increased due to expansions at Moscone Center and the general economic recovery. Furthermore, San Francisco has returned as a favored vacation destination for national and international pleasure travel. However, since early 2000, this trend has reversed in conjunction with slower economic conditions in the region and hotel vacancy and tourist related businesses have consequently been negatively impacted.

Secondly, San Francisco is considered to be the financial hub of the west coast as many national and regional banks have their headquarters downtown. While the two primary banks headquartered in San Francisco, Bank of America and Wells Fargo Bank, were both recently involved in mergers with out of state banks, most real estate participants expect the newly formed companies to retain a significant presence in San Francisco. In addition, a variety of national and international financial companies, including investment banks and hedge funds, have a prominent position in the CBD. Foremost among these is Charles Schwab.

In the late 1990's San Francisco's South of Market Area (SOMA) saw the emergence of many multimedia and Internet related businesses. Specifically, computer/technology/Internet related companies had been congregating in this area, which caused a rapid increase in the desirability of this neighborhood. Since mid 2000, however, this segment of the economy has severely contracted with many of the venture financed companies going out of business or merging with stronger companies. As such, the short period between 1997 and 2000 is being referred to as the "Internet bubble" and significantly softer real estate conditions are being experienced city-wide since this period, with office rental rates falling dramatically in the past 18 months. However, the San Francisco economy is showing signs of stabilization with the unemployment rate dropping significantly in the past six months.



Transportation

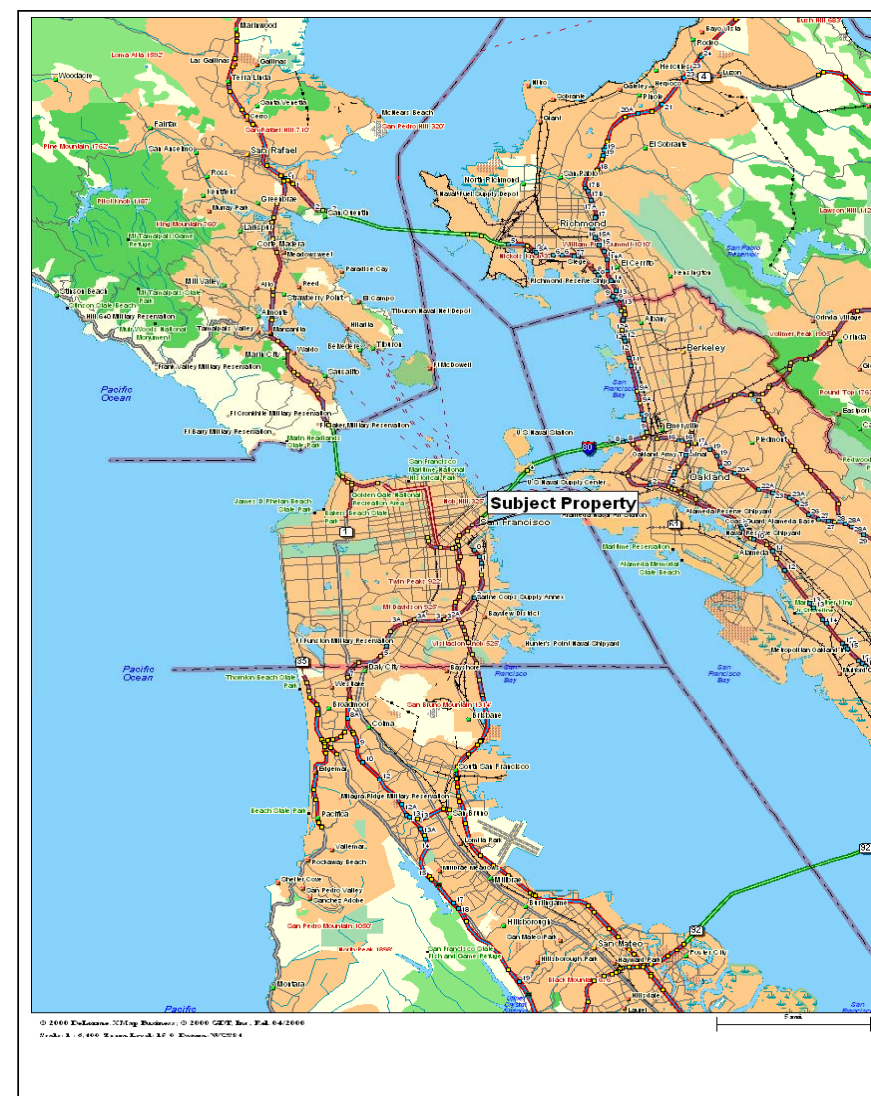
Public transportation in San Francisco is provided by MUNI (San Francisco Municipal Railway), buses, cable cars, streetcars and shopper shuttles. Most points in the City are easily accessible to public transportation. Commuter transportation is provided by Bay Area Rapid Transit (BART), trains and buses from the South Bay, and ferry service between San Francisco and the cities of Sausalito, Larkspur, Tiburon (Marin County) and Vallejo (Solano County). San Francisco International Airport is approximately 10 miles south of San Francisco in the City of Millbrae. The airport is a major national and international transportation hub.

The city is served by three major freeways, which include U. S. Highway 101, Interstate 80 and, Interstate 280. U.S. 101 provides service in a north/south direction and connects San Francisco with San Jose in the south and Marin County in the north, over the Golden Gate Bridge. Interstate 80 provides access to and from the East Bay, over the San Francisco-Oakland Bay Bridge, and terminates at the connection with U. S. 101. Interstate 280 connects San Francisco with San Jose and points along the Peninsula and is an alternate route to U. S. 101. Freeway service is normally considered good.

REGIONAL MAP

Regional and City Analysis Conclusions

San Francisco has adequate infrastructure, exceptional natural and cultural resources, a temperate climate, a good and improving transportation system, and outstanding institutions of higher education and research dedicated, among other things, to maintaining a leadership role in medicine, biotechnology and information services. These valuable assets have traditionally endured the ebb and flow of the general business cycle, and serve to diversify the regional economy. Furthermore, San Francisco's position as one of the most visited destinations by tourists from around the world is an additional economic engine for the area. The emergence of San Francisco as a center for multimedia and Internet related startup companies fueled a significant amount of the growth and real estate appreciation in the late 1990's in the area, but this segment of the economy has contracted to a fraction of its former size and is currently a significant negative influence on the local economy due to the large loss of jobs caused by its collapse.



NEIGHBORHOOD DESCRIPTION

The subject property is located approximately 1.5 miles south of San Francisco's Financial District. Mission Bay South is bounded by the Mission Creek Channel to the north, Mariposa Street to the south, 7th Street to the west, and the San Francisco Bay to the east. The South of Market Area (SOMA) is the neighborhood located to the north of the subject. The Potrero Hill neighborhood is located to the south and west of the subject. These are mixed areas characterized by residential, commercial, and industrial properties of various qualities and ages.

Access:

The subject neighborhood has excellent freeway access. Highway 280 runs to the west of the subject site with on and off ramps located at Mariposa and Indiana Streets to the south as well as at 4th and King Streets to the north. This highway provides access to the western portions of San Francisco as well as to the Airport, Peninsula, and South Bay Communities. Highway 80 is located approximately a half mile north of the subject with on and off ramps located at 4th & 5th Streets near Harrison and Bryant Streets. This highway connects with the Bay Bridge to provide access to the East Bay and with Highway 101 to provide access to the South Bay.

Public transportation access is considered above average with MUNI bus service located along many nearby streets. Additionally, the MUNI light rail service has recently been extended along the Embarcadero to the Caltrain Station just north of the subject property. This connects with the remainder of the MUNI light rail system and the BART rail system along Market Street, approximately 1 mile to the north. MUNI access to the subject property will improve upon completion of the light rail streetcar system running down the Third Street corridor 5.4 miles from the Caltrain Station to Visitation Valley. This \$550 million project has an expected completion by early 2006.

Development Activity:

The SOMA and Potrero Hill neighborhoods are characterized primarily by residential uses, but also have a mix of industrial loft buildings, smaller light-industrial buildings, commercial buildings and live/work uses. Strong gains in the residential and office markets between 1995 and 2000 have transformed this area from an industrial area into a highly desirable residential and office area. Specifically, older industrial and multi-story loft warehouse buildings in these neighborhoods have been rapidly converted to residential and live/work, and multimedia office uses due to the

historically strong demand by multimedia related tenants. The multimedia industry has made San Francisco, and specifically the SOMA and Potrero Hill areas, their home.

While the various sub-areas of the neighborhood have undergone tremendous development growth from various private sectors of the economy, there has also been extensive public infrastructure committed to the area. Two notable publicly funded projects that are altering the landscape throughout the neighborhood are the UCSF Mission Bay campus and the proposed UCSF hospital. SBC Park, a privately funded ball park has had a significant and positive influence as well. In addition, the private development of the area adjacent and to the north of the subject known as Mission Bay North has experienced remarkably rapid development and has emerged as one of San Francisco's most attractive neighborhoods.

UCSF Mission Bay Campus: Encompassing nearly 43 acres in the center of the subject property, the UCSF Life Sciences campus is nearing completion of its first phase of build-out. At full build-out this campus will contain 2.65 million square feet of space contained in 20 structures. Approximately half of this space will be dedicated for research use with the remainder used for administration. The campus will also include 8 acres of public open space, 2.2 acres for a San Francisco Unified School district public school site, and 4,600 structured parking spaces. Phase 1 comprising more than 1,000,000 square feet of space will be completed in mid-2006; Phase 1 will have taken less than half the time originally anticipated when ground broke in 1999. The J. David Gladstone Institutes, a 180,000 square foot private medical and life science research facility was completed in 2004. Current development on the campus includes three completed buildings containing approximately 678,000 square feet of space. Genentech Hall houses the Molecular Design Institute, the Center for Advanced Technology, as well as programs in Structural and Chemical Biology and Molecular Cell and Developmental Biology. Toni Rembe Rock Hall houses the campus's human genetics, developmental biology and behavioral sciences programs. QB3 houses the California Institute for Biomedical Research. Four additional projects are currently under development: the 150,000 square foot Campus Community Center; the residential housing project containing 431 units; a 600 space parking structure, and; the Helen Diller Family Cancer Research Building, a five-story research facility that will house programs in neurological surgery, urology and cancer research. Employment consisting of researchers and staff is expected to reach 1,900 shortly, and will comprise 9,000 upon completion of Phase 2. Adjacent to the campus is the first speculative development, a 165,000 square foot bio-tech office structure expected to break ground by early summer 2005.

UCSF Hospital: The San Francisco Redevelopment Agency recently approved a term sheet agreement that will allow UCSF to construct a new hospital on land adjacent to the UCSF campus. UCSF has entered into a option to execute a ground lease with Catellus for 9.4 acres of land (Blocks 36, 37, 38 and 39) across 16th Street from the Life Sciences campus, formerly entitled for 1,060,000 square feet of bio-tech office space, for the construction of a 200-bed women's, children's and cancer research hospital. This would represent the first new hospital facility in San Francisco in many decades, and will provide direct interaction between the Life Sciences campus and a state-of-the-art research hospital facility. Government officials involved in negotiations with UCSF report that construction of the hospital facility is 'very likely.' The reader's attention is directed to Special Limiting Condition & Critical Assumption No. 8 for additional discussion. Construction would begin in late-2005/early-2006 with completion anticipated in 2009.

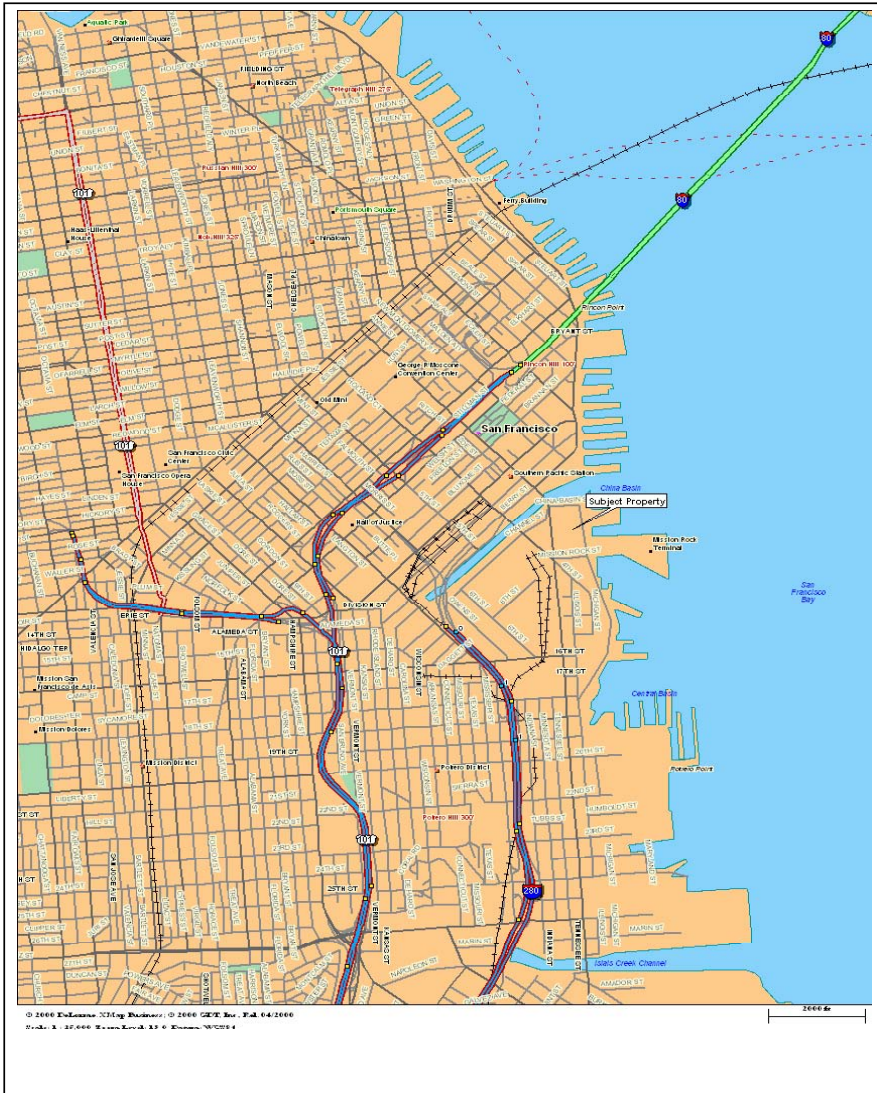
SBC Park: In 1996, San Francisco voters approved a ballot initiative allowing the San Francisco Giants to construct a 45,000-seat baseball stadium at China Basin. The SBC Park, which fronts King, Berry and Third Streets, was completed for the April 2000 season opener. The ballpark enlivened the SOMA district by fueling tremendous office, residential and retail development on the blocks surrounding the property. In particular, the park has spurred significant and rapid redevelopment of the southern portion of South Beach, and has had a strong influence on development patterns in the adjacent North of Channel RDA discussed below.

Mission Bay North: North of the Mission Creek Channel and adjacent to the subject site is Mission Bay North. Mission Bay North is also being developed by Catellus/FOCIL-MB. However this area is not part of CFD-6. Most of the current construction in Mission Bay is focused in this area. Approximately 1,297 residential units have been developed comprising both condominium and rental housing. This development includes dense ground floor retail uses; approximately 125,000 square feet of neighborhood supporting retail and 70,000 square feet of neighborhood office space has been completed. Market acceptance for residential units in the North of Channel area has exceeded the expectations of both city planners and private developers. There are currently 1,118 additional residential units under construction or expected to break ground soon. Mission Bay North is entitled for a total of 2,910 residential units (590 affordable), 200,000 square feet of retail space, and 100,000 square feet of office space. Overall, this area has generated more new housing units in the city over the last few years than any other neighborhood. Many of the projects currently under development are discussed in the Residential Market Analysis section appearing later.

Conclusion:

The subject is located in a redeveloping area approximately 1.5 miles south of San Francisco's financial district. This area benefits from close proximity to public transportation lines as well as major freeways. Mission Bay South is considered highly desirable for residential, neighborhood serving retail and bio-tech related uses. Overall, market expectations are for the area to grow significantly in attraction now that the UCSF Life Sciences campus is in operation, and is expected to be the major provider of new housing units in San Francisco over the next decade.

LOCATION MAP



Mission Bay South, San Francisco

RESIDENTIAL MARKET ANALYSIS

San Francisco Residential Market

Overview:

The 2000 to 2004 period was remarkably strong for the Bay Area housing market, with outstanding appreciation in most markets and a sale environment characterized by rising sales activity. The expected influences appear to be driving this notable strength: fixed and adjustable interest rates hit a 40 year low in June of 2003, rose modestly in 2004 and have softened again in 2005, and; the relative dearth of available development land to support new construction. Sales have remained consistently strong in both the new and re-sale housing sectors. The strongest products at the present time are condominiums and townhouses; the remarkable surge in single-family residence (SFR) prices have forced many first time home buyers into the condominium market. Transaction prices for condominiums and townhomes tend to be 20% or so lower than single-family residences.

Bay Area Supply/Demand Characteristics:

The following table shows residential activity (the most recently available data) in the Greater Bay Area region. The data is provided by *DataQuick Information Systems* and represents all single and multi-family (condominiums and townhouses) residential sales during April 2004 and April 2005. This is the latest period for which data are available. April Bay Area home sales decreased about 1.3% from March sales. In assessing the following information, it should be noted that April 2004 home sales was the strongest April on record since *DataQuick* began collecting information in 1988. As of April 2005, the median home price in the Bay Area was \$586,000 (an all-time high), approximately 19% above the median home value in April 2004. At the same time, overall sales velocity has eased somewhat, falling about 10.2% year-over-year. These are remarkable statistics considering the relative weakness in the two primary drivers of housing demand; growth in household income and growth in household formation. Both of these metro economic drivers are flat in comparison to the same period last year, continuing a three-year trend. Overall, the Bay Area housing market has exhibited outstanding performance over the last 12 months, and as of the 1st Quarter of 2005, no weakness is noted. Dataquick reports that the typical monthly mortgage payment that Bay Area buyers committed themselves to paying was \$2,659 in April (an all-time high), compared to \$2,237 in April of 2004. Brokerages report that foreclosure rates remain low, down payment sizes are level and there have been no noticeable shifts in product mix. However, the use of adjustable rate mortgages (ARMs) has ballooned since this time last year; about 68% of

all new mortgages originated in the 1st Quarter of 2005 in Northern California were ARMs, compared to 43% in the 1st Quarter of 2004.

BAY AREA HOUSING MARKET						
County	Units Sold Apr-05	Units Sold Apr-04	% Change	Median Price Apr-05	Median Price Apr-04	% Change
Alameda	2,244	2,546	-12%	\$522,000	\$467,000	12%
Contra Costa	2,119	2,419	-12%	530,000	432,000	23%
Marin	481	535	-10%	779,000	666,000	17%
Napa	205	185	11%	574,000	477,000	20%
San Francisco	681	759	-10%	751,000	625,000	20%
San Mateo	850	861	-1%	731,000	610,000	20%
Santa Clara	2,830	3,344	-15%	619,000	526,000	18%
Solano	1,037	944	10%	409,000	344,000	19%
Sonoma	711	828	-14%	534,000	415,000	29%
Bay Area	11,158	12,421	-10%	\$586,000	\$492,000	19%
Subject' Zip Code	30	39	-23%	\$707,750	\$590,000	20%

Not surprisingly, the most expensive home prices are in Marin County, with its small number of homes located in a 'leafy' setting close to San Francisco. Both San Mateo and San Francisco counties fall slightly behind Marin County with regard to median housing costs. The least expensive homes were reported to be in Solano County, distant from the main employment centers. Contra Costa County ranked sixth among the nine Bay Area counties reflecting its relative distance from the job growth centers. The most dramatic price increases occurred in the Bay Area's most remote counties, reflecting the relative affordability of housing as the geography moves away from the Bay proper.

Submarket Analysis:

The subject's San Francisco county submarket experienced 20% growth in median house cost in April compared to the same month a year earlier, and reached a record high. Sales velocity fell somewhat, dropping about 10% over the same period. The market's remarkable strength is buttressed by limited new construction in the counties bordering the Bay, as land availability continues to be the Bay Area's most significant barrier to new housing growth. Lack of development land is most acute in Marin, San Francisco and San Mateo counties. The subject's San Francisco County is considered completely built-out with the exception of newly entitled land in the North and South of Channel Redevelopment Areas; new single- and multi-family construction is

primarily on in-fill lots that involve redevelopment of older uses. The subject's zip code area experienced a significant drop (23%) in sales velocity, but the statistic is influenced by the small sample size. Notable is the significant growth in home prices within the zip code; prices increased 20% year-over-year in the subject's zip code to a median of \$707,750. Again, this statistic is influenced by variations in housing mix, as the sample is small. High-end median prices in April 2005 for homes in the subject's zip code were \$1,454,000.

Future Demand Considerations:

Macroeconomic conditions would suggest that a moderation in housing costs is inevitable. As discussed above, both household formation and household income have remained relatively flat over the last three years, and the regional recession proved to be significantly more painful than the national recession. Signs point to a moderating residential market in the near future due to three primary factors: (1) interest rates have recently trended back to their historical lows, but most market participants do not expect mortgage rates to remain at these levels; (2) general uncertainty about the pace of the nascent economic recovery, and; (3) regional monthly unemployment data remains at unacceptably high levels.

Economists are uncertain about the pace of economic growth in Northern California. Although many market participants are predicting the beginning of more robust economic growth, there is limited economic evidence to support these forecasts. While the Bay Area economy outpaced the national economy at the end of the last expansion, it now trails the national economy on most major indices. A report by *Economy.com* places the Bay Area near the bottom of 210 metro areas with regard to current economic conditions and the prospects for quick recovery. Bay Area household income, the primary driver of long-term growth in housing demand, has fallen or stagnated for 14 consecutive quarters.

Combining these issues with the current record high residential price levels and record low affordability of residential properties suggests that a moderation in price appreciation is more likely now than at any point in the last decade.

Supply Considerations – Competitive Projects & New Construction:

When completed, the Mission Bay project will provide the largest source of new housing over the next decade, as there will be approximately 6,000 new residential units created. As discussed earlier, aside from Mission Bay the primary source of new housing in San Francisco is development of underutilized sites that support demolition, older industrial and office properties where the shell is

retained and converted to residential uses, and those areas that the Redevelopment Agency targets for redevelopment. New residential construction in the subject's South of Channel market area competes with condominium product in the North of Channel submarket, as well as residential areas in the South Financial district, most notably the Rincon Hill and South Beach submarkets.

The following table presents the appraisers' analysis of projects under development, or expected to break ground, during the next four years that are considered competitive with condominium product that will be constructed on the subject's residential development sites. The thirteen projects comprise 2,996 condominium units located in the North and South of Channel RDAs, South Beach and Rincon hill submarkets. 1,135 of these units are expected to be available during 2005; units at the Beacon are already being marketed, and a number of units at the other developments have been pre-sold. 627 units are scheduled for completion in 2006/07. The remaining 1,234 units are expected for completion in 2007/08. It is noted that some of the units listed in the chart are affordable. The remainder are targeted to upper-mid and high-level buyers and they generally constitute high-quality condominium product, many located close to water, and providing good views. Unit prices targeted by the developers fall within the \$750,000 to \$1.5 million range. It is noted that a survey of the projects available in 2005 indicates that demand for upper-market condominiums within the competitive market has met with strong demand. Overall, the survey suggests that the developers have been pleasantly surprised by the market acceptance, and absorption of projects have exceeded expectations.

In summary, the supply of condominium product within the subject's competitive market falls short of historical demand, and is expected to remain robust as long as favorable fundamentals remain influential. Of particular note is the significant creation of local bio-tech related employment that will occur as the UCSF campus and hospital achieve full operation. The employment created by the new campus and hospital is expected to be of a relatively high-quality, white-collar type. Indeed, expected local job creation and the resulting household formation within Mission Bay South can be expected to tilt the housing supply/demand ratio to supply imbalance for a number of years. All of this bodes well for Mission Bay's housing sector.

Project Location	COMPETITIVE PROJECTS: APPROVED & UNDER CONSTRUCTION			Units Due:		
	Area	Developer	Status	2005	2006/07	2007/08
50 Lansing Street Bryant & Beale Sts.	Rincon Hill	Lambert Development	Under construction	82		
Watermark Bryant & Beale Sts.	South Beach	Lennar	Under construction	214		
Beacon (Mission Place) King, 3rd & 4th Sts.	North of Channel	Centurion RE Partners	Complete (selling)	595		
325 Berry Street N4a-1	North of Channel	Phoenix/Opus	Approved - breaking soon			110
235 Berry Street N3a-2	North of Channel	Signature Properties	Under Construction			99
N3P2 SEC King & 5th Sts.	North of Channel	Signature Properties	Approved			260
N4P1 SWC King & 5th Sts.	North of Channel	Intracorp	In Approval Process			275
10A China Basin St., W. of 3rd	South of Channel	Bosa Development Corp.	Approved			112
10 China Basin St., W. of 3rd	South of Channel	Bosa Development Corp.	Approved			319
188 King Street	South Beach	188 King St. Associates	Under construction	46		
170 King Street	South Beach	170 King LLC	Under construction	198		
300 Spear Street	South Financial	Tishman Speyer	Breaking ground			640
1401 3rd Street China Basin & MB Blvd.	South of Channel South of Channel	Bosa Development Corp.	Approved			46
TOTALS:				1,135	627	1,234
Source: HRA						

Market Analysis Conclusions:

The San Francisco county housing market is considered to be remarkable by national and regional standards when measured in terms of median housing price levels and quarter-over-quarter appreciation. The subject's competitive market is marked by a continued rise in demand for housing and a continued lack of supply due to land availability. Market expectations are for housing re-sale prices to either stabilize or grow at more moderate levels than experienced over the last few years. Given the submarket's unique growth characteristics, demand for housing is expected to continue for some time to come.

OFFICE MARKET ANALYSIS

Introductory Comments:

The subject's office land is comprised of parcels entitled for bio-tech office use. The following market overview relates to conventional office use; the economic drivers influencing bio-tech office development is quite different than general office. However, discussion of the conditions in the San Francisco office market will support the conclusion that office rents are not expected to achieve levels supporting new office development for a significant time. A general discussion of the bio-tech office market appears at the end of this section.

Office Market Overview:

The downtown San Francisco office market includes the North (North of Market Street) and South (South of Market Street) Financial Districts, both of which comprise the Central Business District (CBD). According to Cushman & Wakefield, the geographical boundaries of the Central Business District are formed by The Embarcadero and Washington Street to the north, Kearny Street to the west, New Montgomery Street to the west and Folsom Street to the south. Additionally, there are outlying areas such as Union Square, Jackson Square and the North Waterfront, which comprise smaller, boutique submarkets on the periphery of the CBD. The subject location would place it in competition with the South Financial office submarket.

Cushman & Wakefield reclassified their definitions of Class A, B, and C office space in the San Francisco market due to the recent trend of tenants desiring quality space outside of the traditional CBD. Previously Cushman & Wakefield had defined Class A buildings as construction completed after 1960 that are larger than 200,000 square feet in prime locations. The revised definition of a Class A property indicates the property is one of the most prestigious office buildings in a market with high quality finishes and state of the art systems which compete for the best office users at the highest rental rates. Class B buildings were previously defined as buildings constructed between 1940-1959 and also includes buildings constructed before 1940 which have been completely renovated. The revised definition of Class B office buildings defines these buildings as competing for the widest range of users with fair to good finishes at average rental rates. Class C buildings were previously defined as buildings completed before 1940 that have not been renovated. The revised definition indicates Class C space appeals to tenants who desire functional space at below average rental rates for an area.

Various real estate organizations regularly publish research studies describing the supply and demand characteristics of the office market. The market reports lack uniformity due to variance in timing, statistical bases, and analytical methodology. Vacancy, for example, may or may not include sublease space and space that is being marketed for future occupancy. As a result, the figures presented in this section may vary from those published by other sources. Following customary local practice, rental rates are quoted on an annual basis (e.g. a rate of \$36.00 per square foot per year equates to \$3.00/SF/month).

Vacancy and Absorption:

The office market experienced a short-lived inflation from 1998 through late 2000 caused by a temporary and dramatic imbalance of supply and demand. Specifically, market sources report that there was approximately 5 million square feet of active demand in the market during this period with only about 1 million square feet of available office supply city-wide. The imbalance created frenetic market activity and an explosive rise in rental rates. Marked declines in the equity markets that began in the 2nd quarter of 2000 set the stage for a correction in the Bay Area office markets, and the wholesale failure of the bulk of venture-backed start-up companies, their suppliers and service supporters caused the office markets to deflate at a rate similar to their inflation. A prescient analysis from the UC Berkeley Economics Department in mid-2000 estimated that 80% of the multimedia and Internet startup companies that existed in the Bay Area in the middle of 2000 would not be in business in three years due to mergers or bankruptcy. At the time, the report seemed implausible, but history proved it was slightly conservative. The multiplier effect of suppliers and service providers to the failed businesses exaggerated the trend, as law firms, accountancies, telecom providers and a variety of other interrelated office users downsized or went out of business, releasing an unprecedented volume of office space throughout Santa Clara, San Mateo and San Francisco counties.

Since late 2000, San Francisco has experienced its most problematic office downturn in 50 years. Based on national surveys of office markets defined by MSAs, the Santa Clara, San Mateo and San Francisco office markets are among the 10 most affected in the 73 MSAs covered. The following tables present the most current vacancy statistics gathered from CB/Richard Ellis and BT Commercial Real Estate for the San Francisco office market. Vacancy increased from slightly more than 4% in mid-2000 to more than 20% at year-end 2002. During this period, blended Class A and B office rents fell from about \$75 per square foot to slightly more than \$27. Analyses of quarterly data suggest the vacancy rate stabilized in 2003, and fell slightly in both 2003 and 2004. Blended office rents have been generally flat from mid-year 2003 to the present.

OFFICE MARKET SUMMARY							
Submarket	Building Sft.	Direct	Available Space Sublease		Total	<div> <div> Vacancy Rate </div> <div> 4Q-04 </div> <div> 1Q-05 </div> </div>	<div> <div> Averg Ask/gate </div> <div> Mtk(months) </div> </div>
North Financial Class A (NFA)	21,202,395	2,570,022	622,865	3,192,907	16.0%	15.1%	\$33.22
North Financial Class B (NEB)	6,018,530	796,914	238,578	1,035,492	17.3%	17.2%	\$24.39
NORTH FINANCIAL TOTALS:	27,220,925	3,366,936	861,463	4,228,399	16.3%	15.5%	\$31.06
South Financial Class A (SFA)	18,822,816	2,105,661	420,262	2,525,923	17.2%	13.4%	\$31.02
South Financial Class B (SFB)	3,404,579	325,263	0	325,263	8.6%	9.6%	\$22.21
SOUTH FINANCIAL TOTALS:	22,227,395	2,430,924	420,262	2,851,186	15.9%	12.8%	\$30.01
FINANCIAL DISTRICTS TOTALS	49,448,320	5,797,860	1,281,725	7,079,585	16.1%	14.3%	\$30.64
Jackson Sq./N. Writfront (JSNW)	6,458,411	802,479	232,339	1,034,818	15.0%	16.0%	\$24.94
S. Beach/Rincon Hill/Soma (SBRH)	18,988,069	2,453,110	476,041	2,929,151	18.5%	15.4%	\$21.42
Union Square (USQ)	4,764,607	514,876	23,991	538,867	11.1%	11.3%	\$23.20
Yerba Buena (YB)	3,685,687	478,487	99,739	578,226	16.7%	15.7%	\$19.67
NON FINANCIAL DISTRICTS TOTALS	33,896,674	4,248,952	832,110	5,081,062	16.6%	15.0%	\$22.13
SAN FRANCISCO CBD TOTALS	83,344,994	10,046,812	2,113,835	12,160,647	16.3%	14.6%	\$27.08
Source: BT Commercial - Compiled by HRA							

OFFICE MARKET STATISTICS - SAN FRANCISCO				
	1Q-2004	2Q-2004	3Q-2004	4Q-2004
Rentable Building Sq. Ft:	83,811,861	83,811,861	83,811,861	83,344,994
Direct Availabilities:	12,426,578	11,854,098	11,436,181	10,046,812
Sublease Availabilities:	3,584,991	3,017,966	2,818,691	2,313,540
Total Availabilities:	16,011,569	14,872,064	14,254,872	12,360,352
Vacancy Rate:	19.1%	17.7%	17.0%	16.3%
Gross Absorption:	3,288,102	3,410,915	2,575,451	3,189,092
Net Absorption:	283,310	446,585	436,944	384,589
Avg. Asking Direct Rate FS (SF/Year):	\$24.82	\$25.01	\$25.51	\$26.14
Avg. Time on Market in Months:	21.4	22.0	23.4	24.1
Availabilities by Size:				
0-5,000 SF	748	692	683	645
5,000-10,000 SF	400	376	365	333
10,000-20,000 SF	491	455	435	425
20,000 & Up	153	133	125	105
Total Availabilities:	1,792	1,656	1,608	1,532
Source: BT Commercial - Compiled by HRA				

Although quarterly data is notoriously unpredictable, the consensus among office professionals indicates the San Francisco office market seems to have hit its trough after four difficult years of general erosion.

