

\$118,285,000
City and County of San Francisco
Redevelopment Financing Authority
2007 Series A
Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)

\$94,115,000
City and County of San Francisco
Redevelopment Financing Authority
2007 Series B
Tax Allocation Refunding Revenue Bonds
(San Francisco Redevelopment Projects)

Dated: Date of Original Delivery

Due: August 1, as shown on the inside front cover

This cover page contains information for quick reference only. It is *not* intended to be a summary of all factors relevant to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decisions.

PLAN OF FINANCE
see pages 4-7

The 2007 Series A Taxable Tax Allocation Revenue Bonds (the "2007 Series A Bonds") and the 2007 Series B Tax Allocation Refunding Revenue Bonds (the "2007 Series B Bonds") (collectively, the "Bonds," and each, a "Series of Bonds") are being issued by the City and County of San Francisco Redevelopment Financing Authority (the "Authority") pursuant to separate Indentures of Trust, each dated as of October 15, 2007, and each by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). Pursuant to several loan agreements (each a "Loan Agreement") relating to each Series of Bonds each dated as of October 15, 2007 by and among the Authority, the Redevelopment Agency of the City and County of San Francisco (the "Agency") and the Trustee, the Authority will loan the proceeds from each Series of Bonds to the Agency.

THE BONDS
see pages 9-14

The principal of the Bonds is payable upon their respective stated maturities on August 1 of each year. Interest on the Bonds will be payable semiannually on February 1 and August 1, commencing February 1, 2008.

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

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—2007 Series A Bonds Redemption Provisions," "2007 Series B Bonds Redemption Provisions" and "General Redemption Provisions."

The proceeds of the 2007 Series A Bonds will be used to (i) finance certain redevelopment activities of the Agency, including low and moderate income housing, (ii) fund certain Reserve Accounts held by the Trustee on behalf of the Agency pursuant to certain of the 2007 Series A Loan Agreements (hereinafter defined), and (iii) pay certain costs related to the issuance of the 2007 Series A Bonds, including the premiums for a financial guaranty insurance policy and reserve fund surety bonds.

The Agency will use the proceeds of the 2007 Series B Bonds to (i) refund certain outstanding bonds of the Authority, (ii) fund certain Reserve Accounts held by the Trustee on behalf of the Agency pursuant to the 2007 Series B Loan Agreements (hereinafter defined), and (iii) pay certain costs related to the issuance of the 2007 Series B Bonds, including the premiums for a financial guaranty insurance policy and a reserve fund surety bond.

SECURITY FOR THE BONDS
see pages 15-19

Each Series of Bonds will be secured primarily by payments made by the Agency to the Authority pursuant to the related 2007 Loan Agreement entered into with respect to the respective 2007 Related Project Areas (as defined herein). The obligations of the Agency under the 2007 Loan Agreements are secured by a pledge of the Agency's share of certain property tax revenues derived from the respective 2007 Related Project Areas. While the Authority has agreed not to issue additional bonds secured by the 2007 Loan Agreements, the Agency may incur additional indebtedness, which is payable from the same tax revenues as the 2007 Loan Agreements, and on an equal priority basis, so long as the coverage ratio of tax revenues to debt service is at least 1.25 to 1 at the time such indebtedness is incurred, as described herein. Certain tax revenues received by the Agency are subject to a prior lien. See "SECURITY FOR THE BONDS—Senior Obligations."

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



RISK FACTORS
see pages 30-36

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

LIMITED LIABILITY

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE PRIMARILY FROM AMOUNTS PAYABLE BY THE AGENCY TO THE AUTHORITY PURSUANT TO THE 2007 LOAN AGREEMENTS AND CERTAIN AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS HELD UNDER THE APPLICABLE INDENTURE AND THE RELATED 2007 LOAN AGREEMENTS. NO OTHER PERSON OR GOVERNMENTAL ENTITY, INCLUDING THE CITY AND COUNTY OF SAN FRANCISCO (THE "CITY"), HAS ANY DUTY TO MAKE BOND PAYMENTS OR PAYMENTS ON THE 2007 LOAN AGREEMENTS. NEITHER THE AUTHORITY NOR THE AGENCY HAS PLEDGED ANY OTHER TAX REVENUES, PROPERTY OR ITS FULL FAITH AND CREDIT TO THE PAYMENT OF DEBT SERVICE ON THE BONDS OR THE 2007 LOAN AGREEMENTS. ALTHOUGH THE AGENCY RECEIVES TAX REVENUES FROM THE CITY, NEITHER THE AGENCY NOR THE AUTHORITY HAS ANY TAXING POWER.

BOND AND TAX OPINIONS
see pages 81-83

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel, subject, however to certain qualifications, under existing law, the interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2007 Series A Bonds and the 2007 Series B Bonds is exempt from California personal income taxes. Interest on the 2007 Series A Bonds is subject to all applicable federal income taxation. See "TAX MATTERS" herein.