In addition to general supply/demand metrics, these surveys present absorption trends. To state the obvious, absorption had been unusually robust in the 1996 to 2000 period. Absorption peaked in 2000, and a suffered a dramatic reversal thereafter. Quarterly data suggest the characteristics of a trough during the 12-month period from Q2 2003 to Q2 2004; net absorption has fluctuated between small negative and positive statistics over the last year. One optimistic note; the CB/Richard Ellis report shows positive net absorption of 1.1 million square feet during the 1st quarter of 2005, while the BT Commercial report shows positive net absorption of 968,744 square feet during the same period. As discussed, the differences among brokerage market reports are due to the statistical methods employed by each firm. The message, however, is clear – demand has been contracting over the past three to four years and has only recently shown signs of stabilization.

Rents:

The reader is directed to the previous tables showing CB/Richard Ellis statistics and BT Commercial statistics regarding recent rental rates. Specifically, the CB/Richard Ellis survey shows 1st Q 2005 average asking rents at \$24/SF/year for Class A space and \$20/SF for Class B space in the subject's SOMA South office submarket. This compares with \$34 and \$25, respectively, in the somewhat superior North Financial office submarket. BT Commercial data indicates that the blended Class A/B rental rate in the South Financial submarket is approximately \$30 as of 1st Q 2005.

Generally, the lowest rents and highest vacancy are in the SOMA South submarket. As discussed earlier, one primary factor causing the inflation of rents in the San Francisco office sector was the phenomenal job creation of Internet related startup entities (also known as "dot-com" firms). Start-up firms historically preferred the South of Market area (SOMA) due to the prevalence of open, low-rise loft-style buildings in SOMA. These types of users are typically attracted to less institutional buildings and tenant spaces. Specifically, they desire higher than typical ceiling heights and open floor plans with exposed electrical, plumbing and HVAC ducting. Brick and timber buildings, particularly historic buildings, were the most desirable building type for these tenants, and were typically gutted to a shell, seismically retrofitted, and improved with modern electrical, plumbing, HVAC and communication systems in an open loft style with minimal interior partitions.

So great was the demand for office space in the SOMA South submarket that this area was not able to provide adequate supply, and many Internet related tenants began occupying space in the downtown CBD. Once the bubble burst, the SOMA submarkets, and the SOMA South submarket in particular, suffered the worst vacancy and drop in rental rates.

Although free rent and large tenant improvement allowances were virtually non-existent between 1995 and 2001, these leasing incentives have reappeared in the slow-down. Above-standard leasing commissions are being offered on select spaces in the city to spur heightened activity in the slower market. Generally, tenant improvement allowances in the area are \$25 to \$30 per square foot above a warm shell office space for a large new tenant, but are typically closer to \$5 to \$10 per square foot for renewal and smaller tenants.

In summary, market participants generally believe that market conditions have reached their nadir and are beginning to improve. Due to the large amount of vacant space requiring absorption, many market participants do anticipate significant rent growth until 2007 or beyond, reflecting the significantly supply of vacant office space.

Office Supply/New Construction:

Almost 4.4 million square feet of office space was added to the downtown and non-CBD areas since 1998. Additions include both new buildings and renovated older properties. A majority of the space available in new and renovated office buildings was pre-leased prior to completion. The table below summarizes major planned projects. The general consensus among office developers is that Class A office rents must rise to a range from \$55 to \$60 (full service) to support new office construction. With Class A office rents currently achieving levels in the low \$30s, and with CBD vacancy at nearly 15%, market participants do not expect a new office construction cycle before the end of the current decade.

New Class A Construction				
Address	Area	Developer	Size (SF)	Status
555 Mission St.	So. Financial	Tishman	549,000	Postponed
350 Bush St.	No. Financial	Shorenstein	344,500	Postponed
450 Rhode Island	SOMA	Ron Kaufman	295,000	Postponed
535 Mission St.	So. Financial	Blackstone	266,000	Postponed
835 Market St.	SOMA	Forest City	235,000	Postponed
524 Howard St.	So. Financial	Higgins Development	203,000	Postponed
First & Howard #3	So. Financial	Wilson Equity Office	190,800	Postponed
2101 Bryant St.	SOMA	SKS Investments	130,000	Postponed
801 Market St.	SOMA	Pan Family	112,750	Postponed
1035 Market St.	SOMA	Seligman	104,487	Postponed
Total in Pipeline			2,430,537	
Source: San Francisco Business Times Compiled By: Hamilton, Ricci & Associates, Inc.				

As with previous market downturns, once construction commences on a large office building, it is very difficult to stop due to the fixed holding costs for a partially completed building. Consequently, most developers will complete office construction starts, regardless of the prevailing market conditions. Overall, new construction was not a factor in the stronger market conditions prior to second quarter 2000, but additions to the supply after this period have had a negative effect on the supply/demand equation.

Investment Market – Existing Buildings:

As a result of the rent implosion, prices for investment properties are greatly influenced by the credit markets and existing lease structures in office properties. During the peak of the investment market, Class A office properties typically traded in the range of \$300 to \$425+ per square foot; Class B properties typically sold in the \$175 to \$300/SF range. Currently, Class A properties are generally selling in a range from \$250 to \$380 per square foot. Class B properties are generally selling in a range from \$150 to \$275 per square foot. However, as discussed, these market ranges are fairly wide due to the varying credit and lease structures in place in each property, particularly in Class A product. By example, newer buildings that were completed in 1999 and 2000, and leased

at historically high rents to credit tenants on long lease terms, achieve the highest prices on a square foot basis.

Capitalization rates vary significantly due to the same influences affecting office prices. Stabilized capitalization rates for office properties that are leased at or near market rents are as low as they have been in 15 or more years. This is primarily due to two factors: (1) the mortgage financing markets are highly favorable for property owners, and (2) the market generally concurs that the local and regional office leasing market is at a trough – the potential for further deterioration in office rents is very low and that the upside potential of rental increases in a three to five year horizon is very high. Whereas stabilized office capitalization rates have historically been 8% to 9%, the current market supports stabilized office OARs of 6% to 7%. However, it is important to note that buildings with above-market rental structures may achieve OARs in a range from 9% to 12%, particularly Class B product tenanted with non-credit renters. The market uses a 5% vacancy and collection loss factor in calculating pro forma income for valuation purposes.

One area of relative brightness has been activity in the owner/user segment where mid-size companies have been purchasing office properties to occupy. Relatively cheap pricing combined with historically low financing costs has made the current mid-size Class B market highly favorable to owner-users. The majority of the owner-user purchase market in the city is for properties of 50,000 square feet or less, with price per square foot premiums for smaller properties due to the larger pool of potential owner-user buyers. Additionally, for an office property to appeal to an owner-user buyer, the building must be substantially vacant, typically with space that was designed for one or two tenants, and on-site parking.

Investment Market – Office Land:

There have been no sales of Class A office land during the last three years in San Francisco, reflecting the poor expectations for rent growth.

Office Market Analysis Conclusion:

Market participants do not expect the Bay Area's supply/demand imbalance to correct itself in the near future. Most participants believe that rents and occupancy levels have identified the bottom of the current cycle, and that the market will remain static in the near term. However, the region is gifted with outstanding academic institutions, a strong bio-technology industry, the largest concentration of technology firms and talented labor resources; in time the regional economic

renewal will provide the demand necessary to absorb existing office space, establishing the economic conditions for growth in office rents and rising office property values.

Biotechnology Market Analysis:

Overview. A report published by the Brookings Institution Center on Urban and Metropolitan Policy identified the Bay Area as one of the top bio-tech centers in the nation. The major US biotechnology centers are located in San Diego, Boston, the big-pharma clusters in northern New Jersey, Washington DC, the Triangle region of North Carolina and the Bay Area. The report indicates that those regions currently established as leaders in the biotechnology field have a distinct advantage over regions trying to recruit biotechnology companies. The Brookings report identifies several factors necessary for building a successful biotech cluster. The most important factors are strong research capacity and the ability to convert research into successful commercial activity. The San Francisco Bay Area has a strong research capacity in its three major research institutions granting life science PhDs (UCSF, Stanford, and Berkeley). There are more than 5,000 life scientists working in this area. These life scientists are able to convert their research into commercial activity in 90 publicly traded companies located in the area. The largest of these companies include Chiron, Genentech, and Applied Biosystems. A constant flow of new publicly traded companies is generated by a variety of bio-tech focused venture capital firms located in San Francisco and the mid-Peninsula. The report suggests entrepreneurial activity in the region should increase dramatically once the state of the art UCSF research facilities are completed.

Regional Market. The greatest concentrations of biotechnology related commercial space in the Bay Area are centered around the Chiron campus in Emeryville, the Genentech campus in South San Francisco, and development close to Stanford University in Palo Alto. Of the three, the dominant concentration is located in the Oyster Point area of South San Francisco. Development in this area is a direct result of Genentech's growth over the last 20 years. Indeed, the city of South San Francisco has treated Genentech as a growth partner, providing strong municipal incentives and political support for the company's space requirements, achieving a high degree of loyalty in return. Due to the specialized nature of the bio-tech development market, no brokerage reports are presently published describing the sector's size and general supply/demand statistics. However, leasing and investment brokers specializing in the South San Francisco bio-tech market report that demand for development sites and existing space is keen; the consensus estimate of the current vacancy rate is 3%, suggesting that demand for space falls significantly short of overall demand. Brokers estimate that approximately 2 million square feet of bio-tech specific space is currently developed in South San Francisco. Nonetheless, land for future development is limited in the South

San Francisco bio-tech area, suggesting that prior growth rates in the development of new space will begin a natural decline over the next decade.

Mission Bay. As discussed earlier in the Neighborhood section, the rapid development of the UCSF campus, and the expected development of UCSF's new hospital facility, both located in the center of CFD-6, offer the likely prospect that Mission Bay will challenge South San Francisco's dominance in the next 10 years. Mission Bay is blessed with three competitive attributes necessary for the development of a world-class bio-tech center: (1) the availability of land entitled for the development of 3.4 million square feet of bio-tech space; (2) the immediate proximity of the UCSF campus and hospital, and (3) an equally eager municipal partner that has demonstrated a willingness to use resources and political clout to support the vision. The three largest developers of bio-tech property (other than Genentech) in the Bay Area are Alexandria Real Estate Equities and Slough Estates, two large publicly traded REITs, and Hines Interests, a Dallas based private development firm. Evidence of Mission Bay's bio-tech prospects was recently provided by a large investment on behalf of AREE in CFD-6 land entitled for bio-tech development. AREE's investment was made in three transactions between September of 2004 and February of 2005, comprising land entitled for approximately 2.15 million square feet of space. The first of these transactions comprised land entitled for 508,000 square feet of building area. Analysis of the transaction suggests that AREE will break ground on all of this space within the next four years. The first of these developments, a 165,000 square foot bio-tech facility located adjacent to the UCSF campus at 1700 Owens Street (across the street from Genentech Hall), will break ground shortly, and is expected to be completed in mid-2006.

Biotechnology Conclusion. The Bay Area's establishment as one of the two or three most important US biotechnology centers is a reality. Much of this is due to the success of locally based bio-tech firms such as Genentech, the concentration of world-class research centers and the human capital they attract, and the active investment made on behalf of local venture capital firms focused on life sciences. Mission Bay is expected to play a central role in the continuing growth of the Bay Area's biotechnology development due to the success of the UCSF life sciences campus, the anticipated construction of the new UCSF hospital, the availability of development land, strong municipal support and the natural attraction of San Francisco's high quality of living.

SAN FRANCISCO HOTEL MARKET ANALYSIS

Introduction

As a hotel includes a going-concern business, as well as real property, the market value of a lodging facility is a direct function of the supply and demand for hotel rooms within the market. Accordingly, an analysis of the local area hotel market is a key component in the valuation process.

Presented in the following text is an overview of the San Francisco hotel market. This overview includes a summary of the types of lodging products, primary lodging sectors, occupancy characteristics, average daily rate (ADR) characteristics, proposed new hotels, and performance projections for the near future. Most data and all projections are based on information from *PKF Consulting*, a national hospitality services firm.

Following this discussion, an analysis of current and historical performance of the identified competitive market is presented. Also discussed are projections of the future performance of the competitive market for the next five years.

San Francisco Hotel Market Overview

Existing Lodging Products:

Of the total 32,327 hotel rooms in San Francisco recorded by the San Francisco Convention and Visitors Bureau, a total of 23,753 available rooms have been categorized as representing the city's primary hotel supply as of year-end 2004. The remaining rooms (32,327 – 23,753 = 8,574) consist of both small, limited-service motel and "residential" hotels. The primary hotel supply can generally be categorized into four lodging products or classifications as noted in the table below.

San Francisco Primary Lodging Products Year-End 2003	
Lodging Tier	Percent of Total
First Class/Convention	37%
Middle Market	29%
Luxury	17%
Boutique	17%
Total	100%
Source: PKF Consulting	

Presented in the following paragraphs is a brief discussion of these four primary hotel categories, as well as limited-service hotels, a fifth category.

First Class/Convention Hotels have guest services, amenities, and product quality designed to appeal to middle and high-income convention and individual travelers. They are medium to large hotels and offer high quality, but less personalized service than luxury hotels. First-class hotels usually offer a variety of food and beverage facilities at varying price ranges. They are conveniently located near the Moscone Convention Center, Financial District, or tourist attractions. Meeting facilities are provided to accommodate the group and convention segment needs. Many first-class hotels provide designated floors with special services for the upscale executive traveler. Generally, these hotels are newer or well-maintained older hotels. Room rates typically fall between the luxury hotel room rates and the citywide average daily room rate. First-class hotels usually carry a Mobil Four or Three-Star rating. The proposed subject's hotel site will be developed with a first class/convention hotel.

Middle-Market Hotels appeal to the middle-income individual and family traveler. Tour operators primarily book these hotels because they offer a good compromise among service, product quality, and room rate. Guest service is usually good, but with few frills. Food and beverage facilities are limited and more economical than in first-class hotels. Room rates typically are similar to the citywide average. Middle-market hotels often carry the Mobil Three-Star rating.

Luxury Hotels in San Francisco provide extensive and personalized services along with high-quality furnishings, superior food and beverage facilities, and extensive, varied guest amenities. The emphasis on personalized guest services results in a high employee-to-guest ratio, an intimate atmosphere, and high room rates. The luxury hotels provide meeting and banquet space; however, the emphasis is on catering to small meetings normally comprised of less price-sensitive, top-level professionals and executives. Luxury hotels usually carry a Mobil Five or Four-Star rating.

Boutique Hotels are older buildings, typically ranging in size from 80 to 200 rooms. The majority of these hotels have been fully renovated within the last ten to 15 years. Because renovation or conversion of an existing hotel or office building is generally less expensive than building a new facility, these properties are able to offer below citywide room rates for a high-quality product. In San Francisco, boutique hotels have developed a significant market presence, competing with the full-service hotels for the commercial and leisure traveler. Boutique hotels typically have limited meeting space, small public areas, and have eliminated expensive overhead, such as extensive

food and beverage facilities. A number of the boutique hotels do have "signature" restaurants on-premises that are marketed independently of the hotel and have achieved a high level of recognition for quality and uniqueness. Boutique properties, if rated, generally attain a Mobil Three or Two-Star rating.

Limited-Service Hotels generally range in size from 30 to 150 rooms. These properties offer room rates at the lower end of the scale and commonly do not offer on-premises food and beverage facilities or recreational components. This lodging product type is located outside of the more highly trafficked areas such as the Financial District of Union Square. The heaviest concentrations of this lodging product are proximate to the Civic Center, SOMA, and along Lombard Street. Limited-service hotels, if rated, generally carry a One- or Two-Star Mobil rating. Due to associated facilities and locations, this product-type generally does not compete, directly or indirectly, with the four other product-types discussed.

Primary Lodging Sectors:

The five primary lodging sectors in San Francisco are: (1) Union Square; (2) Nob Hill; (3) Financial District; (4) Fisherman's Wharf; and; (5) Civic Center/Van Ness Corridor. While these are distinct areas with their own supply and demand dynamics, there is often some market area overlap.

Union Square. This sector's location makes it attractive to most lodging demand, as Union Square is proximate to the Financial District and the Moscone Convention Center. Union Square is one of the nation's most prestigious retail districts, continually attracting new retail shops and promoting the expansion of existing stores. The most significant addition to this shopping area is the new Bloomingdale's department store, which is currently under construction adjacent to the exiting San Francisco Shopping Centre, located on Market Street between 4th and 5th Streets. The general area also includes growing SOMA district and the Museum of Modern Art, Yerba Buena Gardens, and the Sony Metreon.

Union Square is the largest sector in the city in terms of total supply. This sector has a balance of commercial, leisure, and group travelers. While this sector's occupancy level was impacted in the early 1990s by the addition of approximately 3,600 rooms and the general downturn in the hotel market, the expansion of Moscone Convention Center and the resurgent market led to an upturn in this sector from the late 1990s to early 2001. This sector will again benefit from the recent completion of Moscone West.

Nob Hill. This lodging sector has the most prestigious location in the city, with most properties enjoying an international reputation, such as the Ritz-Carlton, Renaissance Stanford Court, Fairmont Hotel, and the Mark Hopkins-International-Continental. This is the smallest of the lodging sectors in terms of both number of properties and guestrooms. The Ritz-Carlton Hotel, which opened in 1991, was the first addition to this sector's supply since the mid-1970s. Typical guests are upper-income corporate, leisure travelers, as well as the high-end group market.

Historically, this sector's ADR has been the highest in the city, while the occupancy is generally lower compared to other areas. This is attributable to the higher cost of the hotel rooms and their somewhat remote, hilltop location.

Financial District. The major demand generator for the Financial District lodging sector is the high-density office population located within the area, both north and south of Market Street. Typical guests in this sector are middle to high-income business, professional, and group travelers.

The market segmentation in the Financial District is weighted towards the commercial market, due to its proximity to the dense concentration of office buildings. Area hotels enjoy high weekday, but lower weekend demand patterns. Occupancy and ADRs in this sector have historically been slightly above the overall city average.

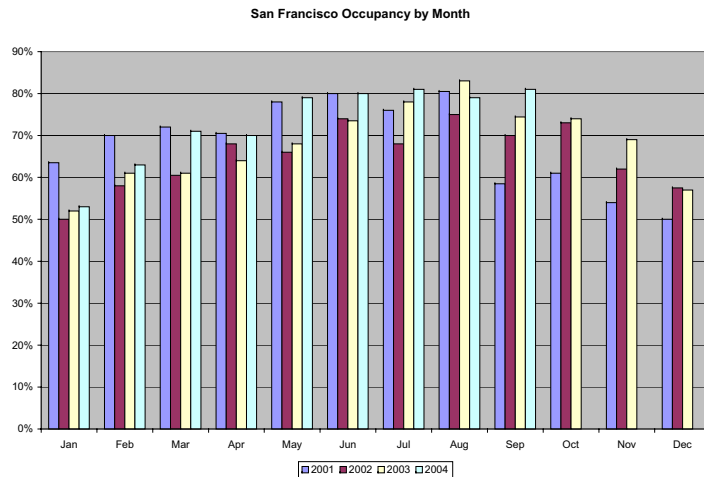
Fisherman's Wharf. This area is considered to be one of the top tourist attractions in Northern California. Its hotels are designed and oriented primarily to service middle-income families visiting San Francisco. However, given its proximity to the Financial District, the hotels attract a secondary share of business travelers. Most of the major U.S. lodging chains are represented in this sector by their respective mid-level products: Best Western, Hilton, Holiday Inn, Hyatt, Marriott, Radisson, and Sheraton. Furthermore, the conveniences, entertainment, and support services available in this sector are family-oriented. Consequently, visitors to San Francisco with families perceive a more casual and comfortable ambiance in the Fisherman's Wharf lodging sector as opposed to Nob Hill, Union Square, or the Financial District. Historically, this sector has achieved the highest occupancy of all of the city's sectors. ADR, on the other hand, is typically below the overall city average.

Civic Center/Van Ness Corridor. This lodging sector stretches along Van Ness Avenue, reaching south from the San Francisco Civic Center into SOMA, north to Fisherman's Wharf, and along

Lombard Street into the Cow Hollow area. This lodging sector is characterized as servicing the more price-sensitive visitors to San Francisco, as well as state and federal government employees. A number of the lodging products in this area have large meeting facilities and cater to the mid-market group segment. Historically, its composite occupancy and ADR tends to be the lowest of the five lodging sectors.

Seasonality of Demand:

The seasonality of demand in San Francisco is largely tied to leisure travel, as well as the convention calendar. Presented in the following table is a graph summarizing the occupancy of San Francisco by month for the past four years.



As noted, the summer months of June, July, and August are generally the strongest months due to the seasonal increase of leisure travelers. March, April, May, September, and October are also strong months due to convention activity. November, December, and January are the slowest months as both commercial and leisure travel declines during the holiday season.

Historical Supply and Demand Trends:

Presented in the following table is a summary of the historical growth in supply and demand for the primary hotel supply in San Francisco from 1980 to 2004, as well as a 2005 forecast.

San Francisco Primary Hotel Supply and Demand 1980 to 2004 and 2005 Forecast					
Year	Rooms Supply	Percent Change	Rooms Demand	Percent Change	Occupancy Level
1980	12,341		3,500,000		77.7%
1981	12,533	1.6%	3,490,000	-0.3%	76.3%
1982	12,701	1.3%	3,245,000	-7.0%	70.0%
1983	13,968	10.0%	3,523,000	8.6%	69.1%
1984	15,502	11.0%	4,057,000	15.2%	71.7%
1985	15,615	0.7%	4,001,000	-1.4%	70.2%
1986	16,014	2.6%	4,226,000	5.6%	72.3%
1987	16,484	2.9%	4,404,000	4.2%	73.2%
1988	17,492	6.1%	4,648,000	5.5%	72.8%
1989	17,696	1.2%	4,521,000	-2.7%	70.0%
1990	19,158	8.3%	4,839,000	7.0%	69.2%
1991	20,429	6.6%	4,936,000	2.0%	66.2%
1992	20,885	2.2%	5,374,000	8.9%	70.5%
1993	20,623	-1.3%	5,420,000	0.9%	72.0%
1994	20,809	0.9%	5,598,000	3.3%	73.7%
1995	21,101	1.4%	5,853,000	4.6%	76.0%
1996	21,185	0.4%	6,124,000	4.6%	79.2%
1997	21,215	0.1%	6,295,000	2.8%	81.3%
1998	21,215	0.0%	6,319,000	0.4%	81.6%
1999	21,563	1.6%	6,351,000	0.5%	80.7%
2000	21,961	1.8%	6,549,000	3.1%	81.7%
2001	22,433	2.1%	5,543,000	-15.4%	67.7%
2002	23,351	4.1%	5,570,000	0.6%	65.4%
2003	23,753	1.7%	5,887,000	5.6%	67.9%
2004	23,925	0.7%	6,375,000	8.3%	73.6%
CAGR/Average	2.9%	-	2.3%	-	73.2%
2005 Forecast	23,925	0.0%	6,825,000	7.0%	74.0%

CAGR - Compound Annual Growth Rate 1980 to 2004
Note: Room supply changes are annualized based on the opening date of new hotels. 2005 Forecast does not reflect the impact of the current labor strike at 10 downtown hotels
Source: **PKF Consulting - Compiled by HRA**

As noted, between 1980 and 2004, rooms supply increased at a compound annual growth rate (CAGR) of 2.9%. The largest increase occurred in 1983 and 1984 with the addition of the Hotel ANA and the Renaissance Parc 55 Hotel. Over the past five years, supply has increased at a CAGR of about 2.4%. The 1.6 % increase to 1999 was the result of the addition of the 423-room W Hotel in May and the 198-room Palomar Hotel in September. The 1.8% increase in 2000 was the result of the addition of the 107-room Orchard Hotel in November. The 2.1% increase in 2001 was a result of the addition of the 252-room Holiday Inn Express & Suites Fisherman's Wharf, the 34-

room expansion of the Clift Hotel, the 277-room Four Seasons Hotel, and the 405-room Courtyard by Marriott at Second and Folsom Streets. The 4.1% increase in 2002 was a result of the addition of the 362-room Omni Hotel in February. Supply continued to increase in 2003 with the opening of the 346-room Club Quarters Hotel in April and the 252-room Hotel Argonaut in August.

Between 1980 and 2004, rooms demand increased at a CAGR of 2.3%. It should be noted that prior to the sharp decline in demand in 2001, the CAGR between 1980 and 2000 was 3.2%. The strongest period of demand growth occurred between 1982 and 1984, upon completion of the Moscone Convention Center and the addition of approximately 2,800 guestrooms into the market. An additional increase was experienced with the completion of Moscone North in 1992 and is projected to occur again as a result of the completion of Moscone West.

Between 1980 and 2003, occupancy has ranged from a low of approximately 65.4% in 2002 to a high of 81.7% in 2000, with a 24-year average of 73.2%. It should be noted that between 1996 and 2000, the city achieved an average occupancy of 80.9%, deemed to be the maximum performance of the local market based on the timing of demand and market seasonality. During this period, there was a significant amount of unsatisfied demand, or demand that was turned away to other Bay Area markets, due to the limited growth in supply between those years. In 2001, the citywide occupancy declined in travel following the terrorist attacks of 9/11. The economy remained stagnant in 2002 with modest demand growth of 0.4% despite a 4.0% increase in supply, which resulted in an occupancy level of 65.4%, the lowest level in 24 years. In 2003, supply stabilized and demand increased 5.6%, reflecting subsiding travel fears and the nascent recovery of the regional and national economies.

With regard to 2004, supply increased 0.7% with the first full-year of operation of the Club Quarters Hotel and Hotel Argonaut, as well as the closure of the Julianna Hotel. Demand increased 8.3% resulting in a citywide occupancy of 74%. The 2005 forecast expects no new supply, a 7% increase in demand, resulting in an overall projected occupancy of 74%. This strong growth in demand is indicative of the continued US economic recovery, reflecting an increase in travel in all segments, particularly the leisure segment.

Historical Average Daily Rate Trends:

Between 1980 and 2000, the citywide average daily rates (ADR) increased at a CAGR of 4.3% annually, from \$72.64 in 1980 to \$169.74 in 2000. During this 21-year period, ADR declined only once in 1991. This decline was the combined result of new supply in San Francisco in the late

1980s coupled with the Persian Gulf War and the subsequent recession. As a result, hotel managers in San Francisco began discounting room rates in order to induce demand from other hotels in the area. The ADR rebounded somewhat between 1992 and 1995, and then increased significantly between 1996 and 2000, as high demand resulted in occupancies in the 80% range.

As discussed earlier, beginning in 2001 the economic downturn and subsequent decrease in travel aversion impacted the San Francisco hotel market. As a result, hotel managers again discounted room rates, and ADR declined through 2003. In 2003, the city achieved an ADR of \$138.31, which is equivalent to 1996 and 1997 levels. At year-end 2004, city-wide ADRs stood at \$147.10, a healthy 6.4% gain over prior year. Presented in the table below is a summary of the historical growth in ADR for San Francisco from 1980 to 2004.

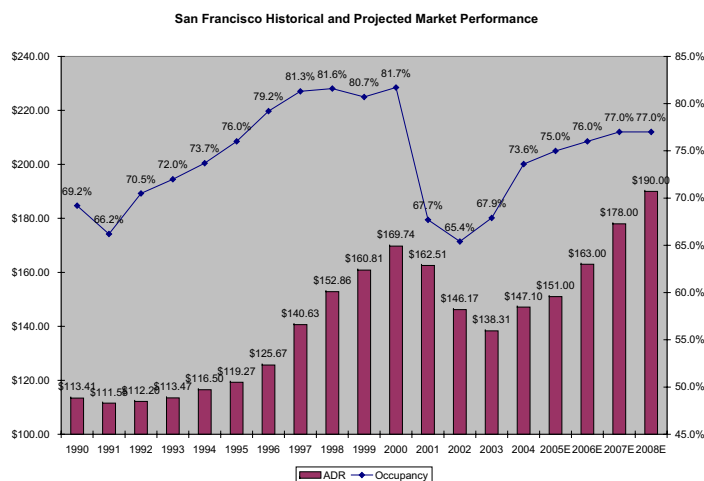
San Francisco Average Daily Rate 1980 to 2004 and 2005 Forecast		
Year	ADR	Percent Change
1980	\$ 72.64	-
1981	\$ 83.46	14.9%
1982	\$ 87.39	4.7%
1983	\$ 90.31	3.3%
1984	\$ 93.10	3.1%
1985	\$ 98.06	5.3%
1986	\$100.37	2.4%
1987	\$103.89	3.5%
1988	\$106.04	2.1%
1989	\$109.78	3.5%
1990	\$113.41	3.3%
1991	\$111.55	-1.6%
1992	\$112.20	0.6%
1993	\$113.47	1.1%
1994	\$116.50	2.7%
1995	\$119.27	2.4%
1996	\$125.67	5.4%
1997	\$140.63	11.9%
1998	\$152.86	8.7%
1999	\$160.81	5.2%
2000	\$169.74	5.6%
2001	\$162.51	-4.3%
2002	\$146.17	-10.1%
2003	\$138.31	-5.4%
2004	\$147.10	6.5%
CAGR/Average	2.8%	-
2005 Forecast	\$152.00	3.3%

CAGR - Compound Annual Growth Rate 1980 to 2004
Note: Room supply changes are annualized based on the opening date of new hotels. 2005 Forecast does not reflect the impact of the current labor strike at 10 downtown hotels
Source: PKF Consulting - Compiled by HRA

During this 24-year period, ADR increased from \$119.27 in 1995 to \$169.74 in 2000, or at a CAGR of 7.3%. Also included in the table is PKF's 2005 forecast for ADR; 2005 ADR is projected at \$152, a 3.3% increase over 2004.

Future Market Expectations:

Beginning in early 2001, the San Francisco hotel market slowed significantly in conjunction with the national economic downturn. As a result of international turmoil, occupancy and ADR continued to decline in 2002. In 2003, hotel managers were able to induce demand into the city through significant rate discounting. The opening of Moscone West and increases in travel in the second half of that year also led to an increase in overall demand.



Beginning in the second half of 2003 and carrying over through 2004, the regional economy has experienced very modest growth as a result of strong earnings reports from local technology companies, slight increases in downtown employment, and positive office space absorption. The recovery of the San Francisco lodging market is projected to mirror the regional economic recovery. As such, continued growth is projected throughout 2005, with stronger growth occurring between 2005 and 2007 as commercial, leisure, and group travel rebounds.

Between 2004 and 2007, occupancy levels are projected to rise to the mid- to high 70% range, with ADR growth above anticipated general inflation. Increases in occupancy will result from a recovering economy and a resurgence in travel throughout all segments. The opening of Moscone West is also projected to have a continuing positive effect on demand, as experienced in 1992 with the opening of Moscone North, as the expansion allows the center to accommodate multiple large conventions at one time. Furthermore, San Francisco has historically maintained an occupancy premium over the composite occupancy of the United States, as indicated in the following table.

Comparative Occupancy Levels San Francisco vs. Overall U.S. 1990 to 2004			
Year	Comparative Annual Occupancy Levels		San Francisco Premium (Percentage Points)
	San Francisco	Overall U.S.	
1990	69.2%	65.0%	4.2%
1991	66.2%	64.6%	1.6%
1992	70.5%	66.2%	4.3%
1993	72.0%	66.9%	5.1%
1994	73.7%	68.9%	4.8%
1995	76.0%	70.6%	5.4%
1996	79.2%	73.1%	6.1%
1997	81.3%	73.8%	7.5%
1998	81.6%	72.6%	9.0%
1999	80.7%	71.4%	9.3%
2000	81.7%	70.9%	10.8%
2001	67.7%	63.1%	4.6%
2002	65.4%	61.5%	3.9%
2003	67.9%	62.2%	5.7%
2004	73.6%	67.5%	6.1%
Average	73.8%	67.9%	5.9%

Source: PKF Consulting - Compiled by HRA

As noted, San Francisco's occupancy has remained above the national average every year from 1990 to 2004, with an average premium of 5.9 percentage points. Although the premium declined slightly in 2001 and 2002, it should be noted that from 1996 to 2000, the premium ranged from as high as 6.1% to 10.8%. This occupancy premium is projected to continue going forward as a result of the following:

- The underlying strength of the San Francisco Bay Area's highly diversified economy with technology, tourism, financial, telecommunication, and basic industries; and,
- San Francisco continues to be a world-class destination for leisure travelers and convention planners.

Supply Factors

Additions – New Construction:

The strength of the local hotel market in the late 1990s has resulted in the planning and development of numerous hotel projects, both in the form of building conversions, renovations, and new construction on sites throughout the city. Three new hotels and one addition comprising 968 rooms were added in 2001, and the 362-room Omni Hotel opened in 2002. The 346-room Club Quarters Hotel and the 252-room Argonaut Hotel opened in 2003. From 2004 onwards, 2,863 additional rooms are either under construction or proposed. However, due to the speculative nature of the proposed properties, not all are projected to be developed, thus limiting the number a new rooms that will actually enter the market. The following table summarizes all of the additions to supply that have recently opened, are currently under construction, or are proposed for future development. It is noted that the proposed developments are presently not economically feasible.

San Francisco Summary of Additions to Supply 2001 Forward				
Property	Location	Rooms	Status	Opening Date
1 Holiday Inn Express Hotel & Suites	555 North Point Street	252	Open	January 30, 2001
2 Clift Hotel (expansion)	495 Geary at Taylor Street	34	Open	August 2001
3 Four Seasons Hotel	757 Market at Third Street	277	Open	October 3, 2001
4 Courtyard by Marriott	299 Second at Folsom Street	405	Open	October 26, 2001
5 Omni Hotel	500 California Street	362	Open	February 11, 2002
6 Club Quarters Hotel	424 Clay Street	346	Open	February 24, 2003
7 Hotel Argonaut	Hyde & Beach Street	252	Open	August 18, 2003
Subtotal	-	1,928	-	-
8 St. Regis	Third & Mission Street	276	U/C	July 2005
9 Hotel Vitale	Steuart & Mission Street	200	U/C	March 2005
Subtotal	-	476	-	-
10 The Orchard Garden Hotel	466 Bush Street	86	Approved	January 2007
11 Inter-Continental Hotel	888 Howard Street	550	Approved	April 2007
12 Extended Stay Hotel (Phillips Club)	301 Mission Street	120	Approved	TBD
13 JW Marriott	Broadway & The Embarcadero	260	Proposed	TBD
14 Accor Hotel Project (two hotels)	First & Mission Street	550	Proposed	TBD
15 Mission Bay Hotel	Third & Mission Rock	500	Proposed	TBD
16 Hotel SoMa	Fifth & Townsend	75	Proposed	TBD
17 M31 Hotel	Ellis & Powell Street	160	Proposed	TBD
18 Old Federal Reserve Building	301 Battery Street	86	Proposed	TBD
Subtotal	-	2,387	-	-
Total Completed, Under Construction, and Potential Additions		4,791	-	-
U/C - Under Construction				
TBD - To Be Determined				
Source: PKF Consulting & Various City Planning Departments - Compiled by HRA				

A brief discussion of the 11 hotels that are currently approved, under construction, or proposed for development is presented in the following text.

- The St. Regis hotel with 276 rooms and 100 plus condominium units is under construction at 3rd and Mission Streets with a projected opening in July 2005, greatly delayed from an earlier planned opening in January 2003, as construction was stalled due to financing reasons. The project is adjacent to the San Francisco MOMA, and will also include 13,000 square feet of meeting space and a 20,000 square foot cultural center. The developer for this project is Boston-based Carpenter & Company, who has selected Starwood Hotels & Resorts as a partner and operator of the proposed hotel. St. Regis is Starwood's luxury brand.
- The Joie de Vivre Hotel Group together with the Emerald Fund has developed the 200-room Hotel Vitale that is also scheduled to open in March 2005. The "post-hip," upscale, boutique hotel is located along the Embarcadero waterfront at Mission and Steuart Streets at a former bus layover parking lot.
- The owner of the Orchard Hotel at Bush and Powell Streets is currently evaluating the construction of an 86-room boutique hotel to be built at 466 Bush Street, near the gates of Chinatown at Grant Avenue. The proposed Orchard Garden Hotel will be operated in conjunction with the existing Orchard Hotel, which is located only two blocks away. We understand that the guestroom product and amenities at the new hotel will be very similar to the Orchard Hotel. Construction is estimated to begin in early to mid 2005, and the hotel is projected to open in January 2007.
- The 550-room Inter-Continental San Francisco is proposed for 888 Howard Street, at the northeast intersection of Fifth and Howard Streets, adjacent to Moscone West. The hotel will include a restaurant and bar, approximately 40,000 square feet of meeting space, a spa, swimming pool, and on-site parking. The property is scheduled to open April 2007.
- A 120-room extended stay hotel has been approved as part of a mixed-use office, residential, and hotel project to be constructed at 301 Mission Street at Fremont Street, adjacent to the Transbay Terminal. The project is being developed by Millennium Partners, and the hotel is to be affiliated with Millennium's Phillips Club concept. The opening date for the project is yet to be determined.
- A JW Marriott hotel is planned on a 5.8-acre site consisting of two separate parcels at Broadway and the Embarcadero. We understand that the Port of San Francisco has selected Stanford Hotels Corporation as the developer. The proposed hotel will have approximately 260 guestrooms. The project is currently in the early planning stages, and a

completion date has not yet been announced, and therefore the project is also considered very speculative.

- In December 2000, Accor purchased a site at First and Mission Streets for the development of a 400 room Hotel Sofitel. The project, now envisioned to be a 550-room Motel 6 and Red Roof Inn hotel complex, is speculative at this time, and the company has come under criticism for its revised plans to develop lower-end hotel projects.
- FOCIL-MB has a site available within the Mission Bay South project. The master plan development for Mission Bay includes a hotel with up to 500 rooms.
- A boutique Hotel SoMa, labeled in the press as a “glitzy furniture district hotel” has been proposed for the corner of Townsend and Fifth Streets by the developers of the Hotel Healdsburg in Sonoma County, Merritt and Circle Sher. The proposal is for the 75-room hotel to be built in the Showplace Square neighborhood of San Francisco, an area characterized by many interior design shops and offices. The location of the site would be an old office building that would be demolished to make room for the hotel. The project is considered speculative at this time as neither the approval has been received for construction of the hotel, nor has financing for the project been secured.
- The M31 Hotel is a proposed 160-room property to be located at the corner of Ellis and Powell Streets. Personality Hotels, which currently owns and operates five boutique hotels in San Francisco, is the developer for the project. The development is also in its preliminary planning stages and is considered highly speculative at this time.
- The Rosetta/SRK Partnership, a Carmel-based development group, has unveiled a proposal to redevelop San Francisco’s Old Federal building at 301 Battery Street. The project includes an 86-room hotel, 30 timeshares units, a restaurant, and spa. We understand that Raffles Hotels & Resorts has been selected as the operator for the hotel. The project, however, is still in its preliminary planning stages.

The addition of 1,928 guestrooms between 2001 and 2003 and the future addition of the 476 guest rooms under construction between 2003 and 2005 result in an 11 percent increase in supply over the 2000 base of 21,961 rooms. However, assuming that hotel demand in the market resumes at a rate which has been achieved during more typical years of operation, such as during the mid-1990’s, the additional supply should not have a significant impact on overall hotel occupancy in San Francisco.

New Construction Fundamentals:

Experts within the hospitality industry report that the all-in costs of constructing new hotel product in San Francisco are \$300,000 per key. The consensus among these experts is that room rates (ADRs) must be at \$250 per night, and occupancy between 75% and 78% to support new construction. The existing construction is considered special, as these products enjoy unique positions in the hospitality sector, allowing them to achieve these rate and occupancy levels on a pro forma basis. It is generally concluded that the overall San Francisco hospitality market will not achieve the necessary ADRs and occupancy levels to support new construction for three to five years.

Deletions to Supply

It should be noted that the 107-room Juliana Hotel, which was a boutique property located proximate to Union Square, was sold to Trendwest Resorts, Inc. in July 2004. The hotel was subsequently closed for renovation and conversion to timeshare use. The closure of this hotel will benefit the overall boutique hotel market in Union Square. In addition, the 144-room Hotel Cosmo, which also recently transferred, has been closed.

Hotel Market Conclusions

As with the US hospitality market in general, the San Francisco hotel industry has suffered difficult times over the last four years, largely the result of the national and regional recessions and the events of 9/11. The market hit its nadir in 2002/2003 and has experienced a moderate reversal in 2004 and is expected to have good levels of ADR growth and increasing occupancy going forward. New construction is feasible for specially positioned properties only at the current time. Market participants expect the San Francisco hotel market to experience a new development cycle three to five years in the future.

PROPERTY DESCRIPTION

Site Description

Mission Bay South covers 237.8 acres. Only 62 acres of Mission Bay South are expected to be taxable under CFD No. 6 and are the subject of this report. The portions of Mission Bay South that are not taxable under CFD No. 6 include: the 43 acre UCSF Campus, 12.2 acres of affordable housing land, 8.9 acres of non-Catellus privately owned land, with the remainder of the non-taxable land consisting of parks, view easements, streets, water, and public facilities.

Location:	The site is located approximately 1.5 miles south of San Francisco's Financial District. The general boundaries are: the Mission Creek Channel to the north, Mariposa Street to the south, 7 th Street to the west, and the San Francisco Bay to the east.
Size/Shape/Frontage:	The individual parcels that comprise the subject site range in size from 0.8 to about 6.0 acres. These parcels are generally rectangular in shape and front public streets.
Streets:	The existing and proposed streets will be asphalt paved and have concrete curbs, gutters, and sidewalks. Third Street will be the main north/south arterial through the subject site. Sixteenth Street will be the major east/west arterial.
Utilities:	All utilities will be available at the subject property lines. Pacific Gas and Electric will provide the gas and electricity for the project. The sewer and water services will be provided by the City of San Francisco. SBC provides telephone service.
Toxic Contaminants/ Hazardous Waste:	An environmental report on the subject property was not reviewed by the appraisers. We have been informed that the Regional Water Quality Control Board has overseen the investigation and remediation of hazardous materials from the project area. The appraisers are not qualified to detect or advise on such matters, and offer no warranty or opinion. <i>This appraisal and the value conclusions contained herein assumes there is no toxic contamination.</i>
Soils:	This appraisal assumes the soils at the subject site are adequate to provide necessary support and drainage for the subject improvements.

Topography:	Level and at grade with adjacent streets.
Access:	The subject site is considered to have excellent access to major surface transportation routes.
Earthquake Zone:	The subject property is not located in an Alquist-Priolo Special Studies Zone.
Flood Zone:	There are no flood zones in the city and county of San Francisco.
Zoning:	
Designation:	Mission Bay South Redevelopment Plan and Design for Development, San Francisco.
Allowable Uses:	The area is divided into three sectors: Hotel, Mission Bay Residential, and Commercial. The Commercial component has bio-tech related uses as an allowable use. All of these sectors allow retail uses as a component of development.
Height Limit:	160 foot tower (representing 7% to 15% of developable area) over a 65 to 90 foot base.
Commercial Density:	Ranges from 1.2:1 to 7.5:1. The average is 2.6:1
Residential Density:	Ranges from 91 units per acre to 150 units per acre. The average is 125 units per acre.
Parking:	Residential: 1/unit Commercial: 1/1,000 SF Bio-tech (1.735 million SF): 2/1,000 SF Retail: 1/500 SF Hotel: 1/16 rooms
Zoning Conclusion:	The proposed improvements were designed according to the Redevelopment and Design for Development Plans.
Site Conclusion:	The subject site is functionally adequate for its proposed use as a mixed-use development.

Planned Development Description

General Description:

According to information provided by Catellus Corporation, the subject property consists of nine residential development parcels ranging in size from 1.1 to 2.3 acres with an average size of 1.7 acres. In addition to some retail space, these parcels will accommodate 112 to 315 units with an average of 215 units. The corresponding site densities range from 91 units per acre to 150 units per acre with an average of 125 units per acre. Excluding the GAP and Gladstone building sites, there are 15 office/biotech/R&D sites. These sites range in size from 0.8 to 3.8 acres with an average size of 1.6 acres. These sites will accommodate 80,000 to 480,000 square feet of gross building area with an average size of 231,756 square feet. The site densities range in FAR coverage from 1.2:1 to 7.5:1 with an average of 2.6:1. In addition, there are four parcels containing about 9.4 acres that are in the approval process to be used for a hospital, and will comprise the new UCSF 200-bed facility discussed earlier. The Hotel site is 2.7 acres and will accommodate 500 rooms in addition to some retail space. A summary of the parcels appears in the following table.

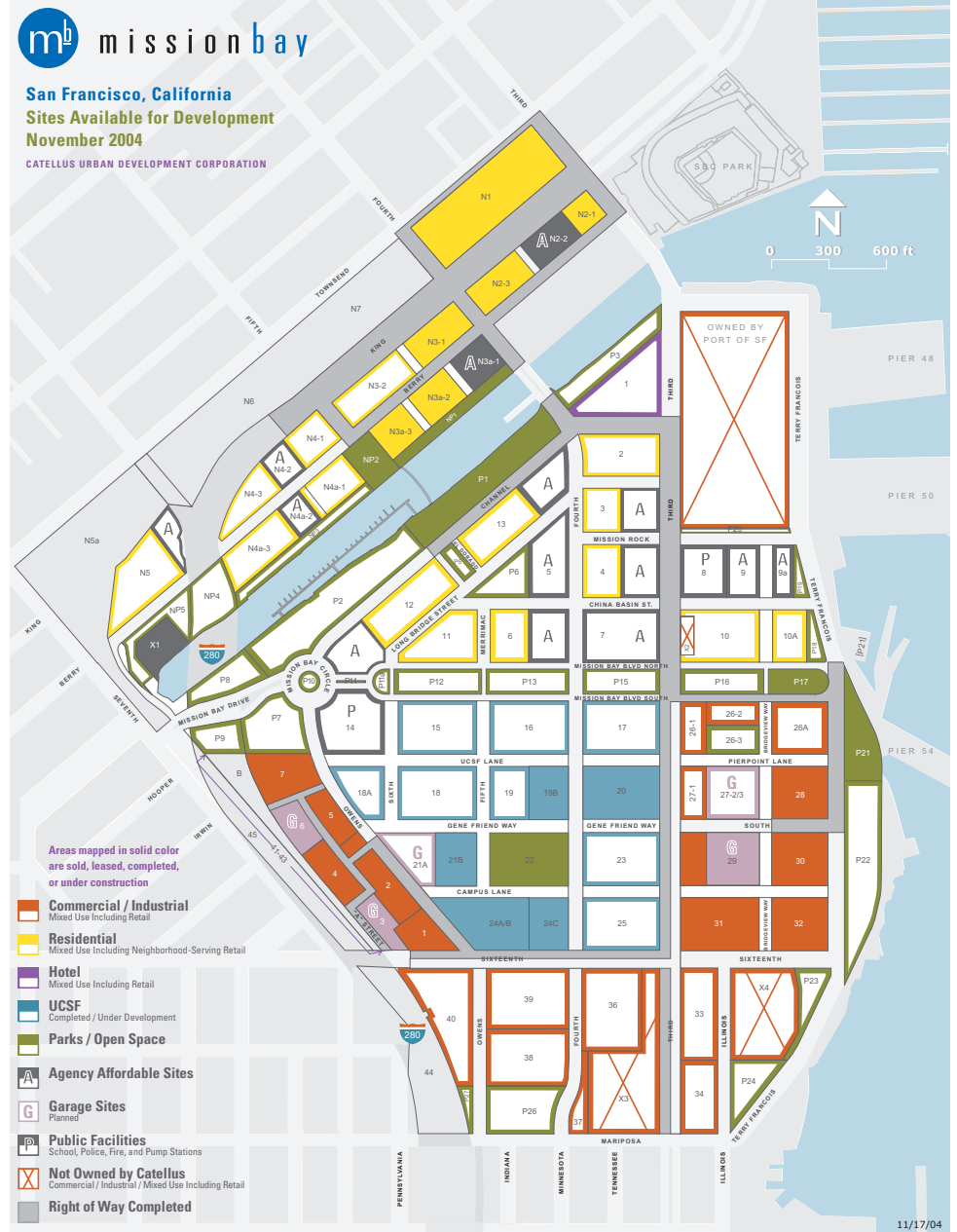
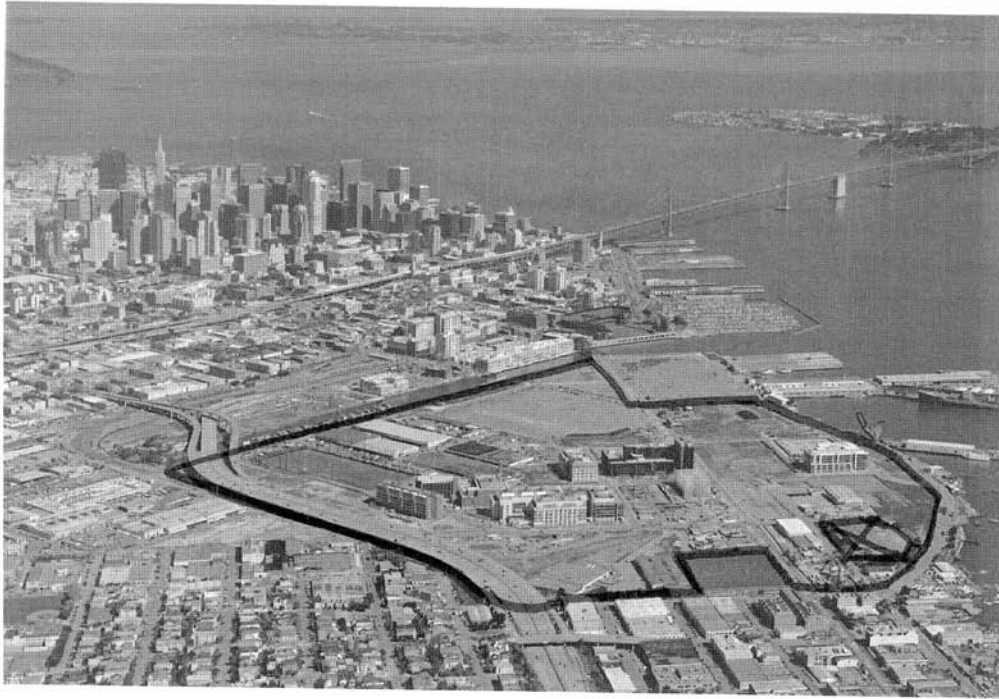
Mission Bay South: Inventory								
Residential Parcels			Office/Bio-Technology			Hotel Parcels		
Plan-Parcel Number	Size: Acres	Bldg: Units	Plan-Parcel Number	Size: Acres	Bldg: SF	Plan-Parcel Number	Size: Acres	Bldg: Rooms
2	2.1	315	26a	1.9	298,347	1	2.7	500
3	1.1	100	26-1	0.8	280,000			
4	1.5	192	26-2	0.9	150,000			
6	1.6	158	27-1	0.8	275,000			
10A	1.1	112	29-1	0.8	187,000			
10	2.3	276	30	1.9	187,000			
11	1.9	236	31-1	0.8	187,000			
12	2.0	273	31-2	1.0	187,000			
13	1.9	273	32	1.9	187,000			
Total:	15.5	1,935	33/34	3.8	550,000			
			36 - 39 ³	9.4	0			
			40	3.4	480,000			
			41-1	1.0	80,000			
			41-4	1.7	174,000			
			41-5	1.5	174,000			
			41-7	1.5	80,000			
			Other ²	10.8	NA			
			Total:	43.8	3,476,347			

Notes: (1) Planning Block - Parcel Number
(2) Additional parcels in the CFD not appearing in the table above; The GAP, Gladstone and miscellaneous items such as parking structures and private parks.
(3) Blocks 36 - 39 represent land that are proposed for the UCSF hospital.

The table below presents a summary of parcel ownership.

Mission Bay South: Inventory by Ownership								
Residential			Bio-Tech Office			Hotel		
Plan-Parcel	Density ¹	Ownership	Plan-Parcel	Density ¹	Ownership	Plan-Parcel	Density ¹	Ownership
2	315	Bosa Dev Corp ²	26a	298,347	FOCIL-MB	1	500	FOCIL-MB
3	100	FOCIL-MB	26-1	280,000	Alexandria REE			
4	192	FOCIL-MB	26-2	150,000	Alexandria REE			
6	158	FOCIL-MB	27-1	275,000	Alexandria REE			
10A	112	Bosa Dev Corp ³	29-1	187,000	Alexandria REE			
10	276	Bosa Dev Corp ³	30	187,000	Alexandria REE			
11	236	Bosa Dev Corp ³	31-1	187,000	Alexandria REE			
12	273	Bosa Dev Corp ³	31-2	187,000	Alexandria REE			
13	273	Bosa Dev Corp ³	32	187,000	Alexandria REE			
	1,935		33/34	550,000	FOCIL-MB			
			36 - 39 ⁴	0	Catellus			
			40	480,000	FOCIL-MB			
			41-1	80,000	Alexandria REE			
			41-4	174,000	Alexandria REE			
			41-5	174,000	Alexandria REE			
			41-7	80,000	Alexandria REE			
				3,476,347				

Notes: (1) Number of entitled residential units, SF of office or hotel rooms.
(2) Currently under purchase contract from FOCIL-MB; expected to close in June of 2005.
(3) FOCIL-MB is the current owner, but these parcels are under future purchase contract to Bosa Development Corp.
(4) Blocks 36 - 39 represent land that are proposed for the UCSF hospital.



HIGHEST AND BEST USE

Highest and Best Use is defined as:

"That reasonable and probable use that will supply the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, highest and best use is:

The use, from among reasonable, probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value."

Highest and Best use is determined by:

1. Assuming the site is vacant and available for development and improvement;
2. Defining what improvements could and should be made to existing improvements, if any, to provide the maximum return to the property; and
3. Evaluating which use, among those that are feasible, results in the highest land value. Feasibility must conform with legal/political constraints (zoning and planning requirements, as well as the political environment), technical constraints (soils, topography, design), linkage constraints (streets, sewers, services, etc.), market constraints (supply, demand, competitive standards), and financial constraints (cost-benefit relationships).

Investigation of the subject site, its neighborhood, and the zoning regulations imposed by San Francisco, reveal the following considerations with regard to the most likely profitable use of the subject site:

Zoning:	Mission Bay South Redevelopment Plan and Design for Development, San Francisco.
Topography:	Level and at grade with adjacent streets.
Surrounding Uses:	Light industrial, office, and multi-family residential.

Highest and Best Use as Unimproved

Legally Permissible:

The Mission Bay South Redevelopment Plan and Design for Development guidelines govern the subject property. These guidelines provide for mixed-use development of the site with Commercial, Industrial, Residential, Retail, and Hotel Components.

Physically Possible:

The parcels that comprise the subject property feature level topography, regular shapes, and typical sizes for the area. All of the necessary utilities and public services and amenities are available to the site. Based on the foregoing, all of the legally permissible uses appear physically possible to develop.

Financially Feasible:

As discussed in the Market Analysis sections of this report, the local residential and biotechnology real estate markets are currently strong and new development is occurring. The hotel market is suffering from a slowdown in business travel and tourism and hotel development is not currently financially feasible. There is currently an oversupply of office space in San Francisco and rental rates are not high enough to justify new construction. Based on this discussion, residential and biotechnology construction are currently financially feasible uses for the subject property. The most likely financially feasible uses for the subject's land designated for hotel would be to hold for future development.

Maximally Productive:

Since hotel use is not currently feasible to develop, the maximally productive use of the subject site is phased development of its approved uses. Residential and Biotechnology properties can be developed immediately. Hotel will be developed when demand becomes strong enough to justify new construction. Market participants anticipate this occurring in approximately 3 to 5 years.

Highest and Best Use as Improved

For the highest and best use of the subject property, as improved, the functional utility of the existing improvements is considered. Although the subject property consists of mostly vacant land, there are some older industrial buildings, parking lots, and a golf driving range. Some of these elements generate lease income. A schedule of the income is included in the discounted cash flow

section of this report. Residential and biotechnology developments are currently feasible and hotel is not. Therefore the highest and best use of the subject property, as improved, is to develop those sites identified for residential and biotechnology uses that are unencumbered with leases. Interim income should be collected from the hotel site until development is feasible.

VALUATION METHODOLOGY

The value of the real property is estimated through one or more of three approaches to value. The three approaches are the Cost Approach, the Sales Comparison Approach and the Income Approach.

The Cost Approach incorporates the depreciated cost of improvements, land value as vacant and available for its highest and best use, and an entrepreneurial profit. It is based on the premise that the value of a property would not be greater than the cost of constructing a building of similar utility on a comparable site.

The Sales Comparison Approach incorporates an analysis of sales of similar properties, with adjustments for differences in location, quality, size, tenancy, age, and other characteristics. This approach is based on the principle of substitution, which states that a buyer would not pay more for one property than for another that was equally desirable.

The Income Approach is based on the income generating capabilities of a property. Depending on the actions of the market, a capitalization rate may be applied to net income, or projected net income (including property reversion) over a holding period may be discounted to a present value. This approach is based on the principle of anticipation, which means that the value is created by the expectation of benefits to be derived in the future.

The appraisers utilized a Discounted Cash Flow analysis (DCF) to estimate the bulk value of the property owned by FOCIL-MB. The Sales Comparison Approach is used to estimate the values of the individual Biotech/R&D, Residential, and Hotel sites. A prior appraisal is used as the basis of estimating value of the GAP property. A combination of construction costs and estimates of the land value are used to estimate the value of the Gladstone property. Finally, a capitalized analysis is used to estimate the value of the UCSF hospital ground lease. The Cost Approach has been omitted because buyers of properties like the subject do not consider this approach in their purchasing decisions.

Mission Bay South, San Francisco
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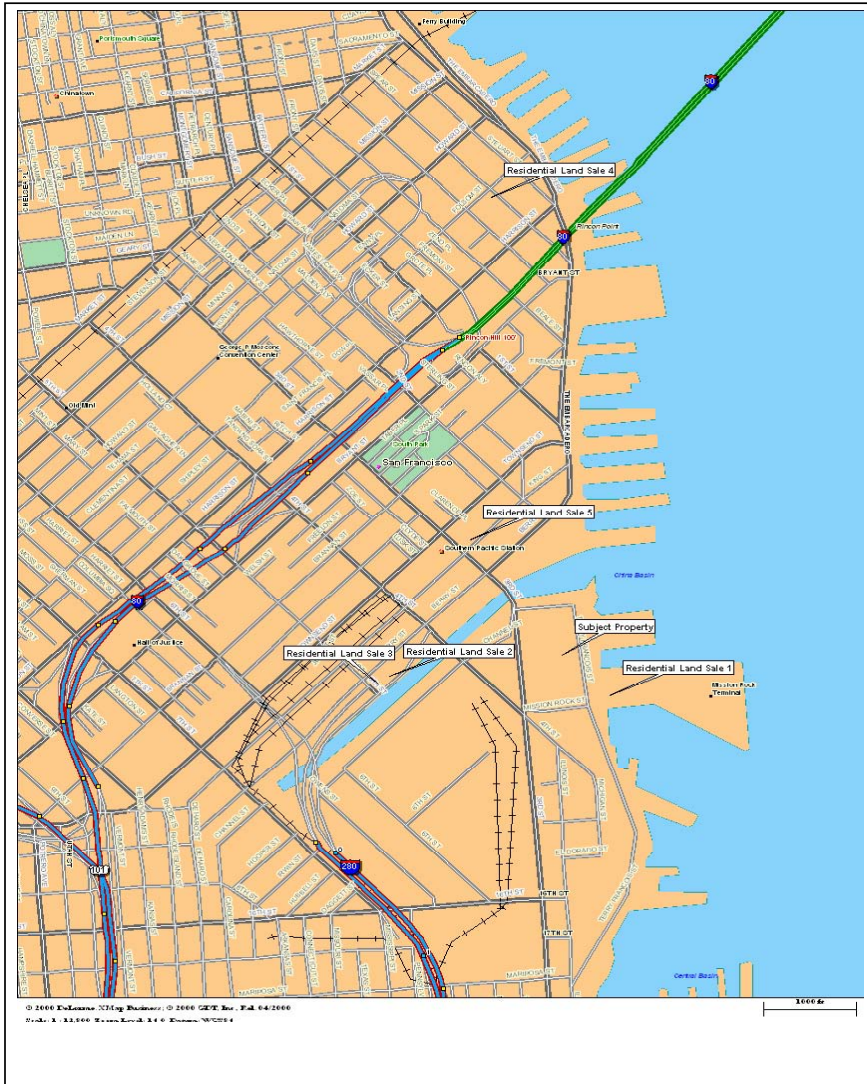
As such the appraisers have analyzed recent sales of vacant residential development land via the Sales Comparison Approach.

The table on the following page summarizes the comparables used in our analysis. Please refer to the map on the page following the sales summary for the location of each sale. The following analysis relates the comparable land sales to the subject site.

COMPARABLE RESIDENTIAL LAND SALES

[illegible]

COMPARABLE RESIDENTIAL LAND SALES MAP



Mission Bay South, San Francisco

Analysis & Adjustments

The unadjusted sales prices range from \$79,688 to \$101,364 per unit, or \$256 to \$674 per square foot. The comparable land sales have been analyzed and adjustments have been made based on demolition/other site costs, property rights transferred, financing, conditions of sale, market conditions, location, size, frontage, topography, density, entitlements and Special Assessments. All of the properties have similar offsite costs associated with their in-fill development. An adjustment for the subject's special taxes will be made at the end of the analysis.

Demolition/Other Costs:

All of the sales were vacant and ready for development at the time of sale.

Property Rights Transferred:

All of the comparables sold in fee simple interest, and no adjustments for property rights transferred were required.

Financing:

All of the sales sold with cash or cash equivalent financing and an adjustment for this factor is not made.

Conditions of Sale:

All of the transactions represent arm's length sales and no adjustment for conditions is required.

Market Conditions:

Discussions with the buyers and brokers in the subject's land market and the analysis contained in the Market Trends section of this appraisal indicate that the market for residential land has been stable over the last 12 to 18 months; no adjustments for market conditions are required.

Location:

Comparable 1, located in a more remote area of CDF-6, is considered to have slightly inferior location characteristics compared to the majority of residential parcels, as the majority are more closely located to the UCSF campus; Sale one requires slight upward adjustment for location. Sales 2, 3, and 5 are in the slightly superior North of Channel RDA, and the adjacent South Beach neighborhood, requiring slight downward adjustments for location. Sale 4 is located in a slightly inferior area of the South Financial District, requiring upward adjustment.

Development Size:

Generally, smaller development sites command premiums compared to larger sites. This is due to the larger pool of buyers competing for smaller project sites and the increased time and risk associated with developing large projects. The subject's residential sites have the potential to construct an average of 215 residential units with some retail space; this represents a typical size for institutional developers. All of the sales required linear adjustments for variance in size.

Frontage:

The subject's residential parcels enjoy corner or multiple street frontages. Corner frontage offers significant advantages over interior located sites for both residential and commercial applications due to superior access characteristics, views, light exposure and exposure to vehicular and pedestrian traffic. Sales 1, 2 and 4 did not require adjustment for frontage. Sale 3 has interior frontage, but fronts a park to its south and therefore requires only slight adjustment for frontage. Sale 5 is a narrow rectangular parcel that will be surrounded on its western and northern perimeters by a large seven to 10 story residential project currently under construction; Sale 5 requires more significant upward adjustment for inferior frontage.

Topography:

Both the subject's residential parcels and the sale comparables are generally level development sites; no adjustments for topography are required.

Density:

The subject is in the middle of the range with an average density of one residential unit per 349 square feet of lot area. Higher density developments are more costly to construct and their sites tend to sell at a lower price per unit. Sales 1 and 3 are considered to have similar density compared to the subject and no adjustment is required. Sales 2, 4 and 5 have inferior density factors, requiring upward adjustment.