DELIVERY

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Agency by its General Counsel and for the Authority by its General Counsel and for the Authority and the Agency by Alexis S. M. Chiu, Esq., San Francisco, California, Disclosure Counsel. It is anticipated that the 2007 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 8, 2007.

SERIES A MATURITY SCHEDULE

\$118,285,000

**City and County of San Francisco
Redevelopment Financing Authority
2007 Series A Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)**

\$25,990,000 5.500% Term Bond due August 1, 2022, Price 97.431% – CUSIP No.[†] 79771PJ30

\$92,295,000 5.750% Term Bond due August 1, 2037, Price 98.449% – CUSIP No.[†] 79771PJ48

SERIES B MATURITY SCHEDULE

\$94,115,000

**City and County of San Francisco
Redevelopment Financing Authority
2007 Series B Tax Allocation Refunding Revenue Bonds
(San Francisco Redevelopment Projects)**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.[†]</u>
2008	\$6,930,000	5.000%	3.400%	79771PJ55
2009	6,130,000	4.000	3.400	79771PJ63
2010	6,380,000	5.000	3.450	79771PJ71
2011	6,640,000	4.000	3.500	79771PJ89
2012	7,030,000	4.000	3.600	79771PJ97
2013	8,225,000	5.000	3.640	79771PK20
2014	8,640,000	5.000	3.690	79771PK38
2015	9,215,000	5.000	3.780	79771PK46
2016	9,700,000	5.000	3.850	79771PK53
2017	10,180,000	4.000	3.900	79771PK61
2018	10,600,000	4.000	3.960 ^c	79771PK79
2019	1,040,000	4.000	4.050	79771PK87
2020	1,095,000	4.125	4.200	79771PK95
2021	1,130,000	4.250	4.270	79771PL29
2022	1,180,000	4.250	4.310	79771PL37

^c Yield assuming a par call on February 1, 2018.

[†] Copyright 2007, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters take any responsibility for the accuracy of such numbers.

CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY

Board Members

(Agency Commission Members)

Francee Covington, *Acting President and Vice President*

London Breed

Linda A. Cheu

Leroy King

Ramon E. Romero

Darshan Singh

REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Staff

Fred Blackwell, *Executive Director*

Amy Lee, *Deputy Executive Director, Finance and Administration*

James B. Morales, *Agency General Counsel*

Gina Solis, *Secretary*

CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom, *Mayor*

Dennis J. Herrera, *City Attorney*

Edward M. Harrington, *Controller*

Jose Cisneros, *Treasurer*

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Aaron Peskin, *President, District 3*

Michela Alioto-Pier, *District 2*

Tom Ammiano, *District 9*

Carmen Chu¹, *District 4*

Bevan Dufty, *District 8*

Chris Daly, *District 6*

Sean Elsbernd, *District 7*

Jake McGoldrick, *District 1*

Ross Mirkarimi, *District 5*

Sophie Maxwell, *District 10*

Gerardo Sandoval, *District 11*

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Kitahata & Company
San Francisco, California

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Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Alexis S. M. Chiu, Esq.
San Francisco, California

¹ Mayor Gavin Newsom has suspended Ed Jew as a member of the Board of Supervisors and appointed Carmen Chu as interim supervisor.

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

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

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

All summaries of the 2007 Indentures and the 2007 Loan Agreements (each as defined herein), and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Bond and the Authority, the Agency or the City.

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

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

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OFFICIAL STATEMENT

\$118,285,000
City and County of San Francisco
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2007 Series A
Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)

\$94,115,000
City and County of San Francisco
Redevelopment Financing Authority
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Tax Allocation Refunding Revenue Bonds
(San Francisco Redevelopment Projects)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, table of contents and Appendices hereto (collectively, the "Official Statement"), is to provide certain information in connection with the offering by the City and County of San Francisco Redevelopment Financing Authority (the "Authority") of its \$118,285,000 aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2007 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) (the "2007 Series A Bonds") and its \$94,115,000 aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2007 Series B Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects) (the "2007 Series B Bonds" and together with the 2007 Series A Bonds, the "Bonds"). Each of the 2007 Series A Bonds and the 2007 Series B Bonds are sometimes referred to herein as a "Series of Bonds." The Bonds are being issued in accordance with Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), resolutions of the Authority adopted May 15, 2007 and October 2, 2007 (collectively, the "Resolution"), and separate Indentures of Trust relating to each Series of Bonds, each dated as of October 15, 2007 (respectively, the "2007 Series A Indenture" and the "2007 Series B Indenture," and collectively, the "2007 Indentures"), each by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee").