Entitlements:

The subject's residential parcels enjoy full entitlement for their proposed development. All of the sale comparables sold with entitlements, and therefore, no adjustments are required.

Special Taxes:

The subject parcels, and those comparable sales located in CFD-6 and the North of Channel RDA have the burden of special taxes and assessments. Sales 4 and 5 do not share this burden, and require adjustments that are discussed at the end of this section.

Reconciliation:

Once adjusted for the aforementioned factors, the comparable sales present a range from \$95,526 to \$103,594 per unit.

Consideration of the Special Taxes:

Development sites within the subject property and the North of Channel RDA are encumbered by special taxes. A summary of the special taxes is presented in the table on the following page. The present values of the special taxes allocated to each component are calculated in this table. Therefore, Sales 4 and 5 must be adjusted downward by the subject's estimated residential tax burden of \$10,570 per unit. Therefore, Sales 4 and 5 provide tax adjusted market value indicators of \$93,024 and \$89,430, respectively. Therefore the range in adjusted values is from \$89,430 to \$96,827.

Final Reconciliation & Conclusion – Residential Condominium Land:

The most comparable transactions surveyed are Sales 1, 2, 3 and 4, bracketing a range in values from \$94,567 to \$96,827. Due to the current strength in the residential market and the attractive new infrastructure proposed for the subject neighborhood, reconciliation to the upper end of the adjusted range is appropriate. Consequently, we have estimated the fee simple value of the residential condominium parcels within the subject property at **\$96,000** per unit.

Apartment Land Analysis & Conclusion:

Block 4 is entitled for the development of 192 apartment units. It can be developed with apartments only. Apartment land is somewhat less valuable for development purposes compared to land entitled for condominium use. To estimate a reasonable discount to apply to Block 4, an analysis of recent condominium and apartment sales transaction in the North of Channel RDA is considered. The sales are displayed in the chart accompanying the Property History section at the beginning of this report. Condominium land in the North of Channel area is currently valued at about \$100,000 per unit by the market. The sale of APN 8707-003 involved a parcel entitled for the development of 194 apartment units. The land was purchased by Urban Housing Group, and sold for the equivalent of \$75,000 per unit, indicating a discount of \$25,000 per unit compared to similar condominium

land. This supports the general market consensus that apartment land is approximately 25% to 30% less valuable for development purposes in the present environment, compared to condominium land. Using a \$25,000 per unit adjustment factor, Block 4 is estimated to have a market value of **\$71,000** per unit.

Summary of Special Taxes: Commercial, Residential & Hotel

Assumptions:

	Acres	%	
Commercial ¹	90	146%	
Other Commercial ²	348	561%	
Residential	155	250%	
Hotel	27	44%	
Total	620	1000%	
Inflator			20%
Permanent OAR ³			80%
Discount Rate ⁴			532%

Special Assessments & Tax Matrices

Non-Infrastructure (Permanent)					
Item ⁵	\$/Acre Annual	Current	Commercial Per FAR	Residential Per Unit	Hotel Per Room
CFD-M	15,505	15,815	020	127	85
MBMC				312	
COA	3,400	3,468	004		19
TMA			020	60	85
			044	499	189
Capitalized:			\$5.54	\$6,234	\$2,364
Infrastructure (26 Years) ⁶					
Item	Total NPV	Pro Rata	Commercial Per FAR	Residential Per Unit	Hotel Per Room
CFD-6	\$33,560,844	706%	\$518		
		250%		\$4,336	
		44%			\$2,923
Total Adjustment for Encumbrances			\$10.72	\$10,570	\$5,287

- Notes:
- 1. Commercial parcels appearing in the DCF
 - 2. Additional properties in the CFD not subject to discounting; the BP, Bldstone, AREE bulk purchase and misc. taxable land.
 - 3. Permanent taxes are capitalized at an OAR (overall rate, or capitalization rate) reflecting the blend of property uses.
 - 4. Infrastructure taxes are discounted over the expected life of the M-R bonds, and utilize the Municipality's cost of capital.
 - 5. CFD-M =CFD Maintenance. MBMC =Mission Bay Maintenance Corp. COA = Commercial Owners Association. SBA =Special Benefits Area. TMA =Transportation Management Association. Taxes are paid by developed property owner, only. Taxes estimated by Catellus.
 - 6. Infrastructure has a discounted hold of 26 years, the approximate time projected to eliminate the M-R bonds.

COMPARABLE LAND SALES ADJUSTMENT GRID

Subject Property	No. 1 10A	No. 2 NDP2	No. 3 Ma-1	No. 4 300 Spear Street	No. 5 188 King Street
75,020 215	34,848 112 \$10,438,000 \$10,438,000	65,340 280 \$25,175,000 \$25,175,000	43,560 110 \$11,150,000 \$11,150,000	75,625 640 \$51,000,000 \$51,000,000	12,272 46 \$4,600,000 \$4,600,000
Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Prop. Rights Transferred:					
Adjusted Price:					
Financing Terms:					
Adjusted Price:					
Condition of Sale:					
Adjusted Price:					
Market Conditions:					
Adjusted Price:					
Adjusted Price/Unit:					
Location:					
Development Size (#Units):					
Adjusted Price:					
Frontage:					
Topography:					
Adjusted Price:					
Density (Land SF/Unit):					
Adjusted Price:					
Efficiencies:					
Adjusted Price:					
Special Assessments:					
Adjusted Price:					
Adjusted Range:					
	\$56,526	\$96,827	\$96,295	\$103,594	\$100,000
	2.5%	0.0%	-5.0%	30.0%	0.0%

SALES COMPARISON APPROACH - BIOTECH/R&D LAND

We have prepared a separate analysis of the underlying land value of the Biotech/R&D sites within the subject property. The sales used in this analysis are low- to mid-rise bio-tech development sites located within CFD-6 and in a competing biotechnology area in South San Francisco. A variety of relevant adjustments are made to the comparables for comparison to the subject. The subject's bio-tech office parcels have a mean size of 131,261 square feet and an average entitled FAR of 266,765 square feet of building area. These averages will be used for comparison to the sales.

The land sales have been analyzed on a price per F.A.R. basis, based on the approved or maximal gross building area for the properties.

The table on the following page summarizes the comparables used in the analysis. Please refer to the map on the page following the sales summary for the location of each sale. The following analysis relates the comparable land sales to the subject site.

COMPARABLE BIO-TECH/R&D LAND SALES

No.	Location APN Document #	Date/ Marketing Time (s)	Sales Price	Financing Conditions	SF Gr Ac. Net Ac.	Topo. Survey Frontage Offices	Zoning H/L H/L Approvals	\$/SF	\$/SFFAR	Buyer Seller
1.	Block33 - 34 Mission Bay NA NA	Recent Offer NA	\$30,250,000	Cash Recent Offer	165,528 3800 3800	Level Rectangular Corner Complete	MB South 33 160 #s	\$183	\$55	Confidential FOCL-MB
2.	Block41 - 43; 1,3,4,5,6 & Mission Bay 8709-5, 7, 9 & 80 NA	9/04 NA	\$31,000,000	Cash Arms Length	248,292 5700 5700	Level Irregular Corner Complete	MB South 20 160 #s	\$125	\$61	Alexandria Real Estate Eagles Catalitus Development
3.	Oyster Point Blvd. east of My 101 SSF - Shearwater Redevelopment Area NA NA	Late 2004 NA	\$33,000,000	Cash Arms Length	871,200 20000 20000	Level Irregular Corner Complete	Shearwater RDA 0 160 #s	\$38	\$55	Genentech Hes Interests, LP
4.	Owens 86 Streets Mission Bay NA 913095	3/01 NA	\$9,500,000 3,100,000 \$12,600,000	Cash Arms Length	59,989 1377 1377	Level Rectangular 2-Street Complete	M-2 30 50 #s	\$210	\$70	David Osdstone Institutes Catalitus Development
SUBJECT										
<i>Mission Bay Average Bio-Tech Parcel</i>										
			131,281		3,073	Level Rectangular Varies Complete	Mission Bay 2.6 160 Yes	\$111	\$55	

COMMENTS:

Comparable No. 1: This site is entitled for the construction of 550,000 square feet of bio-tech office development. The parcels are located in the southeastern portion of Mission Bay South somewhat removed from the UCSF campus, have somewhat inferior parcel configurations, and due to infrastructure development, could not commence development before 2006. This comparable represents a recent offer that did not transact, and is considered a strong indicator of value. In the interim, there are additional offers under consideration for similar parcels.

Comparable No. 2: Recent sale of land entitled for the construction of 508,000 square feet of bio-tech office development, located near the UCSF campus. The first of several buildings that will be constructed on this site recently broke ground and will be completed in 2005. This site is supported by infrastructure that allows for fast-track development.

Comparable No. 3: This site was purchased by Hes, a large Texas based real estate developer, in the late 1980s. Hes obtained the project Bay M4 Cove, and achieved approval for the construction of 600,000 square feet of general office space in late 2000. Genentech purchased the parcel after receiving a use change allowing for the development of 600,000 sf of bio-tech office space. This site is near Genentech's main campus, and will provide the company with adjacent expansion space.

Comparable No. 4: This site was entitled for the development of a 180,000 square foot life sciences research facility. The buyer is a charitable trust organized as a non-profit research organization affiliated with UCSF. The site is located adjacent the 400,000 square foot UCSF campus building currently under construction. Because the buyer is a non-profit entity and does not participate in the tax increment financing mechanism, the price was increased \$2,600,000 to account for the site's pro-rata share of public infrastructure costs. The buyer also paid \$300,000 for private on-site infrastructure costs.

NOTES:

(1) Marketing time, presented as months on the market.

(2) Net acreage per zoning or as approved at time of sale. The average subject parcel is estimated to have 266,765 square feet of gross building area for an FAR of 26.

(3) Height limit expressed in feet.

COMPARABLE BIO-TECH/R&D LAND SALES MAP



Mission Bay South, San Francisco

Analysis & Adjustments

All of the sales are bio-tech/R&D development properties in CFD-6 and a competing area of similar type development in the Oyster Point area of South San Francisco. Due to the range of allowed development densities, the most appropriate value measurement is the price per F.A.R. or maximal building area allowed. As discussed earlier, the average subject site is 131,261 square feet, or 3.01 acres, and will accommodate a 266,765 square feet entitled building area.

The unadjusted sales prices of the comparables range from \$55 to \$70 per F.A.R. The comparable land sales have been analyzed and adjustments have been made based on demolition/other site costs, property rights transferred, financing, conditions of sale, market conditions, location, site area, project size, topography, entitlements, offsite infrastructure and special taxes. All have multiple-street frontages and no adjustments for frontage are required. Adjustments for special taxes will be made in the reconciliation section.

Demolition/Other Costs:

As indicated in the Comments section of the *Sale Summary* table, the sales price of Comparable 4 was increased \$2,800,000 to account for its pro-rata share of the public infrastructure costs. This buyer is also required to spend \$300,000 to construct a private road on its site for a total upward adjustment of \$3,100,000. The remaining comparables are considered to be finished development sites and no adjustments are required.

Property Rights Transferred:

All of the comparables sold in fee simple interest, and no adjustments for property rights transferred were required.

Financing:

Sales 2, 3 and 4 sold all cash to the seller; no adjustment for financing is required.

Conditions of Sale:

Sales 2, 3 and 4 involved arm's length transactions and no adjustment for this factor is warranted. Comparable 1 is a recent offer for the purchase of Blocks 33 – 34. The seller reports that the offer did progress to a sale, but that similar offers at the same price are under consideration. Comparable 1 has been included, as the appraisers consider it a strong value indicator.

Market Conditions:

As discussed at length in the Market Analysis section earlier, the market for bio-tech office land dropped dramatically with the implosion of the general office market. Generally the market for bio-tech office land softened in the 2000/01 period, dropped from late 2001 to 2003, and has exhibited strong growth based on favorable market fundamentals in the interim. In summary, the market has yet to achieve the levels of 2000, but has dramatically out-performed the general office land investment market to date. Therefore, only the oldest transaction, Sale 4, requires adjustment for superior market conditions.

Location:

The subject's bio-tech land parcels are considered to have *good* location characteristics. Sale 1 is considered to have equivalent location characteristics compared to the subject's. Sales 2 and 4 are located in the CFD's prime bio-tech area, adjacent to the dense development underway within the UCSF campus. These sales have superior location characteristics compared to the subject, requiring downward adjustment. Sale 3, located near the Genentech campus, but more remote from the non-Genentech bio-science center, is considered to have somewhat inferior location characteristics, requiring upward adjustment.

Site Size:

Generally, larger sized building sites tend to yield lower unit values compared to smaller sites. The subject's average site is considered to fall within the middle of the large, institutional-scale bio-tech development market. Sale 4 is considered to have similar site size compared to the subject and no adjustment is required. The remaining sales required linear adjustment for variance in size.

Development Size (Building FAR):

Smaller sized developments command a premium in comparison to larger bio-tech development sites due to the higher price and development costs associated with large-scale multi-building developments. Large developments also bear the market risk associated with extended development and construction time horizons. The average bio-tech/R&D project size within the subject's project is 266,765 square feet, falling in the middle of the institutional-scale size range. Sale 4 is considered to have similar FAR, and no adjustment for size is required. The remaining sales required linear adjustments for variance in FAR.

Topography/Shape:

The subject and all the comparables are all relatively level and regular shaped sites that allow for efficient development. Consequently no adjustments for this factor are required.

Entitlements:

The subject's bio-tech parcels are fully entitled for development. All of the comparables sold with entitlements, and no adjustment is required.

Offsite Costs:

All of the comparable sales sold with infrastructure to the sites, and no adjustments for offsite costs are required.

Reconciliation:

Once adjusted for the discussed factors, the comparable sales present a range in building FARs from \$54 to \$65 per square foot.

Consideration of Special Taxes:

The following discussing references the *Summary of Special Assessments* chart and discussion appearing at the end of the Residential Market Analysis section. The subject's bio-tech office parcels are subject to tax and infrastructure costs that are estimated to amount to \$10.72 per building FAR. Sales 1, 2 and 3 are within CFD-6 and therefore require no adjustment. Sale 3 must be adjusted for the burden of these development and holding costs. Therefore, Sale 3 provides for a rounded adjusted market value indication of \$54 per FAR.

Final Reconciliation & Conclusion:

After consideration of tax burdens, the adjusted range in value indications is from \$54 to \$56 per square foot of building FAR, a tight range reflecting the efficient and highly attractive market for bio-tech office land in Mission Bay. A market value conclusion in the middle of the range, say **\$55 per building FAR**, is considered reasonable for the subject.

COMPARABLE BIO-TECH/R&D LAND SALES GRID

Subject Mission Bay South	No. 1 Block 33 - 34	No. 2 Blocks 41 - 43	No. 3 Oyster Point Blvd.	No. 4 Owens & 16 Streets
9.013 171,264 2.6	3,800 165,528 3.3	5,700 248,292 2.0	20,000 871,200 0.7	1,977 59,889 3.0
	Sales Price: \$30,250,000 Demolition & Other: 0 Adjusted Sales Price: \$30,250,000	\$31,000,000 0 \$31,000,000	\$33,000,000 0 \$33,000,000	\$9,500,000 3,000,000 \$12,500,000
Fee Simple	\$55 Fee Simple 0.0%	\$61 Fee Simple 0.0%	\$55 Fee Simple 0.0%	\$70 Fee Simple 0.0%
Prop. Rights Transferred: Adjustment:				
Adjusted Price:	\$30,250,000	\$31,000,000	\$33,000,000	\$12,500,000
Financing Terms: Adjustment:				
Adjusted Price:	\$30,250,000	\$31,000,000	\$33,000,000	\$12,500,000
Condition of Sale: Adjustment:				
Adjusted Price:	\$30,250,000	\$31,000,000	\$33,000,000	\$12,500,000
Market Conditions: Adjustment:				
Adjusted Price:	\$30,250,000	\$31,000,000	\$33,000,000	\$12,500,000
Adjusted Price/FAR:	\$55	\$61	\$55	\$63
Location: Adjustment:	Good 0.0%	Good + -10.0%	Good - 1.0%	Good + -10.0%
Lot Size (Ac.): Adjustment:	3.800 0.0%	5.700 -2.5%	20.000 5.0%	1.977 -5.0%
Project Size (SF): Adjustment:	950,000 2.3%	508,000 2.5%	600,000 2.3%	180,000 0.0%
Topography/Shape: Adjustment:	Level/Rectangular 0.0%	Level/Rectangular 0.0%	Level/Rectangular 0.0%	Level/Rectangular 0.0%
Entitlements: Adjustment:	Yes 0.0%	Yes 0.0%	Yes 0.0%	Yes 0.0%
Offices: Adjustment:	Complete 0.0%	Complete 0.0%	Complete 0.0%	Complete 0.0%
Total Adjustment:	2.5%	-10.5%	17.5%	-15.0%
Adjusted Range:	\$56	\$55	\$65	\$54

SALES COMPARISON APPROACH: HOTEL LAND

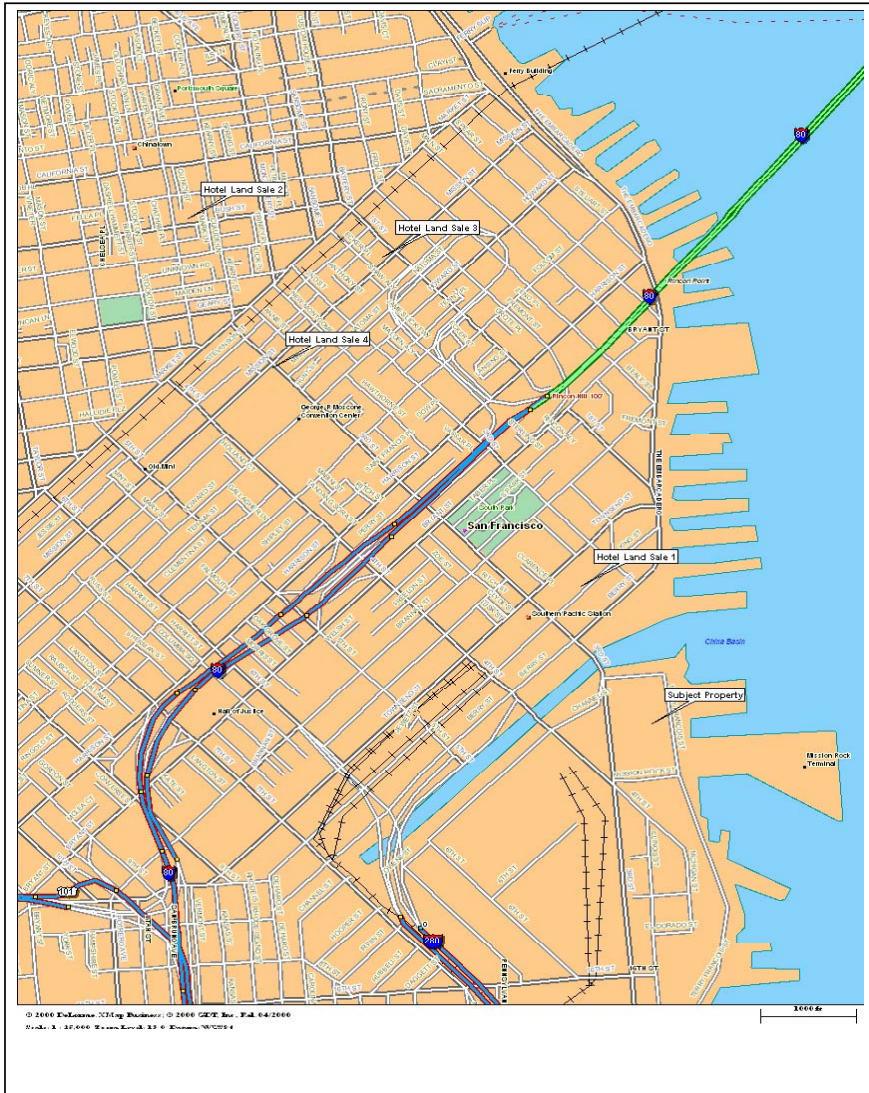
The market value of the land is estimated by direct comparison with similar parcels that have sold, with adjustments made for factors that affect value, such as location, size and physical attributes. Given the subject's location in a market area that is nearly built-out, there have been limited hotel land sales in San Francisco over the last several years. The land sales have been analyzed on a price per hotel room or 'unit' basis and are compared to the subject on factors of transactional influences as well as physical attributes including location, lot size, development size, topography, and approval status. The table on the following page summarizes the comparables used in our analysis. Please refer to the map on the page following the sales summary for the location of each sale. The following analysis relates the comparable land sales to the subject site.

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COMPARABLE HOTEL LAND SALES

No.	Location APN Document #	Date/ Marketing Time (s)	Sales Price	Financing Conditions	SF Gr. SF Net Net A.C.	Topo. Shape Frontage Offsets	Zoning Units Planned Density (b.) Approvals	\$/SF (c.) \$/Room	Buyer Seller
1.	144 King Street SOMA 3794-024 8910805	10/5 11	\$4,000,000 100,000 \$4,100,000	Cash Arm's Length	9,900 7,735 0.178	Level Rectangular Interior Complete	M-2 131 59 No	\$530 \$31,298	Chelsea King Street, LLC Lewis & Taylor, Inc.
2.	466 Bush Street CBD 0270-042 7900572	11/04 NA	\$6,050,000 (1,000,000) \$5,050,000	Cash Arm's Length	5,675 5,675 0.130	Level Rectangular Interior Complete	C-3-R 86 66 Yes	\$890 \$68,721	Orchard Garden, Inc. Pan Pacific Ocean Hotel, Inc.
3.	512-526 Mission Street SOMA 3709-010 thru -012 G862038	12/00 NA	\$13,750,000	Cash Arm's Length	15,521 15,521 0.366	Level Rectangular Corner Complete	C-3-O 400 39 No	\$886 \$34,375	SF Mission Softel LLC Golden Gate University
4.	SEC Mission & Third Streets SOMA 3722-59 -62 thru -66 G865173	11/00 NA	\$14,300,000 (150,000) \$14,150,000	Cash Arm's Length	32,897 32,897 0.755	Level Rectangular Corner Complete	C-3-O, D-1 286 115 Yes	\$430 \$49,476	SF Mission Tower LLC SFRA
SUBJECT									
	Mission Bay Block 1				117,612 117,612 2,700	Level Rectangular Corner Complete	Mission Bay 500 235 Yes	\$119 \$35,000	
COMMENTS: Comparable No. 1: Recent sale of a small development site in South Beach, across from SBC Park and immediately east of Calafate North of Channel development. The property sold to a developer that proposes to build a 131-unit boutique hotel. The site does not have approvals and will require the purchase of Transient Development Rights (TDRs) to achieve the proposed density. The site includes an easement conferring use of private street improvements to neighboring property owners; hence the difference in gross and net usable area. The site is presently developed with a 5,655 square foot of warehouse, including a rooftop billboard, that provides \$10,000 in monthly interim income. The leases expire in 2/2006. Interim income has been netted against the estimated costs associated with demolishing and removing the existing improvements. Comparable No. 2: Recent sale of a small development site in a secondary area of the CBD. The property sold to a hotel company (Orchard Garden Hotel) that will construct an 86-room boutique hotel on the site. The property sold with full entitlements, as well as working blueprints and architectural drawings. Market participants report that the drawings transferred with a value estimated at \$1,000,000; thus, a downward adjustment is made. Comparable No. 3: Purchase of a development site on the north side of Mission Street between 1st and 2nd Streets. At time of purchase the buyer planned to construct a 27-story, 400 room, SoHo hotel that will include a 131-unit boutique hotel. At the time of sale, the site was improved with temporary classroom buildings for Golden Gate University. The sale sold without entitlements. Construction was completed in 2005. Comparable No. 4: Carpenter & Company was selected in 1998 as the developer of this project after a protracted bidding process. The development will incorporate a 71,100 square foot historic structure into the new improvements. Approximately \$5,250,000 in additional costs are associated with incorporating these improvements. The value attributed to the 30 condominium units to be built on the site estimated at \$60,000 per unit or \$5,400,000. The buyer agreed to build out 20,000 square feet for a cultural center that was leased at very low rates for 99 years.									
NOTES: (a.) Marketing time, presented as months on the market. (b.) Density, expressed as square feet of lot area per unit. (c.) Price per square foot of net site area.									

COMPARABLE HOTEL LAND SALES MAP



Mission Bay South, San Francisco

Analysis & Adjustments

The unadjusted sales prices range from \$31,298 to \$58,721 per unit, or \$430 to \$890 per square foot, with proposed room counts ranging from 86 to 400 rooms and parcel sizes ranging from 5,675 to 32,897 square feet. The comparable land sales have been analyzed and adjustments have been made based on property rights transferred, financing, conditions of sale, market conditions and the physical factors discussed earlier. In addition, the sales are adjusted for demolition and other costs to bring the sales to a vacant state, and the effects of the special tax burden (appearing at the end of this section).

Demolition & Other Costs:

Sale 3 sold as a finished lot and no adjustment is required. Sale 1 requires a net adjustment (after consideration of interim income) of \$100,000 for the demolition of existing improvement and site development costs. Sale 2 requires a downward adjustment of \$1,000,000 for working blueprints and architectural plans acquired in the transaction. Sale 4 required a net downward adjustment of \$150,000 (see notes in *Comments* section at bottom of Sales Survey).

Property Rights Transferred:

All of the comparables sold in fee simple interest, and no adjustments for property rights transferred are required.

Financing:

All of the comparable land sales were purchased all cash or all cash to seller, and no adjustments for financing are required.

Conditions of Sale:

All the sales were arm's length transactions, and no adjustments for conditions of sale are required.

Market Conditions (Date of Sale):

Due to the absence of long-term leases to smooth out revenue during economic cycles, hotel values are typically volatile. The sales provide evidence that niche markets, those locations that have ideal underlying fundamentals, are beginning to experience anticipated new construction. However, it is expected to be three to five years before occupancy and ADRs are expected to achieve levels to support general new construction in the San Francisco hotel market. Given the

current market conditions, a 20% downward adjustment is made to Sales 3 and 4 to reflect their superior market conditions at time of sale.

Location:

The subject is considered to have *good* location adjacent to SBC Park, the North of Channel development and Mission Bay South. As the UCSF campus nears completion of Phase 1, and begins construction of Phase 2, demand for neighborhood specific hospitality needs will support the construction of Block 1. Sale 3 is considered to have similar location characteristics, requiring no adjustment. Sale 1, located in the southwestern section of South Beach, near the North of Channel RDA, is considered to have somewhat superior location, requiring downward adjustment. Sale 2, located in a prime niche market in the Secondary CBD, is considered to have significantly superior location, requiring downward adjustment. Sale 4, located near the SF MOMA and adjacent to Yerba Buena, is considered to have somewhat superior location, requiring downward adjustment.

Project Size:

Large properties typically sell for lower unit values compared to smaller developments. Sale 4 is considered to exhibit similar size characteristics compared to the subject and no adjustment is required. The remaining sales required linear adjustments for variance in size.

Topography:

The comparables are considered to have similar topography and shape compared to the subject and no adjustments are required.

Density:

The comparable development sites have densities ranging from 39 to 115 rooms per acre, as compared to 235 for the subject's parcel. Therefore, all the sales required upward adjustments due to the increased cost and risk associated with higher density development.

Entitlements:

Comparable 1 was sold without entitlements and suffers a variety of additional development constraints. Therefore, a significant upward adjustment for entitlements is appropriate. Sale 3 sold without entitlements only, requiring more modest upward adjustment. The remaining sales sold with entitlements in place, and no adjustments are required.

Offsites:

All the comparable properties have utilities and public streets extended to the sites. An adjustment for the subject's special taxes will be made at the end of this analysis.

Summary & Conclusion:

The sales indicate an adjusted range from \$34,400 to \$35,600 per room. The subject would be expected to achieve a market value in the middle of the adjusted range, say \$35,000 per room. From this amount, the present value of the subject's special taxes is deducted. The rounded amount attributed to the hotel component is calculated to be \$5,287 per room in the Summary of Special Taxes table previously disclosed in this report. Therefore the concluded rounded estimated value for the subject's hotel land component is **\$30,000 per room**.

COMPARABLE HOTEL LAND SALES GRID

Subject Mission Bay	No. 1 144 King Street	No. 2 468 Bush Street	No. 3 512-528 Mission Street	No. 4 SEC Mission & Third Streets
2,700 500	0.17% 131	0.130 86	0.366 400	0.716 288
	\$4,000,000 100,000 \$4,100,000	\$6,050,000 (1,000,000) \$5,050,000	\$13,750,000 \$13,750,000	\$14,300,000 (1,000,000) \$14,150,000
	\$31,298	\$58,721	\$34,375	\$49,476
Fee Simple	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%
	\$4,100,000	\$5,050,000	\$13,750,000	\$14,150,000
Conventional	Cash 0.0%	Cash 0.0%	Cash 0.0%	Cash 0.0%
	\$4,100,000	\$5,050,000	\$13,750,000	\$14,150,000
Arms Length	Arm's Length 0.0%	Arm's Length 0.0%	Arm's Length 0.0%	Arm's Length 0.0%
	\$4,100,000	\$5,050,000	\$13,750,000	\$14,150,000
Current	1/05 0.0%	11/04 0.0%	12/00 -20.0%	11/00 -20.0%
	\$4,100,000	\$5,050,000	\$11,000,000	\$11,320,000
	\$31,298	\$58,721	\$27,500	\$39,580
Good	Good + -5.0%	Very Good -30.0%	Good 0.0%	Good + -10.0%
500	131	86	400	288
	-15.0%	-20.0%	0.0%	-7.5%
Level	Level 0.0%	Level 0.0%	Level 0.0%	Level 0.0%
235	59	66	39	115
	10.0%	10.0%	15.0%	7.5%
Yes	No 20.0%	Yes 0.0%	No 10.0%	Yes 0.0%
	Complete 0.0%	Complete 0.0%	Complete 0.0%	Complete 0.0%
Total Adjustment:	10.0%	-40.0%	25.0%	-10.0%
Adjusted Range:	\$34,400	\$35,200	\$34,400	\$35,600

Site Size (Net Area):
 Units Under Development:
 Sales Price:
 Demolition & Other:
 Adjusted Sales Price:
 Sales Price/Unit:
 Prop. Rights Transferred:
 Adjustment:
 Adjusted Price:
 Financing Terms:
 Adjustment:
 Adjusted Price:
 Condition of Sale:
 Adjustment:
 Adjusted Price:
 Market Conditions:
 Adjustment:
 Adjusted Price:
 Adjusted Price/Unit:
 Location:
 Adjustment:
 Size (# of units):
 Adjustment:
 Topography:
 Adjustment:
 Density:
 Adjustment:
 Entitlements:
 Adjustment:
 Offsites:
 Adjustment:
 Total Adjustment:
 Adjusted Range:

ADDITIONAL VALUE COMPONENTS: BULK PURCHASES & IMPROVED LAND

Overview

As discussed earlier, the aggregate bulk value of CFD-6 is a sum of five value elements. The value elements are (1) the fee simple interest of the land interests held by FOCIL-MB, (2) the fee simple interest in the land interests held by AREE, (3) the leased fee interest of the GAP property, (4) the fee simple interest of the Gladstone Institutes (Gladstone) property, and (5) the leasehold interest in the lands comprising the UCSF Hospital site. The following section will address elements 2, 3, 4 and 5. Element 1 is discussed in the following section. The reader's attention is directed to Special Limiting Conditions & Critical Assumptions No. 8 for a discussion of methodologies the appraisers applied at the direction of the Client in appraising the additional value components.

AREE Bulk Purchase

For purposes of valuing the bulk value of the land purchased by AREE, the actual sale price is used. As discussed earlier in the Property Description section of this report, AREE entered into three transactions, between September of 2004 and February of 2005, for the purchase of land entitled for development of approximately 2.15 million square feet of bio-tech related space. The first of AREE's projects is expected to break ground shortly. AREE is a well-capitalized publicly traded REIT with international holdings concentrated in bio-science related developments, and has demonstrated expertise and success in this market niche. Their purchase represents a bulk sale of the respective parcels. The aggregate purchase price was \$114,150,000. Catellus provided nominal financing, at terms and conditions considered market rate, for the third of these purchases. Therefore, the bulk value of the purchase is estimated to be **\$114,150,000**. Claiming such matters were proprietary and confidential, AREE disclosed only limited information to the appraisers about the value metrics used in the purchase, and no information regarding the expected absorption of improved properties. Transaction information regarding this sale was provided by Catellus and publicly available information.

The GAP Property

In late 2000 Catellus entered into a long-term lease with the GAP, an international apparel company, and constructed a 280,000 square foot build-to-suit office building on Block 28. The building was completed in late 2002, and lease payment commenced in October of that year. The

initial term of the lease is for 15 years, and the lessee has three five-year options to renew at fair market rent. The tenant has recently decided to occupy the building for its Old Navy division headquarters. During the interim, GAP has continued to pay rent to Catellus. At the express direction of the Client, the appraisers have relied on information from the prior appraisal performed in the 2002 CFD-6 valuation and changes in market conditions during the interim to estimate the GAP property's current market value. In the 2002 appraisal, market rents for Class A space in the South Financial District, the subject's most relevant market, were approximately \$30 per square foot, annually, full service (F/S) expense basis. Vacancy was about 19.8%. As of the 1st Quarter 2005, South Financial District Class A office rents are approximately \$30; there has been no appreciation in competitive Class A office rents during the interim. Vacancy in the submarket is presently about 13%; about 6% of space has been absorbed. A review of rent conditions does not support a change in the original market value estimate. However, during the interim the Class A resale market has experienced a modest compression in *stabilized* capitalization rates. The 2002 appraisal utilized a 9% capitalization rate, reflecting the inherent risk profile at the time. A slight downward adjustment is reasonable, given the positive absorption trend in Class A space. Furthermore, the discount rate used to estimate the future value of GAP's lease payments (16.5%) should reflect both improved office absorption, and the GAP's somewhat improved credit profile. Using an 8.5% capitalization rate, a 15% discount rate, and the same value metrics applied in the 2002 appraisal, the GAP property would have a current rounded "as is" market value of approximately \$80,500,000. Therefore, the current "as is" market value of the GAP property is estimated to be **\$80,500,000**.

The Gladstone Property

To estimate the market value of the Gladstone property, first the market value is estimated, and then an "as is" discount is applied. At the express direction of the Client, the market value of the property is estimated by applying the market value of the land, as estimated earlier in the Bio-Tech/R&D Land Analysis, to the replacement cost of the improvements. This is a reasonable approach, as the building is new, and the land value is easily estimated.

Land Value:

The Gladstone property was entitled for the construction of 180,000 square feet of building space. A current market value estimate of the land is somewhat above the concluded estimate for the FOCIL-MB land, as the Gladstone property is located on a 'prime' bio-tech parcel within the CFD. Therefore, the analysis will use an estimate of \$60 per building FAR in estimating current land

value, equating to \$10,800,000. Additional costs incurred by Gladstone in securing tax-free status from the developer are not relevant, as this valuation assumes the building is improved, vacant, ready for sale, and subject to the prevailing property tax environment.

Improvement Value:

The Gladstone property is improved with a specialized state-of-the-art life-sciences research facility. To determine the construction costs, the appraisers talked with high-level officials of the J. David Gladstone Institutes. Hard costs (direct costs) for the construction of the improvements are reported to have amounted to approximately \$74 million. This is a highly accurate estimate of replacement cost, as the property was completed and occupied in late-2004. Soft costs (indirect costs) such as financing and professional fees, would typically amount to an additional 10%, or \$7.4 million, for total direct and indirect costs of \$81.4 million. Entrepreneurial profit for a project of this type would typically be in a range from 10% to 15% of direct and in-direct costs. Using an entrepreneurial profit factor of 12.5%, a profit factor of approximately \$10 million would be reasonable. Summing these amounts provides for a replacement value of the improvements of approximately \$91.4 million, rounded to \$91,500,000. Since the building is new, no appreciable depreciation is noted, providing for an estimated *stabilized* market value of **\$91,500,000**.

"As Is" Value of the Gladstone Property:

Given this appraisal's bulk value assumption, the Gladstone property would be sold vacant to an opportunity buyer that would then undertake the economic stabilization of the property. Since an opportunity buyer would be expected to demand a discount to stabilized market value, we have applied a 15% discount to the market value estimated above. Typically, an opportunity buyer would be expected to achieve a deeper discount. However, given the good demand characteristics for specialized bio-tech/R&D product, the high quality of the improvements and the site's outstanding location, a 15% discount appears reasonable. Applying a 15% discount to the stabilized market value estimated above, the "as is" value, assuming a bulk sale, of the Gladstone property is estimated to be \$77,775,000, rounded to **\$78,000,000**.

Capitalized Value of the UCSF Hospital Lease

Overview:

UCSF has entered into a structured ground lease agreement with Catellus whereby CFD-6 Blocks 36, 37, 38 and 39 will be leased to UCSF for the construction of a 200-bed research hospital. Given the ongoing negotiations regarding the site, the lease begins as an option, and rolls into a ground

lease with an option to purchase a decade later. Officials intimately knowledgeable about the negotiations report that the consummation of the ground lease agreement is 'very likely.' The accepted methodology to value the long-term lease is a capitalized analysis. A review of the terms and conditions suggests that the negotiated price of the land, and the ground rate applied, is not market derived. Therefore, the appropriate methodology for estimating value is to consider a market-derived ground rate to apply to the contracted lease payment. By capitalizing the lease payment at a reasonable ground rate, the value of the leased fee can be estimated. The table below presents the general terms and conditions of the UCSF ground lease.

UCSF Hospital Option & Ground Lease	
Lessor	Catellus Operating Limited Partnership
Lessee	UCSF
Site	Blocks 36, 37, 38 & 39
Size	Approx. 9.4 acres
Prior Entitlement	1.1 million s.f. Bio-tech/R&D
New Use	Hospital
Option Duration	Expires on December 31, 2005 - this is an option to ground lease
Lease Duration	99 years from January 1, 2005
Option/Base Rent	\$313,650 per month
Expense Basis	Absolute net (NNN)
Purchase Option	Lessee also has the right to exercise its option to purchase the underlying site in 2014. The negotiated price is \$45,900,000; the price is adjusted annually based on CPI (2% floor and 5% cap).
Escalations	Flat for approximately nine years, then adjusted annually based on metro CPI, but not less than 2% nor more than 5% annually.
Tax Status	Property tax exempt - lessee pays CFD taxes only, up to a defined total debt limit. Lessee will make a lump sum payment of \$10 million towards infrastructure costs.
Additional Terms	The lessee has agreed to a number of additional terms that cannot be disclosed for purposes of confidentiality.

In addition to the foregoing terms and conditions, UCSF has agreed with the city of San Francisco to purchase and develop an affordable housing site within CFD-6 approved for 160 subsidized units.

Market Value of the Land:

Given its location, the UCSF land would fall within the middle of the range of values for bio-tech land within the CFD, i.e., somewhat below the \$60 FAR land purchased by AREE, and somewhat above the market value estimated earlier for the parcels retained by FOCIL-MB. Using the mid-point, a land value of \$57.50 per FAR is reasonable. Therefore, the parcels have a market value of

\$63,250,000 based on their recent entitlement for 1.1 million square feet of bio-tech entitlement. This is significantly above the option price. Therefore it is reasonable to assume the lessee will exercise its option to purchase the site at the end of 10 years.

Future Value of the Purchase Price:

The purchase option agreement stipulates that the current negotiated price of \$45,900,000 is inflated at CPI (with annual increases of not less than 2% and no more than 5%). It is generally accepted to use a 3% inflator for such calculation; while this is below current inflation, the overall inflation rate is expected to rise from historically low levels in the future). Applying a 3% growth factor, the option price will be \$61,685,762 in year 10.

Market Ground Rates - Overview:

In addition to type of improvement, conventional ground lease rates vary on a variety of factors. A newly executed ground lease will have a market rate based on (1) duration, (2) escalations and (3) credit profile of the lessee. The theory of substitution applies as well; the land rate for the lessor must fairly compensate for the alternative investments available. Typically, an estimate of land rate is referenced to a safe yield, such as the yields on Treasury securities of similar duration. Real estate is a cyclical business, and ground lease rates will almost invariably achieve yield premiums compared to risk free rates of return. The spread between the two yields tends to hold relatively constant over time on a relative basis. Finally, the type and value of improvements will impact the ground rate. Unimproved parcels typically achieve higher land rates than parcels improved with valuable assets, as default risk is lower, and in the event of default, the lessor is well collateralized. Historically, ground rates in San Francisco have ranged from 8% to 9%. However, US inflation has been near 40-year lows over last few years, and alternative investments are providing historically low yields. Indeed, the safe rates, as reflected in the yields of Treasury securities, are at levels not seen since the early 1960s. Therefore, current land rates in San Francisco can be expected to reflect these macroeconomic influences, and the range of 'historical' land rates is less relevant today.

Land Rate Discussion & Conclusion:

The subject's ground lease has a long-term duration, typical escalations, is being leased to a tenant with strong credit, and will be improved with valuable improvements. All of these factors tend to influence the ground rate downward. The table below presents two ground lease transactions executed in 2000. Included are historical and current safe rates as reflected in Treasury securities of different durations. Since the leases are confidential, only general identification is provided.

GROUND RENT ANALYSIS									
	Location Type	Lease	Begin	End	Term	30 - Year		10 - Year	
No.	Property Value	Rate (%)	Date	Date	(Years)	T-Bond	Spread	T-Note	Spread
1.	South of Market ¹ Apartment \$12,000,000	8.00%	Mar-00	Jul-99	99	6.50%	1.50%	6.25%	1.75%
2.	South of Market ¹ Apartment \$14,900,000	8.50%	Jun-00	Jul-00	99	6.10%	2.40%	6.44%	2.06%
Current Range of Treasuries:						4.4% to 4.9%		3.9% to 4.5%	
Notes: (1) Both leases have rent reset every five years based on CPI with floors and ceiling caps.									

Since Treasury yields, inflation expectations and returns from alternative investments have dropped significantly since 2000, the relative spread is more relevant to the following analysis. The spread over 30-year Treasury bonds at the time of the lease executions ranged from 150 to 240 basis points. This reflects the more volatile nature of 30-year debt instruments. The subject's, with interim rent escalations, is more similar to the 10-year Treasury. The spread over the 10-year Treasury ranged from 175 to 206 basis points. This falls within the expected spread of 150 to 200 basis points with comparing ground leases to Treasuries. Considering the subject's lease characteristics, it would be expected to achieve a spread below the middle of the range presented by the lease comparables, say 175 basis points. Recently, the 10-year Treasury has been trading in a range from 4.05% to 4.15%. Using 4.1% as a safe rate benchmark, the subject would be expected to achieve a ground rate of slightly less than 6%. Therefore, the subject's rounded market derived ground rate is estimated to be **6.0%**. An opportunity buyer would typically expect a 100 to 200 basis point discount over the prevailing ground rate. Using the mid-point of 150 basis points, such a buyer would apply a **7.5%** rate to the annual income and lump sum sale in year 10. Since the lease payment is flat over term, and the lessee's decision to exercise the option is very likely, the yield and ground rate are equivalent. The table on the following page presents an analysis of the ground lease valuation.

Market Value - UCSF Hospital Lease Conclusion:

Using the methodology discussed above, the market value of the leased fee interest in the UCSF lease, assuming a bulk sale, is estimated to be \$53,676,477, rounded to **\$54,000,000**.

Assumptions:	Yield	7.5%									
	Hold (Years)	10									
	Reversion	\$61,685,763									
	Mo. Rent	\$313,650									
	Year:	1 2 3 4 5 6 7 8 9 10 11									
Lease Payment	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	61,685,763
Reversion											
Cashflows	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	3,763,800	61,685,763
NPV	\$53,676,477										
Rounded To:	\$54,000,000										

DISCOUNTED CASH FLOW ANALYSIS – FOCIL-MB BULK SALE

Introduction

The conventional method for valuing vacant land that has potential for development is *discounted cash flow analysis*, also referenced as yield capitalization or as subdivision development analysis. This method is appropriate when development is the most likely highest and best use of the land, and where parcelized sales take place at different points of time in the future. The discounted cash flow (DCF) analysis is particularly useful in the subject's case, as significant portions of the commercial parcels cannot be economically developed as of the date of value. The DCF approach requires three general steps; (1) estimation of current land value, (2) estimation of future land value, and (3) devising a reasonable plan for disposing of the land in future periods. Simply put, the DCF uses a multi-year absorption schedule to time land sales, employs the schedule to project the timing and cost of infrastructure development, estimates holding, marketing and management costs, and considers any interim income. The arithmetic result is a series of net annual cash flows that are discounted to a present value. The discount rate represents the yield a likely buyer would require to undertake the project. Developer's profit is reflected in this yield, as the following model does not deduct specific profit factors above the line. Step one was presented earlier in the report. Steps two and three are discussed below.

DCF Analysis: FOCIL-MB Parcels

The DCF model appears at the end of this section, and the reader should reference those portions of the model being discussed in each of the following sub-sections.

General Assumptions:

The holding period is determined by the absorption schedule – the number of years required to sell the land parcels and relieve all holding costs is 10, so the DCF has a hold of 10 years. The for-sale parcels are sold at the end of Year 5, but the prospective master Developer has municipal obligations regarding infrastructure development through Year 10. Current land values, as estimated earlier in this report, are entered as the model's "time zero" fee simple land values. Lot 26A has additional improvements that are estimated to have a contributory value of \$11,000,000 in today's dollars. Lot 28 (improved with The GAP building), the Gladstone property, the capitalized value of the UCSF leased fee and the AREE bulk purchase are added to the net present value (NPV) of the prospective land sales to estimate the project's total NPV, or Aggregate Bulk Value.

The model uses end of period discounting and each period is equal to one year. The model is based on a fiscal year beginning on the date of value, June of 2005, and terminates at the end of May 2014.

Absorption Schedule

Introduction:

The absorption schedule determines the timing of each parcel's sale. Once the schedule was created, it was forwarded to Catellus where an analysis was completed to map the timing and cost of infrastructure development necessary to support the absorption schedule. The construction analysis was then used to model the timing and size of Mello Roos and increment bond funding. The bond analysis provides detailed estimates of the actual infrastructure development costs incurred by the project Developer. This iterative process is complex and highly dependent on the timing of land sales, but provides accurate infrastructure development costs.

One motivating influence and three constraints govern the timing of land sales in the absorption schedule. The buyer's motivation is to maximize the cash flows and to dispose of parcels at the fastest possible rate. Creating finished parcels from raw land is risky business, perhaps the most risky of all real estate related endeavors. Significant time, effort and capital are spent before a parcel is fungible. The buyer's goal will be to maximize the project's return, and balance risk, by attempting rapid sell-off – the strategy in a bulk purchase is to monetize assets as expeditiously as possible. Nonetheless, buyer behavior is constrained by (1) natural absorption, or the macro-economic demand limits imposed by a market area, (2) property encumbrances that may delay sales, and (3) the economic business cycle. All three constraints are addressed and considered. The latter constraint relates to a likely buyer's desire to liquidate all of the subject's land during the current business cycle.

Two additional comments are appropriate. The DCF assumes the sale of land that is entitled for its highest and best use, and is sold with adjacent infrastructure in place. Thus, the parcels sold comprise finished development lots. There is a natural lag between a land sale and its subsequent improvement. This lag is an important consideration in the absorption analysis. Multi-family land typically requires 12 to 18 months to develop to finished product. A sale of residential land at Time=1 would not impact the supply of condominium units for 12 to 18 months later. Under the most desirable circumstances, the natural development lag for office and hotel is 18 to 24 months.

These lag factors have been considered in the timing of and scale of infrastructure costs. In theory there is one absorption schedule. But as a practical matter, there are three absorption schedules; one each for residential, bio-tech office and hotel speculative land. Each has unique supply/demand characteristics, and consequently, each has a unique absorption pattern.

Absorption & Absorption Assumptions:

The project's pro forma absorption schedule and rent growth assumptions appear on the following page. A schedule presenting the cash flows appears in the Addendum.

Residential - Multi-family residential development (both rental and condominium) is feasible in the present environment, and is expected to remain so indefinitely in San Francisco, due primarily to remarkable stability in household income, the low affordability of single-family housing and scarcity of development land. Add to this favorable mix the notable market enthusiasm for condominium product in the North of Channel RDA, and it becomes obvious why large-scale national residential developers are aggressively seeking residential sites. It is the appraisers' opinion that absorption of residential land within the CFD is limited only by the market's ability to absorb new product. Given the current inventory of condominiums under construction in the North of Channel RDA, the model assumes only one parcel is sold in Year 1. As the North of Channel RDA becomes built-out, the subject's residential parcels are quickly absorbed. Parcels supporting the development of 670 units are absorbed in Year 2. Parcels supporting the development of 738 units are absorbed in Year 3. The remaining residential parcels, Lots 2 and 3, are sold in Year 4. In relation to San Francisco's residential supply shortage, the anticipated absorption is reasonable, as a rational buyer would seek to dispose of the residential land at the greatest possible pace.

Bio-Tech/R&D – Absorption of the bio-tech land is based less on the macro-economics of Bay Area office development than on the growth of the UCSF campus and hospital. Absorption of the bio-tech land is scaled in a linear fashion intended to correlate with the buildout of the UCSF campus/hospital, while also considering AREE's building prospects. The sale pattern of bio-tech land is predicated on (1) the perceived desirability of the parcels and (2) the development patterns of the UCSF campus and hospital. The sequence of absorption begins with Block 40, followed by 26a and Blocks 33/34. Block 40 is considered the most desirable given its proximity to the UCSF

Absorption Assumptions: Timing of Land Sales & Annual Land Growth Rates (Fiscal Year)

Land Inventory	Site: Acres	Bldg: Units/SF ³	Year:									
			1	2	3	4	5	6	7	8	9	10
Residential Parcels: ¹												
2	2.1	315				315						
3	1.1	100				100						
4	1.5	192			192							
6	1.6	158		158								
10A	1.1	112	112									
10	2.3	276		276								
11	1.9	236		236								
12	2.0	273			273							
13	1.9	273			273							
Total:	15.5	1,935	112	670	738	415	0	0	0	0	0	0
Commercial Bio-Tech Office: ²												
26A	1.9	298,347				298,347						
33/34	3.8	550,000					550,000					
40	3.4	480,000			480,000							
Total:	9.0	1,328,347	0	0	480,000	298,347	550,000	0	0	0	0	0
Hotel:	2.7	500				500						
Total	27.2											
Remaining Inventory (Year End)												
Residential			1,823	1,153	415		0					
Bio-Tech/R&D			1,328,347	1,328,347	848,347	550,000	0	0				
Hotel			500	500	500	0	0					
Annual Land Growth Rates												
Residential			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Bio-Tech/R&D			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Hotel			0.0%	0.0%	0.0%	5.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%
Compounded Growth Factor												
Residential			1.030	1.061	1.093	1.126	1.159					
Bio-Tech/R&D			1.030	1.061	1.093	1.126	1.159					
Hotel			1.000	1.000	1.050	1.155	1.328					

campus. Block 26a is absorbed next, as it already has a foundation in place. Finally, Blocks 33/34 absorb as the UCSF hospital nears completion. With regard to development patterns, Phase 1 of the UCSF campus will be accomplished, or nearly so, in Year 3 of the DCF. The UCSF hospital has an expected completion in 2012/13, or Years 8/9 of the cash flow. AREE will be the first to develop private bio-tech space. Therefore, absorption of Block 40 is estimated to take place in Year 3, as the UCSF campus reaches full operation. Block 10A absorbs in Year 4. Finally, Blocks 33/34 absorb in Year 5, as the hospital is nearing completion.

Hotel - Hotel development is not currently feasible. There was significant new supply completed in the 1998 to 2000 period that met with a dramatic fall in demand in the 2001 to 2003 period. As discussed earlier in the Hotel Market Analysis Section, conditions supporting new hotel development are not expected until the 2008 to 2010 period. However, several local development patterns and growth dynamics suggest development of the subject's hotel parcel will be feasible before such development would be economically feasible in other areas of San Francisco. First, the proximity of the new Ball Park currently creates strong demand in peak game periods. These demand spikes alone are not sufficient to justify a neighborhood hotel, but in combination with the following additional demand factors, will provide strong enticement for hotel development. Second, hotel demand is expected to rise as the North of Channel project nears completion. Finally, when the UCSF campus is in full operation, and private bio-tech space comes on line, the demand for hospitality services in close proximity will create significant demand. Visiting faculty and students, their families, visiting academic researchers as well as the anticipated business travel generated by the bio-tech office development arguably will create the necessary demand for local hospitality accommodations by 2008 or 2009. These are compelling demand drivers. The hotel parcel is assumed to sell in Year 5 of the DCF.

Land Value Growth Rates:

The table on the following page presents estimates of future land growth rates. Growth rates are applied to the parcels, reflecting the natural activity of land markets over time. Growth rates for the residential parcels are projected to be 3% annually over the holding period. This conservative estimate is based on the assumption that there will be a moderation in home value inflation over the next decade relative to the recent past. Most market observers consider the recent inflation pattern to be unsustainable. The bio-tech land's growth is largely dependent on the growth of new private product within the CFD. Although market expectations are bright, the first private development is only now about to break ground. Given the amount of bio-tech land absorbed, a conservative 3% annual growth rate is assumed. Since hotel development is not economically feasible at the

present time, hotel land growth rates are flat during the beginning of the holding period, and escalate rapidly once room rates and occupancy begin to support new construction.

Absorption Assumptions: Land Value Projected Growth Rates					
	Year				
	1	2	3	4	5
Annual Land Growth Rates					
Residential	3.0%	3.0%	3.0%	3.0%	3.0%
Bio-tech Office	3.0%	3.0%	3.0%	3.0%	3.0%
Hotel	0.0%	0.0%	5.0%	10.0%	15.0%
Compounded Growth Factor					
Residential	1.030	1.061	1.093	1.126	1.159
Bio-tech Office	1.030	1.061	1.093	1.126	1.159
Hotel	1.000	1.000	1.050	1.155	1.328

Absorption Summary - A detailed schedule of sales proceeds appears in the Addendum. Aggregate land sales are the basis for annual gross cash flows in the DCF. In summary, the absorption schedule presented is intended to demonstrate the 'most-likely' scenario given the inherent uncertainties with projecting future demand.

Cost of Sales:

Costs associated with selling off the land parcels include internal marketing costs and a split of the sales commission with a buyer's broker. Developers Overhead & Administration (DO&A) accounts for the costs associated with internal sales and marketing specialists. It is assumed that those sales involving a selling broker would require a 50% commission split. Some of the sales would be transacted directly (particularly the bio-tech land sales), incurring no commission costs. Cost of sales is estimated at 1.0% of sales proceeds.

Development Costs & Expenses

Overview:

The bulk buyer of the subject property receives a development plan, entitled land in various stages of improvement and existing infrastructure. The primary development costs are incurred to develop infrastructure to support the future land sales, various carrying costs, and overhead and administration (DO&A). The costs associated with infrastructure are separated into two categories;

private infrastructure and public infrastructure; public infrastructure costs are reimbursed, private are not. Private infrastructure costs consist of site preparation including demolition, remediation, a variety of fees, temporary roads and interim facilities used to support the construction of permanent infrastructure, and the like. Public infrastructure comprises the roadways, parks, utilities and other site improvements that are ultimately transferred to city ownership. Mello Roos bonds and tax increment financing provide funding for public infrastructure. Only un-reimbursed costs and expenses associated with the public infrastructure impact the Developer and the DCF.

Private Infrastructure:

Most costs associated with private infrastructure have yet to be incurred. According to Catellus, the remaining private infrastructure costs will be incurred as they appear in the DCF, and dissipate over time, ending in Year 10. It is noted that this cost applies to the entire CFD, as the prospective purchaser would be responsible for fulfilling all municipal obligations.

Special Taxes – Unsold Parcels:

Properties within the South of Channel RDA are subject to special taxes, essentially additions to *ad valorem* taxes used to pay for infrastructure development. As parcels are sold to end-users and improved, property assessed values rise, providing capacity for tax increment financing. As Mello Roos funding is acquired, the Developer is reimbursed for its investment in public infrastructure. However, until parcels are sold to end-users, the Developer is responsible for all special taxes. Catellus and independent consultants reporting to Catellus have provided the appraisers with a schedule of annual Developer costs associated with special taxes on unsold parcels held by FOCIL-MB. The schedule is a product of the iterative processes described earlier, and is based on the absorption analysis. Special taxes on unsold parcels impact the DCF with carrying costs through Year 5.

Cost of Carry – Public Infrastructure:

This item relates to interest (cost of debt capital) charges on deferred reimbursement of public infrastructure costs. The Developer's cost of carry is calculated by applying an 8% (a Developer's typical cost of risk adjusted debt financing) interest rate on the rolling balance of infrastructure that has been installed but exceeds the tax increment financing capacity. Again, these annual numbers were provided to the appraisers by Catellus (and Catellus' tax increment consultant), and are a derivative absorption schedule calculation. It is noted that the cost of carry continues through Year 10. At the end of Year 10, all carrying costs associated with un-reimbursed public infrastructure are

exhausted. Again, these costs relate to the entire CFD, as the prospective purchaser would be responsible for all municipal obligations.

***Ad Valorem* Taxes:**

Ad valorem taxes refer to annual taxes due on any land presently assessed by the city. The calculation of interim income considers all assessed parcels in Mission Bay South, and nets lease income with property holding costs, including property taxes.

DO&A:

Developer Overhead & Administration (DO&A) relates to the management and oversight of all operations during the holding period, primarily management oversight of the infrastructure installation, disposition of the land parcels and legal expenses. Direct infrastructure management and oversight has been factored into the cost of infrastructure reimbursed to the Developer from public financing. Discussions with Catellus indicate DO&A would require approximately one full time specialist, two assistant managers, two engineers and perhaps two support staff. DO&A is estimated at 2.5% of sales. DO&A costs vary from \$0.27 million to \$2.6 million during the marketing phase, depending on annual sales activity. Overall, DO&A appears reasonable given the project size and staffing requirements.

Interim Income

The subject enjoys modest interim income from leases on land parcels. Interim income has been scheduled to diminish in coordination with land sales. The aggregate interim income number appearing on the DCF is net of all costs incurred by Catellus during the hold, including property taxes, any shared expenses and insurance.

Total Project Costs & Net Cash Flows

Summing all of the costs and deducting them on an annual basis provides for a net cash flow. The model's annual net cash flows appear at the bottom of the DCF analysis.

Project Yield Analysis

Overview:

As discussed earlier the rate used to discount the project's future cash flow, the *discount rate*, represents the yield that a likely buyer would require to underwrite the bulk purchase. The yield ultimately balances the expected return with the implied risks. The subject bulk sale of the FOCIL-MB properties is an unconventional real estate investment that would require a buyer to pay nearly \$150,000,000, and engage in a 5-year sell-off of the land parcels, as well as incur ongoing development costs through the end of the hold. The project presents an unusual challenge to a potential buyer. Nonetheless, significant sales are projected for the early years of the DCF, reducing risk. The attractive long-term real estate prospects offered by San Francisco, UCSF's commitment to create the life-sciences campus/hospital and strong multi-family market fundamentals combine to offset the risks associated with the hotel and bio-tech components.

Investor Survey:

To estimate a reasonable yield for the subject property, the appraisers conducted a survey with knowledgeable market participants. The survey appears in the table below. Additional questions relating to market conditions were asked as well. Respondents were allowed to comment at will, and additional comments appear where appropriate.

- What yield would you/your company require from a bulk sale purchase of the Mission Bay South project? [If the answer was a leveraged yield, the respondent was asked what level of debt was assumed, and what was the blended cost of debt capital.]
- What is your estimate of supply and demand factors in the current bio-tech/R&D and residential development markets in the San Francisco and/or Peninsula market areas?

The consensus estimate for an overall yield on the subject bulk purchase was 14.5%, with a range from 13% to 16%. All described strong market fundamentals for both residential and bio-tech/R&D development, and most thought there would be good demand for a bulk-type purchase of mixed-use land in Mission Bay South.

The subject's bulk purchase represents a unique opportunity for an experienced and well-capitalized organization that has access to debt capital, and an appetite for long-term real estate investments with the potential for outstanding returns. Nonetheless, the inherent risks are fully exposed. An overall yield towards the top the range presented in the Investor Survey, say 15%,

INVESTOR SURVEY				
Individual	Institution	10-Year Hold Equity Yield	Estimated Leverage	Overall Yield ¹
Acquisitions Officer	Shorenstein	30%	65%	16%
Comments:	An opportunity buy at Mission Bay would be highly attractive to a hedge fund, pension fund manager or real estate vulture fund.			
CEO	Intracorp	25%	65%	13%
Comments:	Aggressively seeking large development parcels for master-planned projects. Market fundamentals make purchases high competitive in the current market.			
Development Executive	J. Paul Company	NA	NA	13% to 15%
Comments:	Expecting to make a large purchase of bio-tech/R&D land in the near future - highly competitive market as rents are beginning to support new construction. Significant demand for new product and limited supply.			
Development Executive	Lennar	25%	NA	15%
Comments:	Is very enthusiastic about the prospects for large development projects. Does not believe the demand for new residential product will abate for some time.			
Mean Response:				14.5%
Concluded Value:				15%
Notes:				
(1) Weighted average cost of capital utilizes a 6.5% debt cost.				

would provide a leveraged return (assuming 65% LTV and 6.5% weighted average cost of debt), of approximately 25%. This is a yield that would be expected to attract investment capital in a market where the 10-year risk free rate of return (10-year Treasury notes) is approximately 4.1%.

Given the foregoing discussion, the concluded overall yield is estimated to be **15%**.

Conclusion - Yield Capitalization/Discounted Cash Flow

Bulk Value FOCIL-MB Parcels:

The DCF model appears on following pages. Applying the concluded discount rate of 15% to the estimated cash flows provides for a net present value of \$145,595,910. Consequently, the rounded "as is" market value estimate by the Income Approach of the FOCIL-MB parcels' Bulk Value, as of June 1, 2005, is estimated to be:

\$145,500,000

Aggregate Bulk Value: Mission Bay

Aggregate Bulk Value:

The leased fee value of Lot 28 was estimated to be \$80,500,000. The fee simple value, assuming a bulk sale, of the Gladstone property was estimated to be \$78,000,000. The leased fee value, assuming a bulk sale, of the UCSF ground lease was estimated to be \$54,000,000. Finally, the bulk sale of the AREE purchase is \$114,150,000. Therefore, the sum of the value elements equates to the subject aggregate bulk value. Therefore, the rounded aggregate bulk value of Mission Bay South, as of June 1, 2005, is estimated to be:

FOUR HUNDRED SEVENTY MILLION DOLLARS

\$470,000,000

Assumptions to the Discounted Cash Flow Analysis:

Residential Condo Land Value (\$/Unit)	\$96,000
Residential Apt Land Value (\$/Unit)	\$71,000
Bio-Tech/R&D Land Value (\$/FAR)	\$55
Hotel Land Value (\$/Room)	\$30,000
Improvements to Lot 26a	\$11,000,000
Cost of Sales	1.5%
Developer Overhead & Admin. (DO&A)	2.5%
Municipal Cost of Capital	5.32%
Project Discount Rate	15.0%
Cumulative Bonds Issued	\$109,300,000
Estimated "As Is" Value - GAP Bldg.	\$80,500,000
Estimated "As Is" Value - Gladstone	\$78,000,000
Bulk Purchase by Alexandria REE	\$114,150,000
Capitalized Value of UCSF Lease	\$54,000,000

Discounted Cash Flow Analysis	Year:									
	1	2	3	4	5	6	7	8	9	10
Land Sales Cash Flows										
Residential	11,074,560	68,237,068	72,172,433	44,840,271	0	0	0	0	0	0
Commercial	0	0	28,847,960	21,869,570	35,068,041	0	0	0	0	0
Hotel	0	0	0	17,925,000	0	0	0	0	0	0
Aggregate Sales Cash Flows	11,074,560	68,237,068	101,020,426	91,633,841	35,068,041	0	0	0	0	0
Costs of Sales										
Cost of Sales ¹	(166,118)	(1,023,556)	(1,515,306)	(1,374,508)	(526,021)	0	0	0	0	0
Net Sales	10,908,442	67,213,532	99,505,119	90,259,333	34,542,020	0	0	0	0	0
Development Costs & Expenses										
Private Infrastructure & Other Non-reimbursable ²	(2,837,458)	(5,401,949)	(4,552,928)	(6,560,718)	(2,922,343)	(1,518,042)	(1,875,652)	(642,065)	(11,570)	(239,900)
Special Taxes - Unsold Parcels	(2,156,185)	(2,546,166)	(2,096,074)	(1,248,547)	(957,259)	0	0	0	0	0
Cost of Carry - Public Infrastructure ⁴	(2,286,000)	(5,764,000)	(6,576,000)	(7,686,000)	(6,826,000)	(5,448,000)	(4,864,000)	(3,176,000)	(1,864,000)	(712,000)
Ad Valorem Taxes ⁵	(973,711)	(1,690,338)	(2,487,628)	(2,356,483)	(883,551)	0	0	0	0	0
DOXA ⁶	0	0	0	0	0	0	0	0	0	0
Total Project Costs	(7,564,354)	(15,414,451)	(15,712,630)	(17,854,749)	(11,571,155)	(6,986,042)	(6,739,652)	(3,818,065)	(1,875,070)	(951,900)
Interim Income⁷	2,178,872	1,476,596	320,211	95,289	0	0	0	0	0	0
Project Cash Flows	5,622,959	53,275,674	84,112,700	72,399,873	22,870,867	(6,966,042)	(6,739,652)	(3,818,065)	(1,875,670)	(951,900)
Net Present Value:										
Value of the GAP Bldg:	\$145,595,910									
Value of the Bldg:	\$80,500,000									
Value of the Ground Lease:	\$45,000,000									
Value of AREE Purchase:	\$114,150,000									
Present Value of Project:	\$472,245,910									
Value to Burden:	432 : 1									

Notes:

- Cost of Sales are primarily marketing expenses and sales commissions; the latter is split 50/50 with the selling broker.
- Cost of Sales includes the cost of the building and interim facilities that are not permanent. Other non-reimbursable costs include demolition and site preparation, a variety of fees, site remediation and the like. These costs are incurred through 2014 or Year 10 of the cashflow.
- This item relates to the developer's cost of Special Taxes on unsold land parcels during the absorption period.
- This item relates to interest charge on deferred reimbursement of public infrastructure costs. It amounts to the developer's cost of carry for public infrastructure that exceeds the increment financing capacity. Developer's cost of capital is estimated at 8%. This cost is expatriated in Year 11.
- All ad valorem taxes are netted in the calculation of interim income.
- DOXA accounts for the management and oversight of all operations, primarily the installation of infrastructure and disposition of vacant land. Infrastructure construction management amounting to 4% of all infrastructure construction is accounted for in calculation of incremental financing. DOXA would require approximately one full time manager, two assistant managers, two engineers and two support staff.
- Interim income reflects lease income net of all expenses, including taxes and insurance. The income estimates are coordinated with the land sell-off schedule.

LEGAL DESCRIPTION

ATTACHMENT A

MISSION BAY SOUTH

LAND USE PLAN AND LEGAL DESCRIPTION

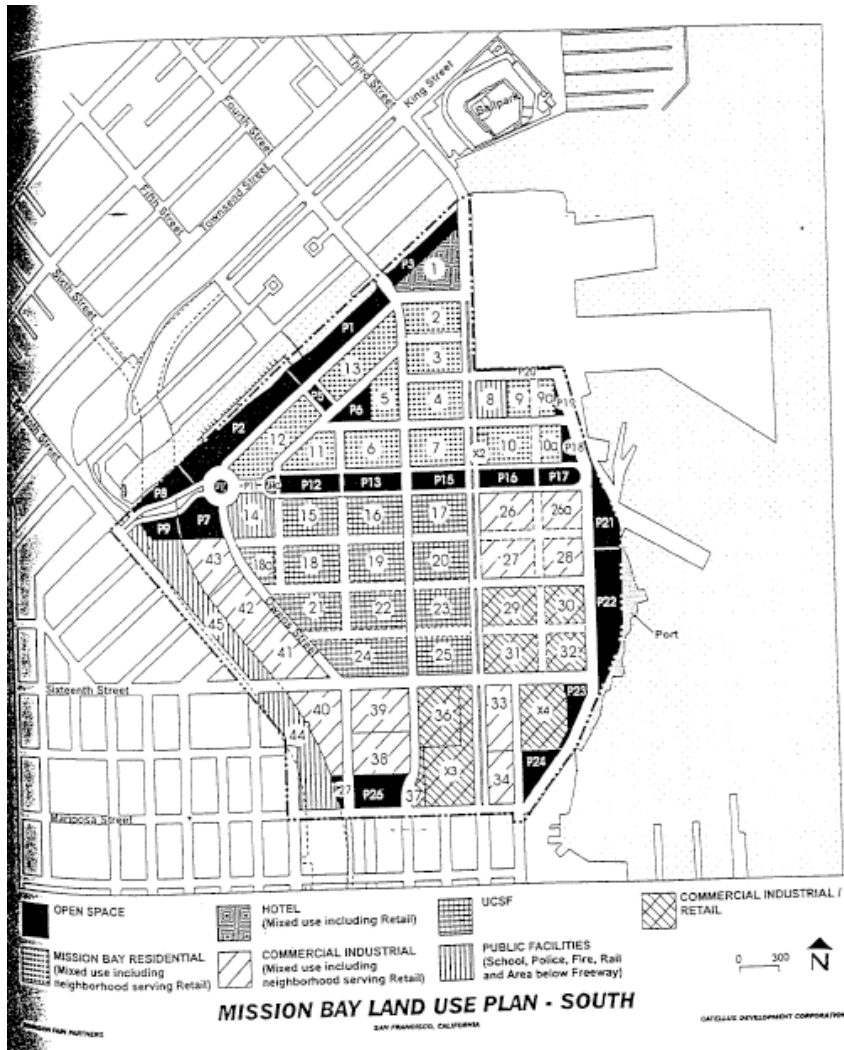
All that certain real property situate in the City and County of San Francisco, State of California, more particularly described as follows:

Commencing at the intersection point of the northeasterly line of Sixth Street (82.50 feet wide) with the southeasterly line of Berry Street (82.50 feet wide), said intersection having a coordinate of north 468817.32, east 1451868.98 in the California Coordinate System of 1927, Zone 3; thence along said southeasterly line of Berry Street south 46 18' 07" west 990.05 feet to the southwesterly line of Seventh Street (82.50 feet wide); thence along said southwesterly line of Seventh Street south 43 41' 53" east 440.00 feet to the southeasterly line of Channel Street (200.00 feet wide), and being the true point of beginning; thence continuing along said southwesterly line of Seventh Street south 43 41' 53" east 2017.19 feet to the westerly line of Pennsylvania Street (90.00 feet wide); thence along said westerly line of Pennsylvania Street south 3 10' 56" east 600.92 feet to the southerly line of Mariposa Street (66.00 feet wide); thence along said southerly line of Mariposa Street north 86 49' 04" east 1690.17 feet to the westerly line of Illinois Street (80.00 feet wide); thence along said westerly line of Illinois Street south 3 10' 56" east 63.85 feet; thence north 86 49' 04" east 80.00 feet to a point on the easterly line of Illinois Street, last said point being on the Mission Bay Project boundary; thence along said Mission Bay Project boundary the following courses and distances; thence north 35 06' 05" east 616.30 feet; thence northeasterly along an arc of a curve to the left, tangent to the preceding course with a radius of 440.00 feet through a central angle of 12 49' 53" an arc distance of 98.54 feet; thence tangent to the preceding curve north 22 16' 12" east 700.07 feet; thence northerly along an arc of a curve to the left, tangent to the preceding course with a radius of 340.00 feet through a central angle of 12 28' 00" an arc distance of 73.98 feet; thence tangent to the preceding curve north 9 48' 12" east 86.42 feet; thence northerly along the arc of a curve to the left, tangent to the preceding course with a radius of 340.00 feet, through a central angle of 11 58' 09", an arc distance of 71.03 feet; thence tangent to the preceding curve north 2 09' 57" west 121.44 feet; thence north 3 10' 56" west 198.86 feet; thence north 2 19' 47" west 292.70 feet; thence northwesterly along an arc of a curve to the left, tangent to the preceding course with a radius of 481.57 feet through a central angle of 24 30' 49", an arc distance of 206.04 feet; thence tangent to the preceding curve north 26 50' 36" west 402.03 feet; thence northwesterly along an arc of a curve to the right, tangent to the preceding course with a radius of 236.29 feet, through a central angle of 9 00' 04" an arc distance of 37.12 feet; thence tangent to the preceding curve north 17 50' 32" west 679.08 feet; thence south 86 49' 04" west 282.38 feet; thence leaving said Mission Bay Project boundary south 17 34' 00" east 2.58 feet; thence south 86 49' 04" west 397.43 feet to the easterly line of Third Street (82.50 feet wide); thence along said easterly line of Third Street north 3 10' 56" west 1265.04 feet;

thence south 64 21' 26" west 95.76 feet to the intersection of the westerly line of Third Street with said southeasterly line of Channel Street; thence along said southeasterly line of Channel Street south 46 18' 07" west 3578.74 feet to the true point of beginning.

Containing 10,356,710 square feet, more or less.

The bearings used in the above description are on the California Coordinate System of 1927, Zone 3. Multiply the above distances by 0.999928 to obtain grid distances.



DCF – LAND SALES CASH FLOW

Gross Sales Proceeds: Current Dollars

Bldg:		Year:									
Land Inventory	Units/SF	1	2	3	4	5	6	7	8	9	10
Residential:											
2	315	0	0	0	34,035,386	0	0	0	0	0	0
3	100	0	0	0	10,804,895	0	0	0	0	0	0
4	192	0	0	14,895,054	0	0	0	0	0	0	0
6	158	0	16,091,731	0	0	0	0	0	0	0	0
10A	112	11,074,560	0	0	0	0	0	0	0	0	0
10	276	0	28,109,606	0	0	0	0	0	0	0	0
11	236	0	24,035,750	0	0	0	0	0	0	0	0
12	273	0	0	28,638,189	0	0	0	0	0	0	0
13	273	0	0	28,638,189	0	0	0	0	0	0	0
Total:	1,935	11,074,560	68,237,088	72,172,433	44,840,271	0	0	0	0	0	0
Bio-tech Office:											
26A	298,347	0	0	0	29,468,570	0	0	0	0	0	0
33/34	550,000	0	0	0	35,068,041	0	0	0	0	0	0
40	480,000	0	0	28,847,993	0	0	0	0	0	0	0
Total:	1,328,347	0	0	28,847,993	29,468,570	35,068,041	0	0	0	0	0
Hotel:											
	500	0	0	0	17,325,000	0	0	0	0	\$0	\$0

INCREMENT FINANCING ANALYSIS

Table 7
Mission Bay
South of Channel
Infrastructure Financing Summary
May 2005 Update

Fiscal Year Ending / Calendar Year:		Total	2000	2001	2002	2003	2004	2005			
Infrastructure Costs to be Financed											
Annual Costs		\$330,800,346	\$0	\$10,161,041	\$26,522,315	\$18,843,128	\$12,014,159	\$69,292,222			
Cumulative Costs			\$0	\$10,161,041	\$36,683,356	\$55,526,484	\$67,540,643	\$136,832,869			
Mello-Roos Bonds Outstanding											
			\$0	\$54,000,000	\$93,330,000	\$93,330,000	\$93,330,000	\$109,330,000			
Tax Allocation Bonds Outstanding											
			\$0	\$0	\$0	\$0	\$0	\$15,400,000			
Net Available Increment											
		\$1,326,243,537	\$0	\$0	\$0	\$0	\$661,149	\$1,514,736			
Utilized to Pay Tax Allocation Bond Debt Service		\$423,295,087	\$0	\$0	\$0	\$0	\$0	\$0			
Utilized to Reduce Mello-Roos Bond Debt Service		\$148,315,319	\$0	\$0	\$0	\$0	\$0	\$0			
Utilized to Fund Infrastructure		\$32,865,546	\$0	\$0	\$0	\$0	\$661,149	\$1,514,736			
Utilized to Pay Down Mello Bonds		\$0	\$0	\$0	\$0	\$0	\$0	\$0			
Total		\$604,275,951	\$0	\$0	\$0	\$0	\$661,149	\$1,514,736			
Excess Increment		\$721,967,586	\$0	\$0	\$0	\$0	\$0	\$0			
PV in 2017 of Excess Increment at 6%		\$179,130,242									
Special Taxes											
Paid by All Developed Property		\$55,370,537	\$0	\$0	\$0	\$0	\$287,367	\$479,547			
Paid by All Vacant Land		\$29,164,297	\$0	\$0	\$0	\$0	\$2,159,992	\$4,442,391			
Total All Landowners		\$84,534,834	\$0	\$0	\$0	\$0	\$2,447,359	\$4,921,938			
Paid by Catellus/FoCl-MB Developed Property		\$28,717,737	\$0	\$0	\$0	\$0	\$0	\$0			
Paid by Catellus/FoCl-MB Vacant Land		\$10,065,013	\$0	\$0	\$0	\$0	\$1,055,782	\$2,158,185			
Total Catellus/FoCl-MB		\$38,782,750	\$0	\$0	\$0	\$0	\$1,055,782	\$2,158,185			
Unfunded Infrastructure											
Interest Carry at 8%		\$46,536,000	\$0	\$0	\$0	\$0	\$0	\$28,700,000			
Net Unfunded Cash Flow			\$0	\$0	\$0	\$0	\$0	\$28,700,000			
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$49,846,905	\$36,165,249	\$54,959,006	\$21,168,583	\$11,550,890	\$14,697,786	\$17,837,820	\$20,113,131	\$21,516,224	\$22,763,027	\$23,924,222	\$24,874,873
\$186,679,774	\$222,845,023	\$277,804,029	\$298,972,612	\$310,523,502	\$325,221,288	\$328,337,870	\$329,105,220	\$330,715,255	\$330,800,346	\$330,800,346	\$330,800,346
\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000
\$21,810,000	\$49,750,000	\$90,270,000	\$124,190,000	\$154,000,000	\$173,990,000	\$196,190,000	\$209,950,000	\$222,060,000	\$226,020,000	\$226,020,000	\$226,020,000
\$1,584,183	\$2,235,442	\$5,107,415	\$9,254,193	\$12,736,154	\$15,787,765	\$17,837,820	\$20,113,131	\$21,516,224	\$22,763,027	\$23,924,222	\$24,874,873
\$1,249,389	\$1,748,615	\$3,924,650	\$7,080,445	\$9,722,216	\$12,043,891	\$13,600,760	\$15,329,749	\$16,401,411	\$17,344,567	\$17,652,982	\$17,652,982
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,271,240	\$7,108,607
\$334,794	\$486,827	\$1,182,765	\$2,173,748	\$3,013,938	\$3,743,874	\$4,237,060	\$4,783,382	\$5,114,812	\$5,418,460	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$1,584,183	\$2,235,442	\$5,107,415	\$9,254,193	\$12,736,154	\$15,787,765	\$17,837,820	\$20,113,131	\$21,516,224	\$22,763,027	\$23,924,222	\$24,761,588
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$113,285
\$489,138	\$698,026	\$1,592,121	\$2,761,749	\$3,985,863	\$6,527,834	\$6,658,368	\$7,003,990	\$7,156,210	\$7,309,739	\$1,196,292	\$521,504
\$5,755,528	\$5,594,833	\$4,786,404	\$3,672,155	\$2,586,396	\$1,64,598	\$0	\$0	\$0	\$0	\$0	\$0
\$6,244,666	\$6,292,859	\$6,360,525	\$6,433,905	\$6,572,259	\$6,712,432	\$6,858,368	\$7,003,990	\$7,156,210	\$7,309,739	\$1,196,292	\$521,504
\$0	\$112,899	\$1,034,981	\$1,918,008	\$2,727,664	\$3,689,485	\$3,618,969	\$3,509,659	\$3,554,808	\$3,566,085	\$563,616	\$254,418
\$2,548,166	\$2,096,074	\$1,249,547	\$957,259	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$2,548,166	\$2,208,973	\$2,284,528	\$2,875,267	\$2,727,664	\$3,689,485	\$3,618,969	\$3,509,659	\$3,554,808	\$3,566,085	\$563,616	\$254,418
\$72,300,000	\$82,200,000	\$98,600,000	\$98,600,000	\$68,100,000	\$60,800,000	\$39,700,000	\$23,300,000	\$8,900,000	\$0	\$0	\$0
\$5,784,000	\$6,576,000	\$7,888,000	\$6,928,000	\$5,448,000	\$4,864,000	\$3,176,000	\$1,864,000	\$712,000	\$0	\$0	\$0
\$43,600,000	\$9,900,000	\$16,400,000	-\$12,000,000	-\$18,500,000	-\$7,300,000	-\$21,100,000	-\$16,400,000	-\$14,400,000	-\$8,900,000		

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346
	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000	\$109,330,000
	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000	\$226,020,000
	\$25,066,405	\$25,714,965	\$26,332,740	\$26,973,519	\$27,632,375	\$28,247,692	\$28,893,593	\$29,547,182	\$30,240,796	\$30,978,661	\$31,594,828	\$32,258,497
	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982	\$17,652,982
	\$7,258,631	\$7,415,234	\$7,576,381	\$7,736,811	\$7,900,572	\$8,071,223	\$8,241,919	\$8,420,957	\$8,600,637	\$8,781,347	\$8,967,212	\$9,160,276
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$24,911,613	\$25,068,215	\$25,229,362	\$25,389,793	\$25,553,653	\$25,724,205	\$25,894,901	\$26,073,838	\$26,253,619	\$26,434,329	\$26,620,194	\$26,813,258
	\$154,792	\$646,750	\$1,103,378	\$1,583,727	\$2,078,822	\$2,523,487	\$2,998,693	\$3,473,344	\$3,967,177	\$4,544,332	\$4,964,634	\$5,446,239
	\$532,138	\$542,640	\$553,412	\$564,689	\$576,062	\$587,718	\$598,834	\$611,180	\$623,956	\$635,865	\$649,128	\$661,675
	\$532,138	\$542,640	\$553,412	\$564,689	\$576,062	\$587,718	\$598,834	\$611,180	\$623,956	\$635,865	\$649,128	\$661,675
	\$259,605	\$264,729	\$269,984	\$275,437	\$281,034	\$286,721	\$292,144	\$298,166	\$304,399	\$310,209	\$316,679	\$322,801
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$259,605	\$264,729	\$269,984	\$275,437	\$281,034	\$286,721	\$292,144	\$298,166	\$304,399	\$310,209	\$316,679	\$322,801
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346	\$330,800,346
	\$109,330,000	\$55,330,000	\$55,330,000	\$16,000,000	\$16,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$210,620,000	\$204,210,000	\$176,270,000	\$135,750,000	\$101,830,000	\$72,020,000	\$52,030,000	\$29,830,000	\$16,070,000	\$3,960,000	\$0	\$0
	\$332,704,851	\$33,230,401	\$33,737,832	\$34,218,380	\$34,786,316	\$35,293,817	\$35,846,055	\$36,412,590	\$36,942,886	\$37,483,114	\$38,031,392	\$38,662,473
	\$16,390,467	\$15,928,091	\$13,663,804	\$10,456,442	\$7,841,725	\$5,536,898	\$4,020,281	\$2,282,233	\$1,245,167	\$308,775	\$33,768	\$0
	\$9,350,215	\$4,151,338	\$10,726,671	\$7,013,468	\$3,578,936	\$1,983,744	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$25,740,682	\$20,079,429	\$24,390,475	\$17,469,910	\$11,420,660	\$7,520,642	\$4,020,281	\$2,282,233	\$1,245,167	\$308,775	\$33,768	\$0
	\$6,964,169	\$13,150,972	\$9,347,357	\$16,748,470	\$23,365,656	\$27,773,175	\$31,825,774	\$34,130,757	\$35,697,419	\$37,174,340	\$37,997,625	\$38,662,473
	\$675,236	\$688,358	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$675,236	\$688,358	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$329,417	\$335,818	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$329,417	\$335,818	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Mission Bay Environmental Condition & Approvals Summary

Historically, land in the Mission Bay area was used for a variety of industrial purposes, including warehousing, railroad yard operations, and other commercial and distribution based uses. Much of the area is random fill pushed into the Bay during the late 19th century, through the early 1900's, a significant portion of which was comprised by debris originating from the 1906 earthquake.

In 1996, a comprehensive 3-year site investigation and risk evaluation process was undertaken to fully understand the environmental conditions at Mission Bay, and determine whether redevelopment of the area could occur in a manner that would be protective of human health and the environment. The California Environmental Protection Agency designated the San Francisco Regional Water Quality Control Board (RWQCB) as the "Administering Agency" under an approval process outlined by Assembly Bill (AB) 2061 to oversee the investigation and environmental approvals within the Mission Bay area.

The Mission Bay site investigation was completed in 1998 and produced several technical reports detailing results, conclusions and recommendations for development of the land. In brief, the environmental studies found the following:

Principal chemicals detected were petroleum hydrocarbons associated with the site use and materials associated with the fill materials at the site. No high concentrations of VOCs were found in either soils or groundwater. No significant source areas for metals were detected in soil or groundwater, other than the fill materials placed at the turn of the century. No concentration of any chemical posed a threat to human health or the environment following the completion of the planned development. The aforementioned results are accepted by what is referred to as the petroleum "free-product" area. The free-product area is marked by petroleum product which exists beneath the surface and which is the subject of a RWQCB Clean Up and Abatement Order issued to the oil companies that operated in that area for many years. The area is located east of Illinois Street near 16th Street in the South of Channel area.

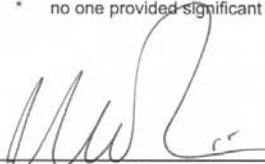
To outline procedural requirements for development within Mission Bay, a Risk Management Plan (RMP) was developed by the Agencies, the City, and owners in Mission Bay. The purpose of the RMP was to specify the protocols for managing the chemicals in the soil and groundwater in a manner that would be protective of human health and the environment before, during and after development. One of the most important aspects of the RMP, and one which provides for ongoing development, was the condition that at the conclusion of all development, the native soils would be capped with either new development or 12 to 18 inches of clean fill in the case of parks. The RMP was approved by the RWQCB on May 12, 1999, and a Certificate of Completion for the site investigation and remediation was issued by the RWQCB on May 25, 1999.

CERTIFICATIONS

CERTIFICATION

I certify to the best of my knowledge and belief, ...

- * the statements of fact contained in this appraisal report are true and correct.
- * the reported appraisal analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- * I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- * my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- * my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- * my analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with Uniform Standards of Professional Appraisal Practice.
- * Walter L. Ricci has made a personal inspection of the property that is the subject of this appraisal report.
- * no one provided significant professional assistance to the person signing this report.


Walter L. Ricci, MAI, CCIM
Certified General Appraiser
California Certificate #AG009489


Date: _____

6/8/05

CERTIFICATION

I certify to the best of my knowledge and belief, ...

- * the statements of fact contained in this appraisal report are true and correct.
- * the reported appraisal analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- * I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- * my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- * my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- * my analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- * John S. Mateo has made a personal inspection of the property that is the subject of this appraisal report.
- * no one provided significant professional assistance to the person signing this report.


John S. Mateo, MAI
Certified General Appraiser
California Certificate #AG022411

Date: _____

6/8/05

QUALIFICATIONS

QUALIFICATIONS OF WALTER L. RICCI, MAI, CCIM

Professional Experience

Hamilton, Ricci & Associates, Inc., San Francisco, California (1986). Provide appraisal and consultation services for a variety of improved and vacant real estate products.

Appraisal

Various residential and income producing properties, both existing and proposed, including commercial, industrial, office buildings, apartments, shopping centers, motels, subdivisions, mixed use properties, parking garages, low income housing tax credit apartments, congregate care facilities, cold-storage facilities, trade centers, conversions, rehabilitations, and restaurants. Appraisals have been prepared for investment, disposition, mortgage lending, loan workout, condemnation, and litigation support purposes.

Consultation

Syndication, mortgage financing, acquisitions, dispositions, competitive product analysis, highest and best use studies, project feasibility, market rent surveys, and lease negotiations.

Expert Testimony/Arbitration

Qualified as an expert witness in Superior Court of San Francisco County, Federal Bankruptcy Court, depositions, JAMS and the City and County of San Francisco Assessment Appeals Board. Litigation assignments for both plaintiffs and defendants include eminent domain, construction defects, title work, toxic contamination, and partial interest analysis. Arbitration assignments include fair market rent and fair market value determinations.

Speaking Engagements

Appraising Low Income Housing Tax Credit Apartments
Developers Tax Credit Conference, Sheraton Palace Hotel, San Francisco, CA
September 29, 1994

Education

B.S. Business Administration, Finance
San Diego State University, May 1986

Certification

Certified General Appraiser in State of California through May 21, 2003. Appraiser No. AG9489.

Professional Associations and Memberships

Member: Appraisal Institute (#9547)
Member: Commercial Investment Real Estate Institute
The Belden Club of San Francisco
The San Francisco Apartment Association
San Francisco Board of Realtors
National Association of Realtors
California Association of Realtors

QUALIFICATIONS OF JOHN S. MATEO, MAI

EXPERIENCE

September 2000-	Senior Appraiser , Hamilton, Ricci & Associates, Inc., San Francisco, California
1997 to September 2000	Vice President, Manager of <i>Innovative Products Group</i> , GMAC Commercial Mortgage, San Francisco, California
1994 to 1997	Senior Appraiser , Hamilton, Ricci & Associates, Inc., San Francisco, California.
1993 to 1994	Senior Commercial Appraiser , Charles D. Bailey & Associates, San Francisco, California.
1992 to 1993	Senior Real Estate Appraiser , CB Commercial Real Estate Group, Inc., San Francisco, California.
1992	Commercial Real Estate Appraiser , Hamilton/Simons & Associates, Inc., San Francisco, California.
1990 to 1992	Project Manager , Bocian & Associates, San Francisco, California.
1988 to 1990	Investment Group Partner , Wyoming Equity Partners, San Francisco, California.
1985 to 1988	Senior Associate with Gilliam, Joseph & Littlejohn, New York, New York.

Specific experience includes providing appraisal and consultation services, including valuations, rent and locations studies, marketing and feasibility analyses for a variety of improved and vacant commercial and industrial real estate. Types of properties appraised include multi-family residential, sub-division, mixed use, retail, office, industrial, senior housing, hotel, research and development and special purpose. Litigation assignments for plaintiffs and defendants include easement, construction defects, title, toxic contamination and partial interest analysis. He headed the development team responsible for creating highly automated appraisal and valuation systems for the largest U.S. conduit lender and CMBS Servicer. He has provided financial and operational consulting services to the financial services industry, including major banks, insurance companies and utilities. He has been a partner in an investment group formed to acquire distressed real estate assets in economically depressed regions of the United States. He has specialized in leveraged acquisitions of national and international industrial concerns for a merchant bank and has conducted operational, financial and legal due diligence pursuant to corporate valuations and acquisitions.

EDUCATION

Master of Business Administration - Finance & Accounting
Columbia University Graduate School of Business, New York, New York

Bachelor of Arts - Economics & Political Science
University of Chicago, Chicago, Illinois

CERTIFICATION

Certified General Appraiser in State of California through April 6, 2006 (AG022411)

PROFESSIONAL AFFILIATIONS

Member: Appraisal Institute (#10998)

APPENDIX C
SPECIAL TAX FORMULA

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REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 6
(Mission Bay South Public Improvements)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel of Taxable Property in the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) (herein "CFD No. 6") shall be levied and collected according to the tax liability determined by the Administrator (or designee thereof) through the application of the procedures described below. All of the real property in CFD No. 6, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed into CFD No. 6 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The capitalized terms hereinafter set forth have the following meanings when used in this Rate and Method of Apportionment:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan or other parcel map recorded with the County Recorder. For an Airspace Parcel, Acreage means the portion of the Underlying Land Parcel that is assigned to the Airspace Parcel pursuant to procedures set forth in Section C below. If the Acreage of a particular Parcel is unclear after reference to available maps, the Administrator shall determine the appropriate Acreage for the Parcel.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311), Part 1, Division 2, of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees and expenses of its counsel) employed in connection with any Bonds; the expenses of the Administrator and the Agency in carrying out their duties under the Indennure, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its legal counsel, charges levied by the County or any division or office thereof in connection with the levy and collection of Special Taxes, audits, continuing disclosure or other

amounts needed to pay arbitrage rebate to the federal government with respect to bonds; costs associated with complying with continuing disclosure requirements; costs associated with responding to public inquiries regarding Special Tax levies and appeals; attorneys' fees and other costs associated with commencement or pursuit of foreclosure for delinquent Special Taxes; and all other costs and expenses of the Agency, the Administrator, the County and any fiscal agent, escrow agent or trustee in any way related to the administration of CFD No. 6.

"Administrator" means the Deputy Executive Director, Finance and Administration of the Agency or such other person or entity designated by the Executive Director of the Agency to administer the Special Tax according to this Rate and Method of Apportionment of Special Tax.

"Agency" means the Redevelopment Agency of the City and County of San Francisco.

"Airspace Parcel" means an Assessor's Parcel that shares common vertical space of an Underlying Land Parcel with other parcels that have been assigned separate Assessor's Parcel numbers.

"Assessor's Parcel" or "Parcel" means a lot, parcel or Airspace Parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating Parcels by Assessor's Parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the Agency for CFD No. 6 under the Act.

"City" means the City and County of San Francisco.

"Commission" means the Commission of the Agency, being the legislative body of CFD No. 6.

"County" means the City and County of San Francisco.

"Developed Property" means, in any Fiscal Year, all Taxable Property for which a building permit for new construction (excluding renovations to buildings that were built prior to the date of adoption of the Resolution of Formation) was issued prior to July 1 of that Fiscal Year or in prior Fiscal Years, excluding any Parcel of Taxable Property for which a building permit was issued prior to formation of CFD No. 6 but only until such time as a building permit is issued for any such Parcel following the formation of CFD No. 6.

"Equivalent Dwelling Unit Factor" or "EDU" means the numerical factor assigned to each For-Sale Residential Unit category in Table 2 of Section C.2 below for purposes of apportioning the Maximum Special Tax.

"Exempt Land" means any real property within the boundaries of CFD No. 6 (i) owned by a governmental agency as of the date of adoption of the Resolution of Formation (but not after the date, if any, such land is conveyed to a nongovernmental entity), (ii) from and after the

date conveyed to a governmental agency under the terms of the Mission Bay South Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission, (iii) from and after the date conveyed to a governmental agency under the terms of the Land Transfer Agreements as in effect on the date the Resolution of Formation was adopted by the Commission, (iv) which is Agency Affordable Housing Parcels (as defined in the Mission Bay South Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission) from and after the date conveyed to the Agency or a Qualified Housing Developer (as defined in the Mission Bay South Owner Participation Agreement as in effect on the date the Resolution of Formation was adopted by the Commission), (v) which is a VARA Corridor, (vi) which makes up the strip of land under Interstate 280 that: (1) is owned by Catellus Development Corporation, (2) has a separate Assessor's Parcel number assigned to it, and (3) on the date the Resolution of Formation was adopted, was part of Assessor's Parcel number 8709-01 or 8723-01, or (vii) which is the subject of a public trust or other permanent easement to a public agency making impractical its use for other than the purposes set forth in the easement. Any land described in clauses (ii), (iii), (iv), or (vii) which is or becomes Exempt Land shall thereafter always remain Exempt Land. The Administrator shall determine the extent to which any real property in CFD No. 6 is Exempt Land.

"Exempt Parking Parcel" means an Assessor's Parcel: (1) that is an Airspace Parcel in a building, (2) that has been assigned its own Assessor's Parcel number and will receive its own tax bill, (3) on which the primary use is parking, and (4) because of other land uses within the structure of which the Exempt Parking Parcel is a part, does not meet the definition of Stand-Alone Parking.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"For-Sale Residential Category" means any of the individual land use categories for For-Sale Residential Units identified in Table 2 of Section C.2 below.

"For-Sale Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit has been issued for construction of For-Sale Residential Units. For-Sale Residential Property shall also include Assessor's Parcels that were Rental Residential Property before the Rental Residential Units on the Parcel were converted to For-Sale Residential Units.

"For-Sale Residential Units" means dwelling units which are not located on Exempt Land and which are intended at the time of issuance of a certificate of occupancy to be offered for sale for individual unit ownership, as determined by the Administrator. Residential units that are initially Rental Residential Units and subsequently converted and offered for sale for individual unit ownership shall, upon completion of such conversion, be categorized as For-Sale Residential Units.

"Hotel Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit has been issued for a non-residential structure that constitutes a place of lodging providing sleeping accommodations and related facilities for travelers.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing same.

"Infrastructure" means the public improvements authorized to be financed by CFD No. 6 in accordance with the terms of the Resolution of Formation.

"Initial Stand-Alone Retail Property" means the lesser of (i) the first 90,000 Square Feet of Stand-Alone Retail Property (as defined below) in CFD No. 6 or (ii) the first 1.0 Acre of Stand-Alone Retail Acreage (as defined below) in CFD No. 6 for which construction building permits have been issued. In determining which retail uses first became Stand-Alone Retail Property, the Administrator shall refer to the date on which building permits were issued and categorize Parcels as Initial Stand-Alone Retail Property on a first-in-time basis.

"Land Transfer Agreements" means the Amended and Restated City Land Transfer Agreement, the Amended and Restated Port Land Transfer Agreement and the Amended and Restated Agreement Concerning the Public Trust, all as described in the Mission Bay South Owner Participation Agreement.

"Land Use Class" means any of the seven classes listed in Table 1 below, specifically: Hotel Property, Initial Stand-Alone Retail Property, Office Property, Other Property, Rental Residential Property, Stand-Alone Parking Property, and Stand-Alone Retail Property.

"Maximum Special Tax" means, with respect to any Parcel, the maximum Special Tax, determined in accordance with Section C, that can be levied in any Fiscal Year on such Parcel.

"Mission Bay South Owner Participation Agreement" means the agreement by that name, dated as of November 16, 1998, between the Agency and Catellus Development Corporation, as may be amended from time to time.

"Net Available Increment" means, as to each Fiscal Year, amounts the Agency has determined to contribute to CFD No. 6 in such Fiscal Year pursuant to the Mission Bay South Owner Participation Agreement.

"Office Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property which have been zoned for Mission Bay commercial/industrial uses and for which a building permit has been issued for construction of a building or buildings that will be used for non-residential land uses including, but not limited to, office, biotech, research and development, or retail uses that are not Stand-Alone Retail Property.

"Other Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit has been issued for any use which is not For-Sale Residential Property, Rental Residential Property, Hotel Property, Office Property, Stand-Alone Parking Property or Stand-Alone Retail Property.

"Rental Residential Units" means dwelling units which are not located on Exempt Land and are not For-Sale Residential Units.

"Rental Residential Property" means, in any Fiscal Year, all Assessor's Parcels of Developed Property for which a building permit has been issued for construction of Rental Residential Units.

"Resolution of Formation" means the Resolution of Formation of Community Facilities District No. 6, as adopted by the Commission.

"Special Tax" means the special tax to be levied pursuant to the Act in each Fiscal Year on Taxable Property within CFD No. 6.

"Special Tax Requirement" means the amount necessary in any Fiscal Year, as determined by the Administrator, (i) to pay principal and interest on Bonds due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds for Bonds, (iii) to cure any delinquencies in the payment of Special Taxes which have occurred or (based on delinquency rates in prior years) may be expected to occur in the Fiscal Year in which the Special Tax will be collected, (iv) to pay Administrative Expenses, (v) to pay construction and/or acquisition costs and expenses of Infrastructure the Agency expects to fund from Special Tax proceeds in such Fiscal Year, (vi) to pay costs associated with the release of funds from an escrow account, if any, (vii) to pay for a letter of credit, bond insurance or any other type of credit enhancement for Bonds, and (viii) to pay arbitrage or other rebate payments. The Special Tax Requirement may be reduced in any Fiscal Year, as determined by the Administrator, by taking into account money available from one or more of the following sources: (i) interest earnings on or surplus balances in the CFD No. 6 funds and accounts that are available to be applied in such Fiscal Year to the payment of Bond debt service under the provisions of the Indenture pursuant to which Bonds were issued, (ii) amounts in any capitalized interest account established when Bonds were issued and reasonably expected to be available in such Fiscal Year to pay debt service on Bonds, (iii) Net Available Increment, and (iv) any other funds available to apply against the Special Tax Requirement as determined by the Administrator.

"Square Foot", "Square Footage" or "Square Feet" means the square footage reflected on the original construction building permit issued for construction of a residential or non-residential building and any Square Footage subsequently added to a residential or non-residential building after issuance of a building permit for expansion or renovation of such building.

"Stand-Alone Parking Acreage" means the portion of an Underlying Land Parcel that is assigned to Stand-Alone Parking. If the Stand-Alone Parking is physically located on its own Assessor's Parcel (i.e., a Parcel not shared by any other land use), the Stand-Alone Parking Acreage shall be the Acreage of the Assessor's Parcel. If the Stand-Alone Parking shares an Underlying Land

Parcel with other land uses that have been assigned separate Assessor's Parcel numbers, the corresponding Stand-Alone Parking Acreage shall be determined by (1) dividing the Square Footage of the Stand-Alone Parking by the total Square Footage of all structures built or anticipated to be built on the Underlying Land Parcel (not including Square Footage built on Exempt Parking Parcels), and (2) multiplying the quotient by the total Acreage of the Underlying Land Parcel on which the building sits.

"Stand-Alone Parking" means a structure that meets all of the following criteria: (1) the primary use (i.e., the majority of Square Footage) of the structure is parking, (2) the structure has been assigned its own Assessor's Parcel number and will receive its own tax bill, and (3) the structure does not include Square Footage that is designated for residential, hotel or office uses other than office areas used for parking operations.

"Stand-Alone Retail Acreage" means the portion of an Underlying Land Parcel that is assigned to Stand-Alone Retail Property. If the Stand-Alone Retail Property is physically located on its own Assessor's Parcel (i.e., a Parcel not shared by any other land use), the Stand-Alone Retail Acreage shall be the Acreage of the Assessor's Parcel. If the Stand-Alone Retail Property is in a building or shares an Underlying Land Parcel with other land uses that have been assigned separate Assessor's Parcel numbers, the corresponding Stand-Alone Retail Acreage shall be determined by (1) dividing the Square Footage of the Stand-Alone Retail Property by the total Square Footage of all structures built or anticipated to be built on the Underlying Land Parcel (not including Square Footage built on Exempt Parking Parcels), and (2) multiplying the quotient by the total Acreage of the Underlying Land Parcel on which the building(s) sits.

"Stand-Alone Retail Property" means a building, or a portion of a building, which (i) has been constructed to be leased to tenants who will offer goods, services, food or beverages for sale to the general public or on a wholesale basis directly from the leased premises, and (ii) has been assigned a separate Assessor's Parcel number and, therefore, will receive a separate property tax bill from other Parcels in the CFD.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 6 which are not: (1) Exempt Land, (2) Exempt Parking Parcels, or (3) exempt from the Special Tax pursuant to law.

"Underlying Land Parcel" means an area of land that had been or would be a single Assessor's Parcel except for the assignment of separate Assessor's Parcel numbers to individual condominiums or other Airspace Parcels located on the Underlying Land Parcel.

"Undeveloped Property" means Parcels of Taxable Property in CFD No. 6 not classified as Developed Property.

"VARA Corridor" means a privately-owned corridor running through the South of Channel area that is designated as an easement for public utilities, pedestrian and vehicular circulation, and views. Property will only be designated as a VARA Corridor and, therefore, categorized as

Exempt Land if it is reflected on an Assessor's Parcel Map as a piece of property separate from a Parcel of Taxable Property.

B. ASSIGNMENT TO LAND USE CLASSES

On or about July 1 of each Fiscal Year, the Administrator shall determine which Parcels in CFD No. 6 are Taxable Property and shall classify all Taxable Property as either Developed Property or Undeveloped Property. Taxable Property shall be subject to Special Taxes for the Fiscal Year which commences on such July 1, in accordance with the rate and method of apportionment described in Sections C and D below. For purposes of determining the applicable Special Tax pursuant to Section C, each Parcel of Developed Property shall be assigned by the Administrator to one of the Land Use Classes designated in Table 1 (regardless of how many different land uses occur on the Parcel) and, in the case of For-Sale Residential Property, to one of the For-Sale Residential Categories shown in Table 2. Determinations needed as to Square Footage or the number of For-Sale Residential Units shall be made by the Administrator by referencing the building permit, approved Major Phase documentation as defined in the Mission Bay South Owner Participation Agreement, site plan, or other development plan deemed relevant by the Administrator. Determination of the appropriate Land Use Class shall be at the sole discretion of the Administrator subject to the definitions set forth in this RMA.

C. MAXIMUM SPECIAL TAX

1. *Maximum Special Tax, Developed Property Other Than For-Sale Residential Property*

The following Maximum Special Tax rates for Developed Property shall apply to all Parcels of Taxable Property within CFD No. 6, other than For-Sale Residential Property, in each Fiscal Year in which a Special Tax is collected. The actual amount of Special Tax to be levied in any Fiscal Year on any Parcel of Developed Property shall be determined in accordance with Section D below.

TABLE I
MAXIMUM SPECIAL TAX FOR DEVELOPED PROPERTY
(Fiscal Year 2000-01) *

<i>Land Use Class</i>	<i>Description</i>	<i>Maximum Special Tax *</i>
1	Rental Residential Property	\$114,000 per Acre
2	Hotel Property	\$114,000 per Acre
3	Initial Stand-Alone Retail Property	\$0.50 per Square Foot
4	Office Property	\$114,000 per Acre
5	Other Property	\$114,000 per Acre
6	Stand-Alone Parking	\$114,000 per Acre
7	Stand-Alone Retail Property	\$114,000 per Acre

** On each July 1, commencing July 1, 2001, Maximum Special Taxes for the Fiscal Year commencing such July 1 shall be increased by two percent (2%) of the Maximum Special Taxes in effect in the previous Fiscal Year.*

In some instances an Assessor's Parcel of Developed Property may contain multiple land uses. The following procedures shall be applied to determine the Maximum Special Tax for Parcels with multiple Land Use Classes:

1.a. Parcels of Stand-Alone Retail Property

If a construction building permit is issued for any building within CFD No. 6 and all or a portion of the Square Footage of the building is specifically designated for retail uses at the time the building permit is issued, the Administrator must determine whether the retail uses are Stand-Alone Retail Property. If it is determined that the retail uses do not meet the definition of Stand-Alone Retail Property, the Acreage or portion of Acreage of the Underlying Assessor's Parcel that is assigned to the building shall be used to determine the Maximum Special Tax for the building.

If the retail uses on the Parcel meet the definition of Stand-Alone Retail Property, the Administrator then must determine whether any of the identified Stand-Alone Retail Property (the "Subject Parcel") can be further classified as Initial Stand-Alone Retail Property. The test for identifying Initial Stand-Alone Retail Property and applying a Maximum Special Tax thereto is specified below in Steps 1 through 6. If building permits are issued at the same time for multiple Parcels of Stand-Alone Retail Property that are

owned by different owners, the remaining Square Footage and Acreage that can be allocated as Initial Stand-Alone Retail Property shall be divided up equally between the Parcels. For example, if there is Square Footage on two Parcels that qualifies as Initial Stand-Alone Retail Property, the remaining allocation will be divided in half and each Parcel shall get the benefit of one-half of the remaining Square Footage to be allocated as Initial Stand-Alone Retail Property. If building permits are issued at the same time for multiple Parcels of Stand-Alone Retail Property that are owned by the same owner, the owner can determine how the remaining Initial Stand-Alone Property allocation will be split among his/her Parcels.

If Stand-Alone Retail Property is identified on the Parcel, the following steps shall be applied to determine the Maximum Special Tax for the Subject Parcel:

- Step 1. Identify the total Square Footage of Stand-Alone Retail Property and the amount of Stand-Alone Retail Acreage that was included in building permits issued within the CFD prior to the date the building permit was issued for the Subject Parcel.
- Step 2. Subtract the Square Footage determined in Step 1 from 90,000 and subtract the Stand-Alone Retail Acreage determined in Step 1 from 1.0. If either of the differences is equal to or less than zero, none of the Square Footage on the Subject Parcel can be categorized as Initial Stand-Alone Retail Property. If the differences are greater than zero, the Administrator shall determine the amount of Square Footage that can qualify as Initial Stand-Alone Retail Property without exceeding a total of either 90,000 Stand-Alone Retail Square Feet or 1.0 Stand-Alone Retail Acre in the CFD as a whole. This amount of Square Footage shall be the Initial Stand-Alone Retail Property on the Parcel.
- Step 3. Multiply the Initial Stand-Alone Retail Square Footage determined in Step 2 by the Maximum Special Tax for Initial Stand-Alone Retail Property for the then current Fiscal Year to determine the portion of the Maximum Special Tax for the Subject Parcel that will be generated from Initial Stand-Alone Retail Property on the Subject Parcel.
- Step 4. Subtract the Stand-Alone Retail Acreage that corresponds to the Square Footage of Initial Stand-Alone Retail Property determined in Step 2 from the total Stand-Alone Retail Acreage on the Subject Parcel to determine the Acreage on the Subject Parcel that is associated with Stand-Alone Retail Property that did not qualify as Initial Stand-Alone Retail Property.

Step 5. Multiply the Acreage from Step 4 by the then current Maximum Special Tax for Stand-Alone Retail Property to determine the portion of the Maximum Special Tax for the Subject Parcel that will be generated from Stand-Alone Retail Property that did not qualify as Initial Stand-Alone Retail Property.

Step 6. Add together the Maximum Special Taxes determined in Steps 3 and 5 to determine the total Maximum Special Tax for the Subject Parcel in the current Fiscal Year.

If multiple land uses occur in the same building and/or on the same Underlying Land Parcel on which the Stand-Alone Retail Property is located and a separate Assessor's Parcel number has been assigned to one or more of such land uses, the Administrator shall follow the procedures set forth in Section C.1.c. below to delineate the Acreage of the Underlying Land Parcel. The identified Acreage shall then be used to separately calculate the Maximum Special Tax for the individual Assessor's Parcels on which each other land use is located.

1.b. Parcels of Stand-Alone Parking

If a construction building permit is issued for any building within CFD No. 6 and all or a portion of the Square Footage of the building is specifically designated for parking at the time the building permit is issued, the Administrator must determine whether the parking will be Stand-Alone Parking. If it is determined that the parking areas do not meet the definition of Stand-Alone Parking, the Maximum Special Tax shall be determined based on the Acreage or portion of Acreage of the Underlying Land Parcel that is assigned to the building, without a separate allocation to the area designated for parking. If the parking is Stand-Alone Parking, the Administrator shall apply the following steps to determine the Maximum Special Tax for the Parcel of Stand Alone Parking (the "Subject Parcel"):

Step 1. Determine the Stand-Alone Parking Acreage on the Subject Parcel.

Step 2. Multiply the Maximum Special Tax for Stand-Alone Parking for the then current Fiscal Year by the Stand-Alone Parking Acreage determined in Step 1 to calculate the Maximum Special Tax for the Subject Parcel.

If multiple land uses occur on the same Underlying Land Parcel on which Stand-Alone Parking is located, the Administrator shall delineate the Stand-Alone Parking Acreage on the Underlying Land Parcel as set forth in Step 1 above. The remaining Acreage on the Underlying Land Parcel shall be taxed, depending on the land use, pursuant to other applicable sections of this Rate and Method of Apportionment of Special Tax.

1.c. Underlying Land Parcels with Multiple Land Uses

If multiple land uses that have been assigned separate Assessor's Parcel numbers occur in the same building and/or on the same Underlying Land Parcel anywhere within CFD No. 6, the Administrator shall delineate the Acreage of the Underlying Land Parcel that is associated with each type of land use as follows: (1) divide the Square Footage associated with each land use (other than Square Footage on Exempt Parking Parcels) by the total Square Footage of all structures built or anticipated to be built (based on building permits that have been issued) on the Underlying Land Parcel (not including Square Footage built on Exempt Parking Parcels), and (2) multiply the quotient by the total Acreage of the Underlying Land Parcel on which the building(s) sits. The identified Acreage shall then be used to separately calculate the Maximum Special Tax for the individual Assessor's Parcels on which each land use is located.

If a building permit has been issued for development of a structure on an Underlying Land Parcel in the CFD which is anticipated to have additional structures built on it that will not be Exempt Parking Parcels, a portion of the Acreage of the Underlying Land Parcel shall be taxed as Undeveloped Property if building permits for all of the structures in the approved Major Phase documentation as defined in the Mission Bay South Owner Participation Agreement for the Underlying Land Parcel were not issued as of July 1 of the Fiscal Year in which the Special Taxes are being levied. If the Acreage assigned to each building anticipated on the Underlying Land Parcel is not clearly delineated on a subdivision map, the Acreage of the portion of the Underlying Land Parcel to be taxed as Developed Property shall be equal to the structure's pro rata share of the total residential units or Square Footage anticipated to be constructed on the Underlying Land Parcel (not counting Square Footage on an Exempt Parking Parcel), as determined by reference to the Major Phase documentation, multiplied by the total Acreage of the Underlying Land Parcel.

Notwithstanding the above, if one or more of the additional structures to be built on the Underlying Land Parcel is expected to be a parking structure that will not be Stand-Alone Parking or if it is uncertain whether the structure will be Stand-Alone Parking, the Acreage associated with the Exempt Parking Parcel shall be assigned to the building for which a building permit has been issued and shall factor into the Maximum Special Tax calculation for that building. If the Exempt Parking Parcel ultimately becomes Stand-Alone Parking, a separate Maximum Special Tax shall be assigned to the parking structure based on the Acreage determined to be Stand-Alone Parking Acreage, and the Maximum Special Tax that had originally been assigned to the building that was first built on the Underlying Land Parcel shall be reduced by the amount of the Maximum Special Tax allocated to the Parcel of Stand-Alone Parking.

Once a Maximum Special Tax has been assigned to a Parcel of Developed Property, the Maximum Special Tax shall not be reduced in future Fiscal Years regardless of changes in land use, Square Footage, or Acreage, unless (1) a reduction in the Maximum Special Tax is

approved by the Commission for the entire CFD, or (2) Stand-Alone Parking is added to an Underlying Land Parcel as set forth in the paragraph above.

2. Maximum Special Tax, For-Sale Residential Property

2.a. Underlying Land Parcels with No Stand-Alone Parking or Stand-Alone Retail

The Maximum Special Tax for a building of For-Sale Residential Property shall be the amount determined by multiplying the Acreage or portion of Acreage of the Parcel that is assigned to the building pursuant to Section C.2.d below by \$114,000. Once the Maximum Special Tax has been calculated for the building, a separate Maximum Special Tax shall be determined for each For-Sale Residential Unit in the building through application of the following steps:

- Step 1. For each building with For-Sale Residential Units, determine the Acreage associated with the building. If additional buildings will be constructed on the Underlying Land Parcel on which the building is located, use the procedures set forth in Section C.2.d below to determine the Acreage. If no additional buildings are expected on the Underlying Land Parcel, use the entire Acreage of the Parcel.
- Step 2. Using the Acreage from Step 1, determine the Maximum Special Tax for the building.
- Step 3. Identify the square footage of each For-Sale Residential Unit to be constructed within the building.
- Step 4. Using the square footage information from Step 3, multiply the number of For-Sale Residential Units expected within each For-Sale Residential Category by the appropriate Equivalent Dwelling Unit factor from Table 2 below and sum the EDUs for all For-Sale Residential Categories represented within the building for which Special Taxes are being calculated.

TABLE 2
FOR-SALE RESIDENTIAL CATEGORIES AND EQUIVALENT DWELLING UNIT FACTORS

<i>For-Sale Residential Category</i>	<i>EDU Factor</i>
For-Sale Residential Units, less than 550 square feet	0.55
For-Sale Residential Units, 551 to 800 square feet	0.70
For-Sale Residential Units, 801 to 1,175 square feet	0.85
For-Sale Residential Units, greater than 1,175 square feet	1.00

For example, assume 200 For-Sale Residential Units that are 1,300 square feet and 300 For-Sale Residential Units that are 900 square feet will be constructed in a building. The total EDUs for the building would be calculated as follows:

200 Units * EDU Factor of 1.00 =	200 EDUs
300 Units * EDU Factor of 0.85 =	<u>255 EDUs</u>
Total EDUs in Building =	455 EDUs

- Step 5: Divide the Maximum Special Tax determined in Step 2 by the number of EDUs calculated in Step 4 to determine the "Special Tax per EDU".
- Step 6: If each For-Sale Residential Unit has been assigned an individual Assessor's Parcel number, multiply the Special Tax per EDU determined in Step 5 by the number of EDUs on each individual Parcel to determine the Maximum Special Tax for each Parcel. If separate Assessor's Parcels are not created for each For-Sale Residential Unit or if separate Assessor's Parcel numbers have not yet been assigned to each individual Assessor's Parcel, multiply the number of EDUs in the building (as determined in Step 4) by the Special Tax per EDU from Step 5 to determine the Maximum Special Tax for the building. If additional buildings will be constructed on the Parcel on which the building is located and such buildings are not expected to be Exempt Parking Parcels, the Special Tax levied on the Parcel shall be a combination of the Special Tax calculated pursuant to this Step 6 and the Special Tax to be levied on the remaining Undeveloped Property within the Parcel.

2.b. Underlying Land Parcels with For-Sale Residential Property and Other Land Uses

If other land uses that have been assigned separate Assessor's Parcel numbers (other than Exempt Parking Parcels) share an Underlying Land Parcel on which For-Sale Residential Property is located, the Administrator shall follow the direction set forth in Section C.1.c above to delineate the Acreage on the Underlying Land Parcel among the land uses. The Maximum Special Tax assigned to the portion of the Underlying Land Parcel which is determined to be For-Sale Residential Property shall be allocated among the For-Sale Residential Units pursuant to the procedure set forth in Section C.2.a above.

2.c. Conversions from Rental Residential Property to For-Sale Residential Property

If Rental Residential Units on an Assessor's Parcel are converted to For-Sale Residential Units, the Maximum Special Tax that had been assigned to the Parcel when it was Rental Residential Property shall remain effective in future Fiscal Years regardless of the conversion. The Maximum Special Tax assigned to the Parcel shall be allocated among the For-Sale Residential Units pursuant to the procedures set forth in Section C.2.a above.

2.d. Underlying Land Parcels with Remaining Undeveloped Property

If a building permit has been issued for development of For-Sale Residential Units on an Underlying Land Parcel in the CFD which is anticipated to have additional structures built on it and such structures are not expected to qualify as Exempt Parking Parcels, a portion of the Acreage of the Underlying Land Parcel shall be taxed as Undeveloped Property if building permits for all of the structures in the approved Major Phase documentation as defined in the Mission Bay South Owner Participation Agreement for the Underlying Land Parcel were not issued as of July 1 of the Fiscal Year in which the Special Taxes are being levied. If the Acreage assigned to each building anticipated on the Underlying Land Parcel is not clearly delineated on a subdivision map, the Acreage of the portion of the Underlying Land Parcel to be taxed as For-Sale Residential Property shall be equal to the structure's pro rata share of the total For-Sale Residential Units (if all of the remaining structures are expected to be For-Sale Residential Property) or Square Footage (if the remaining structures will include land uses other than For-Sale Residential Property and which shall not include Square Footage built on Exempt Parking Parcels) anticipated to be constructed on the Underlying Land Parcel, as determined by the Administrator by reference to the approved Major Phase documentation as defined in the Mission Bay South Owner Participation Agreement, multiplied by the total Acreage of the Underlying Land Parcel.

Once a Maximum Special Tax has been assigned to an Assessor's Parcel of For-Sale Residential Property, the Maximum Special Tax assigned to that Parcel shall never be reduced regardless of changes in land use on the Parcel in future years, unless a reduction in the Maximum Special Tax is approved by the Commission for the entire CFD.

3. *Maximum Special Tax, Undeveloped Property*

The Maximum Special Tax for Undeveloped Property is \$114,000 per Acre and shall apply to all Parcels or portions of Parcels of Taxable Property within CFD No. 6 that are Undeveloped Property in each Fiscal Year in which the Special Tax is collected. On each July 1, commencing July 1, 2001, the Maximum Special Tax for Undeveloped Property for the Fiscal Year commencing such July 1 shall be increased by two percent (2%) of the Maximum Special Tax for Undeveloped Property in effect in the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2000-01 and for each following Fiscal Year, the Administrator or designee shall determine the Special Tax Requirement to be collected from Taxable Property in CFD No. 6 in the applicable Fiscal Year. The Special Tax shall then be levied as follows:

First: The Special Tax shall be levied proportionately on each Assessor's Parcel of For-Sale Residential Property up to 100% of the Maximum Special Tax for each For-Sale Residential Unit, as determined by reference to Section C.2 above, subject in any event to the limitation in the second paragraph of Section E below as to the levy on any particular Parcel;

Second: If additional monies are needed to pay the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property other than For-Sale Residential Property up to 100% of the applicable Maximum Special Tax for each such Parcel of Developed Property, as determined by reference to Section C.1 above;

Third: If additional monies are needed to pay the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property, as determined by reference to Section C.3 above;

E. LIMITATIONS

No Special Taxes shall be levied in any Fiscal Year on any Parcel after such Parcel becomes Exempt Land, an Exempt Parking Parcel, or any Parcel for which the entire Special Tax has been prepaid pursuant to Section G below.

The Special Tax may be levied and collected until principal and interest on Bonds have been repaid and the Infrastructure has been completed and accepted by the applicable governmental agency and paid for with proceeds of Bonds, Special Taxes, Net Available Increment or bonds secured by Net Available Increment (as defined in the Mission Bay South Owner Participation Agreement), but in any event not later than the year 2050.

The Special Tax levied against a Parcel of For-Sale Residential Property or Rental Residential Property in a given Fiscal Year cannot be increased, as a consequence of delinquency or default by owners of other Parcels within CFD No. 6, by more than ten percent (10%) of the Special Tax levied on such Parcel in the prior Fiscal Year. An increase of ten percent (10%) or more shall be determined by comparison to what the levy of Special Tax would be for any Assessor's Parcel if there were no delinquencies or defaults on any other Assessor's Parcel in CFD No. 6.

F. MANNER OF COLLECTION

The Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that prepayments are permitted as set forth in Section G below and provided further that the Administrator may directly bill the Special Taxes and may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 6 or otherwise more convenient or efficient in the circumstances. Foreclosure of delinquent Special Taxes may be initiated and pursued in the manner permitted in the Act.

G. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation applicable to each Assessor's Parcel in CFD No. 6 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the Administrator with (i) written notice of intent to prepay, and (ii) payment of fees to cover the cost of calculating and administering the prepayment as established by the Agency. Within 30 days of receipt of such written notice, the Administrator shall notify such owner of the prepayment amount for the Assessor's Parcel. A prepayment must be made to the Agency at least 45 days prior to the next occurring date that notice of redemption of Bonds from proceeds of such prepayment may be given to the trustee pursuant to the Indenture.

Revenues from prepayment of Special Taxes may be used by CFD No. 6 for any purpose allowed under the Act, including but not limited to the following: (i) to redeem Bonds; (ii) to pay for Infrastructure; and (iii) to escrow and be used to defease Bonds. The prepayment calculation shall be performed by the Administrator or an independent financial consultant selected by the Administrator and retained by the Agency in its sole discretion. No prepayment shall be allowed unless the amount of Special Taxes that can be levied on Taxable Property in the CFD after the prepayment is at least one hundred and ten percent (110%) of the maximum annual debt service on outstanding Bonds.

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied

on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

The following definitions apply to this Section G:

"Construction Inflation Index" means the greater of (i) the percent change in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or (ii) zero percent.

"Future Infrastructure Costs" means the Infrastructure Costs (as defined below) minus any costs funded by Previously Issued Bonds (as defined below), or directly from Special Tax revenues, Net Available Increment, or bonds secured by Net Available Increment as defined in the Mission Bay South Owner Participation Agreement.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of "Outstanding Bonds" for purposes of this prepayment formula.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 6 prior to the date of prepayment.

"Infrastructure Costs" means \$175,772,000 in 1999 dollars, which shall increase by the Construction Inflation Index on July 1, 2000 and each July 1 thereafter, or such other number as (i) shall be determined by the Administrator as sufficient to pay for the Infrastructure, or (ii) shall be determined by the Commission concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied pursuant to this Rate and Method of Apportionment of Special Tax.

The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

Bond Redemption Amount	
plus	Future Infrastructure Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1. Determine the greater of (i) the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax based on the Parcel's development status in the Fiscal Year in which prepayment would be received by CFD No. 6, or (ii) the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax based on land uses expected on the Parcel when the entire Parcel becomes Developed Property, as determined by the Administrator.
- Step 2. Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the lesser of (i) the Maximum Special Tax revenues that could be collected in that Fiscal Year from all Taxable Property in CFD No. 6, or (ii) the Maximum Special Tax revenues that could be generated at buildout of property in CFD No. 6 based on anticipated land uses at buildout of the CFD.
- Step 3. Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the *"Bond Redemption Amount"*).
- Step 4. Compute the current Future Infrastructure Costs.
- Step 5. Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Future Infrastructure Costs to be prepaid (the *"Future Infrastructure Amount"*).
- Step 6. Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the *"Redemption Premium"*).
- Step 7. Compute the amount needed to pay interest on the Bond Redemption Amount from the last interest payment date on the Outstanding Bonds until the earliest redemption date for the Outstanding Bonds.
- Step 8. Compute the minimum amount the Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the redemption date for the Outstanding Bonds that the Administrator expects to be redeemed with the prepayment.
- Step 9. Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the *"Defeasance"*).

- Step 10. The administrative fees and expenses of CFD No. 6 are as calculated by the Administrator and include the costs of computation of the prepayment, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
- Step 11. If and to the extent so provided in the Indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "*Reserve Fund Credit*").
- Step 12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the "*Prepayment Amount*").

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal with the Administrator not later than one calendar year after having paid the Special Tax that is disputed. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the Administrator's decision requires the Special Tax to be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of the levy), but an adjustment shall be made to the next Special Tax levy. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

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APPENDIX D

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE CERTIFICATE – ISSUER

This Continuing Disclosure Certificate-Issuer (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 \$15,160,000 Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) (the “District”) Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds) and \$5,708,938.75 Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds) (the “2005 Bonds”). The 2005 Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 2001 (the “Fiscal Agent Agreement”), between the Agency and Wells Fargo Bank, National Association, as fiscal agent (the “Fiscal Agent”), as supplemented. The Agency for itself as the initial Dissemination Agent, and otherwise on behalf of the District, 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 2005 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Central Post Office*” means the Disclosure USA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

“*Dissemination Agent*” shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Fiscal Agent a written acceptance of such designation.

“*Listed Events*” shall mean 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.

“*Participating Underwriter*” shall mean, collectively, Stone & Youngberg LLC and Backstrom McCarley Berry & Co., LLC, the original underwriters of the 2005 Bonds required to comply with the Rule in connection with offering of the 2005 Bonds.

“*Repository*” shall mean each National Repository and each State Repository.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State Repository*” shall mean 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 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, or upon written request shall cause the Dissemination Agent to, not later than nine months after the end of the Agency’s Fiscal Year (i.e., March 31), commencing with March 31, 2005 with the report for the 2005-2006 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Fiscal Agent and the Participating Underwriter. Not later than fifteen (15) business days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent, the Fiscal Agent and the Participating Underwriter to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder. The Dissemination Agent and the Fiscal Agent may conclusively rely upon such certification of the Agency, and shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filing of the Annual Report if not available by that date. If the Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent the Annual Report has been provided to the Dissemination Agent, file a report with the Agency (if the Dissemination Agent is other than the Agency) and the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Notwithstanding any other provision of this Disclosure Certificate, the Agency and the Dissemination Agent reserve the right to make any of the aforementioned filings through the Central Post Office.

Section 4. Content of Annual Reports. The Agency’s Annual Report shall contain or incorporate by reference the following:

(a) The Agency’s 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, each as of the end of the Fiscal Year for which the Annual Report is being provided (except as otherwise indicated below):

1. Principal amount of 2005 Bonds outstanding.
2. Balance in the accounts within the Improvement Fund for the 2005 Bonds.
3. Balance in the Reserve Fund for the 2005 Bonds.
4. Total assessed value of all parcels subject to the Special Taxes and the current year's assessed value for the District.
5. Special Tax and property tax delinquency rate for parcels in the District.
6. Concerning delinquent parcels:
 - number of parcels delinquent in payment of Special Tax,
 - amount of total delinquency and as a percentage of total Special Tax levy, and
 - status of the District's actions on covenants to pursue foreclosure proceedings upon delinquent properties.
7. Identity of any delinquent tax payer obligated for more than 10% of the annual Special Tax levy and:
 - assessed value of applicable properties, and
 - summary of results of foreclosure sales, if available.
8. Significant amendments to land use entitlements for property in the District since the last Annual Report which are known to the Agency's chief financial officer, including but not limited to any rezoning of the property or the adoption of any amendment or other change to the specific plan for the area that includes the District..
9. Status of any significant legislative, administrative, and judicial challenges to the construction of the development in the District since the last Annual Report which are known to the Agency's chief financial officer, without independent inquiry, but only for Annual Reports for years in which construction activity has occurred in the District; such as any lawsuit challenging the land use entitlements for the District, or any voter or legislative initiative to curtail or impede development in the District..
10. For the Fiscal Year for which the Annual Report is being issued, but only until the date on which 80% or more of the Special Taxes in the District are levied on developed property, any building permit issued for the construction of a building on a parcel subject to the Special Taxes and any certificate of occupancy for any building on a parcel subject to the Special Taxes.
11. To the extent not otherwise provided pursuant to the preceding items 1-10, annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be 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.

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 2005 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) Bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible, but in no event later than ten (10) business days after the occurrence thereof, determine if such event would be material under applicable Federal Securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Central Post Office and each State Repository, with a copy to the Fiscal Agent and the Participating Underwriter. 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 owners of affected 2005 Bonds pursuant to the Fiscal Agent Agreement.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2005 Bonds. If such termination occurs prior to the final maturity of the 2005 Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to act as such under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Agency.

The Dissemination Agent may at any time resign by providing thirty days written notice to the Agency (if the then Dissemination Agent is other than the Agency) and the Fiscal Agent, such resignation to become effective upon acceptance of appointment by a successor Dissemination Agent. Upon receiving notice of such resignation, the Agency shall promptly appoint a successor Dissemination Agent by an instrument in writing, delivered to the Fiscal Agent. If no appointment of a successor Dissemination Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Dissemination Agent shall have given to the Agency and the Fiscal Agent written

notice of its resignation, the Dissemination Agent may apply to any court of competent jurisdiction to appoint a successor Dissemination Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Dissemination Agent. The Agency shall provide the Fiscal Agent with written notice of the identity of any successor Dissemination Agent appointed or engaged by 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) the amendment or waiver, if it relates to annual or event information to be provided, is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identify, nature, or status of the District, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the 2005 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 (i) is approved by owners of the 2005 Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the 2005 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

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 any Participating Underwriter or any holder or beneficial owner of the 2005 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the 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 shall have only such duties as are specifically set forth in this Disclosure Certificate, and, if the Dissemination Agent is other than the Agency, the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it 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 Dissemination Agent shall be paid compensation by the District for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent, if the Dissemination Agent is other than the Agency, shall have no duty or obligation to review any information provided to it by the Agency and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bondholders or any other party. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2005 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and the owner and beneficial owners from time to time of the 2005 Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2005

REDEVELOPMENT AGENCY OF THE CITY
AND COUNTY OF SAN FRANCISCO

By: _____

Its: _____

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency of the City and County of San Francisco

Name of Bond Issue: Redevelopment Agency of the City and County of San Francisco Community
Facilities District No. 6 (Mission Bay South Public Improvements) Special
Tax Bonds, Series 2005A Parity-South (Current Interest Bonds)

Redevelopment Agency of the City and County of San Francisco Community
Facilities District No. 6 (Mission Bay South Public Improvements) Special
Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds)

Date of Issuance: _____, 2005

NOTICE IS HEREBY GIVEN 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 2005 Bonds as required by Section 3 of the Continuing Disclosure Certificate-Issuer dated _____, 2005 executed by the Agency for the benefit of the owners and beneficial owners of the above-referenced bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY OF THE CITY
AND COUNTY OF SAN FRANCISCO

By: _____

Its: _____

cc: Wells Fargo Bank, National Association, as Fiscal Agent
707 Wilshire Boulevard, 17th Floor
MAC E2818-176
Los Angeles, California 90017

CONTINUING DISCLOSURE CERTIFICATE – LANDOWNER

This Continuing Disclosure Certificate-Landowner (the “Disclosure Certificate”) is executed and delivered by _____ (the “Owner”) in connection with the issuance of \$15,160,000 Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds) and \$5,708,938.75 Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds) (the “2005 Bonds”). The 2005 Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of June 1, 1991 (the “Fiscal Agent Agreement”), between the Redevelopment Agency of the City and County of San Francisco (the “Agency”) and Wells Fargo Bank, National Association, as fiscal agent (the “Fiscal Agent”), as supplemented. The Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Owner for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, (c) any Person directly or indirectly controlling such other Person, and (d) with respect to any general partner of a partnership or member of a limited liability company for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Agency*” means the Redevelopment Agency of the City and County of San Francisco.

“*Annual Report*” shall mean any Annual Report provided by the Owner pursuant to, and as described in, Sections 3(a) and 4(a) of this Disclosure Certificate.

“*Assumption Agreement*” means an agreement between a landowner in the District, or an Affiliate thereof, and the Dissemination Agent containing terms substantially similar to this Disclosure Certificate, whereby such landowner or Affiliate agrees to provide annual reports and notices of significant events to the Dissemination Agent of the character described in Sections 3 and 4 hereof, with respect to the portion of the Property owned by such landowner and its Affiliates and which contains an assumption provision of the character set forth in Section 6 hereof to be applicable to sales of Property by such landowner.

“*Central Post Office*” means the Disclosure USA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

“*Disclosure Representative*” means Chief Financial Officer of the Owner, or his designee, or such other officer, employee or agent as the Owner shall designate in writing to the Dissemination Agent and the Agency from time to time.

“Dissemination Agent” shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Owner, the Agency and the Fiscal Agent a written acceptance of such designation.

“Event of Bankruptcy” means, with respect to a Person, that such Person files a petition or institutes a proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby such Person asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of such Person’s debts or obligations, or offers to such Person’s creditors to effect a composition or extension of time to pay such Person’s debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of such Person’s debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character is filed or instituted or taken against such Person, or if a receiver of the business or of the property or assets of such Person is appointed by any court, or if such Person makes a general assignment for the benefit of such Person’s creditors.

“Fiscal Year” shall mean the Owner’s fiscal year for its financial accounting purposes.

“Listed Events” shall mean 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.

“Participating Underwriter” shall mean, collectively, Stone & Youngberg LLC and Backstrom McCarley Berry & Co., LLC, the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the real property within the boundaries of the District on which Special Taxes are authorized to be levied by the District.

“Property Owner” means any Person that owns a fee interest in any Property.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Semiannual Report” shall mean any Semiannual Report provided by the Owner pursuant to, and as described in, Sections 3(b) and 4(b) of this Disclosure Certificate.

“State Repository” shall mean 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. (a) Provision of Annual Reports.

(i) Until this Disclosure Certificate terminates in accordance with Section 7 below, the Owner shall, or upon written request shall cause the Dissemination Agent to, not later than 120 days after the end of the Fiscal Year, commencing with the report for the 2005 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4(a) of this Disclosure Certificate, with a copy to the Agency, the Participating Underwriter and the Fiscal Agent. Not later than fifteen (15) business days prior to said date, the Owner shall provide the Annual Report to the Dissemination Agent. The Owner shall provide a written certification with each Annual Report furnished to the Dissemination Agent, the Agency, the Participating Underwriter and the Fiscal Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Owner hereunder. The Dissemination Agent, the Agency and the Fiscal Agent may conclusively rely upon such certification of the Owner, and shall have no duty or obligation to review such Annual Report. 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(a) of this Disclosure Certificate. If the Owner's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(ii) If the Owner is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Owner shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(iii) The Dissemination Agent shall:

(A) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(B) to the extent the Annual Report has been provided to the Dissemination Agent, file such Annual Report with the Repositories and file a report with the Owner, the Agency and the Fiscal Agent (if the Dissemination Agent is other than the Fiscal Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(b) Notwithstanding any other provision of this Disclosure Certificate, the Agency and the Dissemination Agent reserve the right to make any of the aforementioned filings through the Central Post Office.

(c) Provision of Semiannual Reports.

(i) Until the earlier of (A) such time as eighty percent (80%) of the buildable area in the District that is owned by the Owner and/or any Affiliate thereof has been improved with structures or other permanent site improvements, or (B) this Disclosure Certificate terminates pursuant to Section 7 hereof, the Owner shall, or upon written request shall cause the Dissemination Agent to, not later than sixty (60) days after the six month anniversary of the start of the Fiscal Year, commencing with the report for the middle of the Fiscal Year which ends in 2005, provide to each Repository a Semiannual Report which is consistent with the requirements of Section 4(b) of this Disclosure Certificate, with a copy to the Agency, the Fiscal Agent and the Participating Underwriter. Not later than fifteen (15) days prior to said date, the Owner shall provide the Semiannual Report to the Dissemination Agent. The Owner shall provide a written certification with each Semiannual Report furnished to the Dissemination Agent, the Fiscal Agent and the Agency to the effect that such Semiannual Report constitutes the Semiannual Report

required to be furnished by the Owner hereunder. The Dissemination Agent, the Fiscal Agent and the Agency may conclusively rely upon such certification of the Owner, and shall have no duty or obligation to review such Semiannual Report. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4(b) of this Disclosure Certificate.

Section 4. (a) Content of Annual Reports. The Owner's Annual Report shall contain or incorporate by reference the following:

(i) A description of any material changes to the plan of development of the public and private improvements being constructed by the Owner or any Affiliate thereof on property located within the District (the "Improvements") from that shown in the Official Statement for the Bonds.

(ii) A description of any sales or leasing by the Owner or any Affiliate thereof of material portions of the Property during the Fiscal Year covered by such Annual Report, including the identification of each material lessee or purchaser, and the square footage leased or the number of acres sold, as applicable.

(iii) A description of how many acres of Property were owned by the Owner or any Affiliate thereof as of the end of the Fiscal Year covered by such Annual Report.

(iv) Any delinquency in the payment of Special Taxes by the Owner or any Affiliate thereof during the Fiscal Year to which the Annual Report pertains, and a statement as to whether or not any such delinquency has been cured.

(v) Any pending litigation which would adversely affect the ability of the Owner or any Affiliate thereof to develop Property owned by the Owner or any Affiliate thereof or to pay Special Taxes levied on such Property, or any legislative, or administrative challenges to the construction of the Improvements as known to the Owner.

(vi) Any material change in the structure or ownership of the Owner.

(vii) A description of the status of completion of the Improvements, and of the status of building permits and certificates of occupancy or completion, as applicable, issued for the Improvements.

(viii) Material amendments to land use entitlements for the Improvements.

(ix) The assumption of any obligations by a landowner pursuant to Section 6.

In addition to any of the information expressly required to be provided as described above, the Owner shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Owner 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 Owner shall clearly identify each such other document so included by reference.

(b) Content of Semiannual Reports. The Owner's Semiannual Reports shall contain or incorporate by reference the following information, as of the end of the immediately preceding six month period, for each County Assessor's parcel in the District that is owned by the Owner or any Affiliate thereof and is subject to the levy of the Special Taxes: (i) whether or not a building permit has been issued for such parcel, (ii) whether or not construction has commenced with respect to Improvements on such parcel, and, if so, the approximate stage of completion, and (iii) whether or not any such construction on such parcel has been completed and, if so, the date on which a certificate of occupancy or notice of completion was issued by the applicable governmental agency.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Owner shall give, or cause to be given, notice of the occurrence of any of the following events, if material:

- (i) failure by the Owner or any Affiliate thereof to pay any real property taxes (including any Special Taxes) levied within the District,
- (ii) material damage to or destruction of any of the Improvements,
- (iii) default by the Owner or any Affiliate thereof on any loan with respect to the construction of the Improvements, and
- (iv) The occurrence of an Event of Bankruptcy with respect to the Owner or any Affiliate thereof.

(b) Whenever the Owner obtains knowledge of the occurrence of a Listed Event, the Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Owner shall promptly file or caused to be filed a notice of such occurrence with the Municipal Securities Rulemaking Board, the Central Post Office and each State Repository, with a copy to the Agency, the Participating Underwriter and the Fiscal Agent.

Section 6. Assumption of Obligations. If a portion of the Property owned by the Owner, or any Affiliate of the Owner, is to be conveyed to a Person that, upon such conveyance, will, together with any Affiliates of such Person, own land in the District that is subject to over twenty (20%) of the Special Taxes levied in the District in the most recent Fiscal Year, the Owner shall include a provision in the conveyance agreement for a Person to agree to execute an Assumption Agreement following the closing of escrow for the conveyance. At the option of the Owner, the determination of the land area so owned may be based upon the last equalized roll of the County, or any other information indicating land ownership believed by the Owner to be reliable, such as a certificate of the proposed landowner as to the land owned by it in the District.

The Owner shall enter into an Assumption Agreement with any landowner described in the preceding paragraph, which Assumption Agreement shall be in form and substance satisfactory to the Agency, or the landowner shall otherwise enter into an agreement with Dissemination Agent in form substantially identical to this Disclosure Certificate (except for the identity of the "Owner" therein). From and after the date on which an Assumption Agreement (or replacement agreement in form equivalent to this Disclosure Certificate) is executed with respect to Property, the Owner shall no longer be required to take such Property into account in connection with any Annual Report or Semiannual Report required under Sections 3 and 4 hereof; provided however that if, following a conveyance by the Owner of the character described in the first sentence of this Section 6, an Assumption Agreement (or replacement agreement in form equivalent to this Disclosure Certificate) is not executed (other than by reason of the willful misconduct of the Dissemination Agent), the Owner shall continue to include such Property in its

Annual Reports or Semiannual Reports and, for purposes of Section 3, the term “Owner” shall include, in addition to Owner, the Person to whom the Property has been conveyed.

Section 7. Termination of Reporting Obligation. The Owner’s obligations under this Disclosure Certificate shall terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds, (b) the date on which the Owner and all Affiliates of the Owner own, in the aggregate, land in the District that is subject to less than twenty percent (20%) of the Special Taxes levied in the District (subject, however, to the last paragraph of Section 6 above), (c) the date on which all Special Taxes on the Property owned by the Owner and its Affiliates are paid or prepaid in full (as evidenced by the recording of a Notice of Cancellation of Special Tax Lien by the District with respect to such property), and (d) the date on which the Owner delivers to the Agency and the Dissemination Agent an opinion of bond counsel acceptable to the Agency to the effect that the continuing disclosure provided for in this continuing Disclosure Certificate is no longer required under the Rule to allow the Participating Underwriter to deal in the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Owner shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to act as such under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Agency.

The Dissemination Agent may at any time resign by providing thirty days written notice to the Agency, the Owner and the Fiscal Agent, such resignation to become effective upon acceptance of appointment by a successor Dissemination Agent. Upon receiving notice of such resignation, the Agency shall promptly appoint a successor Dissemination Agent by an instrument in writing, delivered to the Fiscal Agent and the Owner. If no appointment of a successor Dissemination Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Dissemination Agent shall have given to the Agency, the Owner and the Fiscal Agent written notice of its resignation, the Dissemination Agent may apply to any court of competent jurisdiction to appoint a successor Dissemination Agent. Said court may thereupon after such notice, if any, as such court may deem proper, appoint a successor Dissemination Agent. The Agency shall provide the Owner and the Fiscal Agent with written notice of the identity of any successor Dissemination Agent appointed or engaged by the Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Owner 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 Sections 3, 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, 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;

(c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds; and

(d) no amendment increasing or affecting the obligations or duties of the Agency, the Dissemination Agent or the Fiscal Agent shall be made without the consent of such party.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Owner to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Owner 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, Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Owner 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 Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Owner to comply with any provision of this Disclosure Certificate any Participating Underwriter or any owner 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 Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it 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 Dissemination Agent shall be paid compensation by the District for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, promptly following receipt by the Agency of a written invoice therefor. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Owner and shall not be deemed to be acting in any fiduciary capacity for the Owner, the Bondholders, or any other party. The obligations of the Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Owner, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2005

[OWNER]

By: _____

Its: _____

The Redevelopment Agency of the City and
County of San Francisco agrees to act as
Dissemination Agent pursuant to the foregoing
Continuing Disclosure Certificate-Landowner

By: _____
Executive Director

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency of the City and County of San Francisco

Name of Bond Issue: Redevelopment Agency of the City and County of San Francisco
Community Facilities District No. 6 (Mission Bay South Public
Improvements) Special Tax Bonds, Series 2005A Parity-South (Current
Interest Bonds)

Redevelopment Agency of the City and County of San Francisco Community
Facilities District No. 6 (Mission Bay South Public Improvements) Special
Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds)

Date of Issuance: _____, 2005

NOTICE IS HEREBY GIVEN that [Owner] (the "Owner") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate-Landowner dated _____, 2005 executed by the Owner for the benefit of the owners and beneficial owners of the above-referenced bonds. The Owner anticipates that the Annual Report will be filed by _____.

Dated: _____, 2005

[OWNER]

By: _____

Its: _____

cc: Redevelopment Agency of the City and County of San Francisco
770 Golden Gate Avenue, 3rd Floor
San Francisco, California 94102
Attention: Deputy Executive Director, Finance and Administration

Wells Fargo Bank, National Association, as Fiscal Agent
707 Wilshire Boulevard, 17th Floor
MAC E2818-176
Los Angeles, California 90017

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon the issuance and delivery of the 2005 Bonds, Quint & Thimmig LLP, San Francisco, California, Bond Counsel proposes to issue its approving opinion in substantially the following form:

July __, 2005

Redevelopment Agency of the
City and County of San Francisco
770 Golden Gate Avenue, 3rd Floor
San Francisco, California 94102

OPINION: \$15,160,000 Redevelopment Agency of the City and County of San Francisco
Community Facilities District No. 6 (Mission Bay South Public Improvements)
Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds)

\$5,708,938.75 Redevelopment Agency of the City and County of San Francisco
Community Facilities District No. 6 (Mission Bay South Public Improvements)
Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds)

Members of the Commission:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City and County of San Francisco (the "Agency") of its Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005A Parity-South (Current Interest Bonds), in the principal amount of \$15,160,000 and its Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) Special Tax Bonds, Series 2005B Parity-South (Capital Appreciation Bonds) in the initial amount of \$5,708,938.75 (collectively, the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the "Act"), a Fiscal Agent Agreement, dated as of June 1, 2001 (the "Original Fiscal Agent Agreement"), by and between the Agency, for and on behalf of Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) (the "District"), and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"), as amended and supplemented by a Supplemental Agreement No. 1 to Fiscal Agent Agreement, dated as of October 1, 2002 (the "First Supplement"), between the Agency, for and on behalf of the District, and the Fiscal Agent and a Supplemental Agreement No. 2 to Fiscal Agent Agreement, dated as of July 1, 2005 (the "Second Supplement"), between the Agency, for and on behalf of the District, and the Fiscal Agent (the Original Fiscal Agent Agreement, as amended and supplemented by the First Supplement and by the Second Supplement is herein referred to as the "Fiscal Agent Agreement"), and a Resolution adopted by the Agency on June 21, 2005 (the "Resolution"). 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 Agency contained in the Resolution 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 the foregoing, we are of the opinion as of the date hereof, under existing law, that:

1. The Agency is a public body, corporate and politic, duly organized and existing under the laws of the State of California with the power to adopt the Resolution, enter into the Second Supplement and perform the agreements on its part contained therein and issue the Bonds.
2. The Fiscal Agent Agreement has been duly entered into by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.
3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with the Series 2001-South Bonds, the Series 2002-South Bonds and any additional Parity Bonds issued under, and as such terms are defined in, the Fiscal Agent Agreement.
4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding limited obligations of the Agency, payable solely from the sources provided therefor in the Fiscal Agent Agreement.
5. Subject to the Agency's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the Agency to comply with one or more of such covenants could cause interest on the Bonds to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Bonds.
6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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 and the Fiscal Agent Agreement may be subject to the 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.

In rendering this opinion, we have relied upon certifications of 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,

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The information in this Appendix F concerning The Depository Trust Company (“DTC”), New York, New York, 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 cannot and does not give any assurances that DTC, DTC Participants or DTC Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2005 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2005 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the 2005 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 2005 Bonds. The 2005 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 2005 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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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.

Purchases of the 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2005 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

2005 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 2005 Bonds, except in the event that use of the book-entry system for the 2005 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 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 2005 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 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 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 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture and the Loan Agreement. For example, Beneficial Owners of the 2005 Bonds may wish to ascertain that the nominee holding the 2005 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 2005 Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the 2005 Bonds by the Agency will reduce the outstanding principal amount of 2005 Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the 2005 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 2005 Bonds for the Beneficial Owners. Any such selection of 2005 Bonds to be redeemed will not be governed by the Indenture and will not be conducted by the Agency or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005 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 2005 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 2005 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 Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant

and not of DTC (nor its nominee), the Trustee, or the Agency, 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 2005 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 2005 BONDS FOR REDEMPTION.

Neither the Agency 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 2005 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 2005 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2005 Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2005 Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Agency nor the Trustee take any responsibility for the accuracy thereof.

The Agency 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 2005 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 Agency 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 2005 Bonds or an error or delay relating thereto.

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APPENDIX G

TABLE OF ACCRETED VALUES

The Accreted Value (which includes the initial principal Denominational Amount and accreted interest thereon) per each \$5,000 Maturity Amount, as of each February 1 and August 1, is set forth in the following table of Accreted Values.

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BOND ACCRETED VALUE TABLE

RDA of the City and County of San Francisco

Mission Bay 2005

Non Rated Parity Issue to 2001 and 2002 Financings

Date	Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds							
	08/01/2015	5.05%	08/01/2016	5.2%	08/01/2017	5.35%	08/01/2018	5.45%	08/01/2019	5.53%	08/01/2020	5.63%	08/01/2021	5.7%	08/01/2022	5.75%	08/01/2023	5.8%
07/26/2005	3,034.40		2,840.65		2,651.50		2,483.50		2,327.95		2,172.40		2,032.75		1,905.85		1,785.10	
08/01/2005	3,036.50		2,842.65		2,653.45		2,485.35		2,329.70		2,174.05		2,034.35		1,907.35		1,786.55	
02/01/2006	3,113.15		2,916.55		2,724.45		2,553.05		2,394.10		2,235.25		2,092.35		1,962.20		1,838.35	
08/01/2006	3,191.75		2,992.40		2,797.30		2,622.65		2,460.30		2,298.20		2,151.95		2,018.60		1,891.65	
02/01/2007	3,272.35		3,070.20		2,872.15		2,694.10		2,528.35		2,362.85		2,213.30		2,076.65		1,946.50	
08/01/2007	3,355.00		3,150.05		2,949.00		2,767.50		2,598.25		2,429.40		2,276.40		2,136.35		2,002.95	
02/01/2008	3,439.70		3,231.95		3,027.85		2,842.95		2,670.10		2,497.80		2,341.25		2,197.75		2,061.05	
08/01/2008	3,526.55		3,315.95		3,108.85		2,920.40		2,743.90		2,568.10		2,408.00		2,260.95		2,120.80	
02/01/2009	3,615.60		3,402.15		3,192.05		3,000.00		2,819.80		2,640.40		2,476.60		2,325.95		2,182.30	
08/01/2009	3,706.90		3,490.65		3,277.40		3,081.75		2,897.75		2,714.70		2,547.20		2,392.80		2,245.60	
02/01/2010	3,800.50		3,581.40		3,365.10		3,165.70		2,977.90		2,791.15		2,619.80		2,461.60		2,310.75	
08/01/2010	3,896.45		3,674.50		3,455.10		3,252.00		3,060.20		2,869.70		2,694.45		2,532.40		2,377.75	
02/01/2011	3,994.85		3,770.05		3,547.55		3,340.60		3,144.85		2,950.50		2,771.25		2,605.20		2,446.70	
08/01/2011	4,095.70		3,868.05		3,642.40		3,431.65		3,231.80		3,033.55		2,850.25		2,680.10		2,517.65	
02/01/2012	4,199.15		3,968.65		3,739.85		3,525.15		3,321.15		3,118.95		2,931.45		2,757.15		2,590.65	
08/01/2012	4,305.15		4,071.80		3,839.90		3,621.20		3,413.00		3,206.75		3,015.00		2,836.40		2,665.80	
02/01/2013	4,413.85		4,177.70		3,942.60		3,719.90		3,507.35		3,297.00		3,100.95		2,917.95		2,743.10	
08/01/2013	4,525.30		4,286.30		4,048.10		3,821.25		3,604.35		3,389.80		3,189.30		3,001.85		2,822.65	
02/01/2014	4,639.60		4,397.75		4,156.35		3,925.40		3,704.00		3,485.25		3,280.20		3,088.15		2,904.50	
08/01/2014	4,756.75		4,512.10		4,267.55		4,032.35		3,806.40		3,583.35		3,373.70		3,176.95		2,988.75	
02/01/2015	4,876.85		4,629.40		4,381.70		4,142.25		3,911.65		3,684.20		3,469.85		3,268.30		3,075.40	
08/01/2015	5,000.00		4,749.75		4,498.90		4,255.10		4,019.80		3,787.95		3,568.75		3,362.25		3,164.60	
02/01/2016	-		4,873.25		4,619.25		4,371.05		4,130.95		3,894.55		3,670.45		3,458.90		3,256.40	
08/01/2016	-		5,000.00		4,742.85		4,490.15		4,245.20		4,004.20		3,775.05		3,558.35		3,350.80	
02/01/2017	-		-		4,869.70		4,612.55		4,362.55		4,116.90		3,882.65		3,660.65		3,448.00	
08/01/2017	-		-		5,000.00		4,738.20		4,483.20		4,232.80		3,993.30		3,765.90		3,548.00	
02/01/2018	-		-		-		4,867.35		4,607.15		4,351.95		4,107.10		3,874.15		3,650.90	

**RDA of the City and County of San Francisco
Mission Bay 2005**

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08/01/2018	-	-	5,000.00	4,734.55	4,474.45	4,224.15	3,985.55	3,756.75
02/01/2019	-	-	-	4,865.45	4,600.45	4,344.55	4,100.15	3,865.70
08/01/2019	-	-	-	5,000.00	4,729.95	4,468.40	4,218.00	3,977.80
02/01/2020	-	-	-	-	4,863.10	4,595.75	4,339.30	4,093.15
08/01/2020	-	-	-	-	5,000.00	4,726.70	4,464.05	4,211.85
02/01/2021	-	-	-	-	-	4,861.40	4,592.40	4,334.00
08/01/2021	-	-	-	-	-	5,000.00	4,724.40	4,459.70
02/01/2022	-	-	-	-	-	-	4,860.25	4,589.05
08/01/2022	-	-	-	-	-	-	5,000.00	4,722.10
02/01/2023	-	-	-	-	-	-	-	4,859.05
08/01/2023	-	-	-	-	-	-	-	5,000.00
02/01/2024	-	-	-	-	-	-	-	-
08/01/2024	-	-	-	-	-	-	-	-
02/01/2025	-	-	-	-	-	-	-	-
08/01/2025	-	-	-	-	-	-	-	-
02/01/2026	-	-	-	-	-	-	-	-
08/01/2026	-	-	-	-	-	-	-	-
02/01/2027	-	-	-	-	-	-	-	-
08/01/2027	-	-	-	-	-	-	-	-
02/01/2028	-	-	-	-	-	-	-	-
08/01/2028	-	-	-	-	-	-	-	-
02/01/2029	-	-	-	-	-	-	-	-
08/01/2029	-	-	-	-	-	-	-	-
02/01/2030	-	-	-	-	-	-	-	-
08/01/2030	-	-	-	-	-	-	-	-
02/01/2031	-	-	-	-	-	-	-	-
08/01/2031	-	-	-	-	-	-	-	-

**RDA of the City and County of San Francisco
Mission Bay 2005**

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BOND ACCRETED VALUE TABLE

**RDA of the City and County of San Francisco
Mission Bay 2005**

Non Rated Parity Issue to 2001 and 2002 Financings

Date	Serial Capital Appreciation Bonds	Serial Capital Appreciation Bonds	2030 Term CABs	2034 Term CABs
	08/01/2024 5.85%	08/01/2025 5.9%	5.93%	5.98%
07/26/2005	1,670.40	1,561.55	1,159.10	904.65
08/01/2005	1,671.75	1,562.80	1,160.05	905.40
02/01/2006	1,720.65	1,608.90	1,194.45	932.50
08/01/2006	1,770.95	1,656.40	1,229.85	960.35
02/01/2007	1,822.80	1,705.25	1,266.35	989.10
08/01/2007	1,876.10	1,755.55	1,303.90	1,018.65
02/01/2008	1,930.95	1,807.35	1,342.55	1,049.10
08/01/2008	1,987.45	1,860.65	1,382.35	1,080.50
02/01/2009	2,045.60	1,915.55	1,423.35	1,112.80
08/01/2009	2,105.40	1,972.05	1,465.55	1,146.05
02/01/2010	2,167.00	2,030.25	1,509.00	1,180.35
08/01/2010	2,230.40	2,090.15	1,553.75	1,215.60
02/01/2011	2,295.65	2,151.80	1,599.80	1,251.95
08/01/2011	2,362.80	2,215.25	1,647.25	1,289.40
02/01/2012	2,431.90	2,280.60	1,696.10	1,327.95
08/01/2012	2,503.00	2,347.90	1,746.35	1,367.65
02/01/2013	2,576.25	2,417.15	1,798.15	1,408.55
08/01/2013	2,651.60	2,488.45	1,851.45	1,450.65
02/01/2014	2,729.15	2,561.90	1,906.35	1,494.05
08/01/2014	2,809.00	2,637.45	1,962.90	1,538.70
02/01/2015	2,891.15	2,715.25	2,021.10	1,584.75
08/01/2015	2,975.70	2,795.35	2,081.00	1,632.10
02/01/2016	3,062.75	2,877.85	2,142.70	1,680.90
08/01/2016	3,152.35	2,962.75	2,206.25	1,731.20
02/01/2017	3,244.55	3,050.15	2,271.65	1,782.95
08/01/2017	3,339.45	3,140.10	2,339.05	1,836.25
02/01/2018	3,437.15	3,232.75	2,408.40	1,891.15

BOND ACCRETED VALUE TABLE

RDA of the City and County of San Francisco Mission Bay 2005

Non Rated Parity Issue to 2001 and 2002 Financings

Date	Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds		2030 Term CABs		2034 Term CABs	
	08/01/2024	5.85%	08/01/2025	5.9%	5.93%		5.98%	
08/01/2018	3,537.65		3,328.10		2,479.80		1,947.70	
02/01/2019	3,641.15		3,426.30		2,553.30		2,005.95	
08/01/2019	3,747.65		3,527.35		2,629.00		2,065.90	
02/01/2020	3,857.25		3,631.45		2,706.95		2,127.70	
08/01/2020	3,970.10		3,738.55		2,787.25		2,191.30	
02/01/2021	4,086.20		3,848.85		2,869.90		2,256.85	
08/01/2021	4,205.75		3,962.40		2,954.95		2,324.30	
02/01/2022	4,328.75		4,079.25		3,042.60		2,393.80	
08/01/2022	4,455.35		4,199.60		3,132.80		2,465.40	
02/01/2023	4,585.70		4,323.50		3,225.70		2,539.10	
08/01/2023	4,719.85		4,451.05		3,321.35		2,615.00	
02/01/2024	4,857.90		4,582.35		3,419.80		2,693.20	
08/01/2024	5,000.00		4,717.55		3,521.20		2,773.75	
02/01/2025	-		4,856.70		3,625.60		2,856.65	
08/01/2025	-		5,000.00		3,733.10		2,942.10	
02/01/2026	-		-		3,843.80		3,030.05	
08/01/2026	-		-		3,957.75		3,120.65	
02/01/2027	-		-		4,075.10		3,213.95	
08/01/2027	-		-		4,195.95		3,310.05	
02/01/2028	-		-		4,320.35		3,409.05	
08/01/2028	-		-		4,448.45		3,510.95	
02/01/2029	-		-		4,580.35		3,615.95	
08/01/2029	-		-		4,716.15		3,724.05	
02/01/2030	-		-		4,856.00		3,835.40	
08/01/2030	-		-		5,000.00		3,950.10	
02/01/2031	-		-		-		4,068.20	
08/01/2031	-		-		-		4,189.85	

BOND ACCRETED VALUE TABLE

RDA of the City and County of San Francisco
Mission Bay 2005
Non Rated Parity Issue to 2001 and 2002 Financings

Date	Serial Capital Appreciation Bonds		Serial Capital Appreciation Bonds		2030 Term CABs	2034 Term CABs
	08/01/2024	5.85%	08/01/2025	5.9%	5.93%	5.98%
02/01/2032	-	-	-	-	-	4,315.10
08/01/2032	-	-	-	-	-	4,444.15
02/01/2033	-	-	-	-	-	4,577.00
08/01/2033	-	-	-	-	-	4,713.85
02/01/2034	-	-	-	-	-	4,854.80
08/01/2034	-	-	-	-	-	5,000.00



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