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

Purpose

Pursuant to six (6) different loan agreements with respect to the 2007 Series A Bonds, each dated as of October 15, 2007 (the "2007 Series A Loan Agreements") and six (6) different loan agreements with respect to the 2007 Series B Bonds, each dated as of October 15, 2007 (the "2007 Series B Loan Agreements," and collectively with the 2007 Series A Loan Agreements, the "2007 Loan Agreements"), each by and among the Authority, the Agency and the Trustee, the Authority will loan the proceeds of the Bonds to the Agency. The Agency will use the proceeds of the 2007 Series A Bonds to: (i) finance certain redevelopment activities of the Agency within or of benefit to the 2007 Series A Related Project Areas (hereinafter defined), including certain low and moderate income housing developments, (ii) fund certain Reserve Accounts held by the Trustee on behalf of the Agency pursuant to certain of the 2007 Series A Loan Agreements, and (iii) pay certain costs related to the issuance of the 2007 Series A Bonds, including the premiums for a financial guaranty insurance policy and debt service reserve fund surety bonds. The Agency will use the proceeds of the 2007 Series B Bonds to: (i) refund certain outstanding bonds of the Authority, (ii) fund certain Reserve Accounts held by the Trustee on behalf of the Agency pursuant to the 2007 Series B Loan Agreements, and (iii) pay certain costs related to the issuance of the 2007 Series B

Bonds, including the premiums for a financial guaranty insurance policy and a debt service reserve fund surety bond.

Security for the Bonds

The Bonds of each Series will be secured primarily by payments made by the Agency to the Authority pursuant to the 2007 Loan Agreements related to such Series of Bonds. The total amount payable by the Agency to the Authority under the 2007 Series A Loan Agreements is equal to the amount necessary to pay the debt service on the 2007 Series A Bonds, and the total amount payable by the Agency to the Authority under the 2007 Series B Loan Agreements is equal to the amount necessary to pay the debt service on the 2007 Series B Bonds.

The repayment obligation of the Agency under each 2007 Loan Agreement is secured by a pledge of, and except as indicated below, first lien upon, certain tax revenues and other amounts allocated and paid to the Agency derived primarily from taxes assessed on certain property within various redevelopment project areas established by the Agency (the "Project Areas") specified for each Series of Bonds, as further described herein under "PLEDGE OF TAX REVENUES – Tax Revenues" the ("Tax Revenues"). Each 2007 Series A Loan Agreement is secured, respectively, by a pledge of Tax Revenues from one of the following Project Areas: Bayview Hunters Point Redevelopment Project Area, Project Area B (the "Bayview Hunters Point Redevelopment Project Area B"); Mission Bay North Project Area; Rincon Point-South Beach Redevelopment Project Area²; South of Market Redevelopment Project Area; Transbay Redevelopment Project Area; and Yerba Buena Center Approved Redevelopment Project Area D-1 (the "Yerba Buena Center Redevelopment Project Area") (collectively, the "2007 Series A Related Project Areas"). Each 2007 Series B Loan Agreement is secured, respectively, by a pledge of Tax Revenues from one of the following Project Areas: Merged Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area/South of Market Redevelopment Project Area/Federal Office Building Redevelopment Project Area (the "Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area"); the Hunters Point Redevelopment Project Area³; the India Basin Industrial Park Redevelopment Project Area the ("India Basin Redevelopment Project Area"); the Rincon Point-South Beach Redevelopment Project Area; the Western Addition Redevelopment Project Area A-2; and the Yerba Buena Center Redevelopment Project Area (collectively, the "2007 Series B Related Project Areas"). The 2007 Series A Related Project Areas and the 2007 Series B Related Project Areas are collectively referred to as the "2007 Related Project Areas."

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

² The 2007 Series A Loan Agreement with respect to the Rincon Point-South Beach Redevelopment Project Area is secured on a subordinate basis to the South Beach Harbor Bonds (as defined herein) with respect to the Tax Revenues generated by the South Beach Harbor Project. See "SECURITY FOR THE BONDS – Senior Obligations."

³ The Hunters Point Redevelopment Project Area has been merged into the Bayview Hunters Point Redevelopment Project Area as Project Area A. Such area will be referred to herein as the "Hunters Point Redevelopment Project Area."

must look specifically to the allocation of taxes produced as previously described. See “PLEDGE OF TAX REVENUES.”

Reserve Account; Cross-Collateralization

Under each of the 2007 Loan Agreements, the Agency is required to maintain a Reserve Account in the amount of the Reserve Requirement as defined therein. The Agency has determined that, because a portion of the proceeds of the 2007 Series A Bonds and the 2007 Series B Bonds and of certain prior bonds used to finance and refinance low and moderate income housing through loans made with respect to the Agency’s Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area, Rincon Point-South Beach Redevelopment Project Area, Western Addition Redevelopment Project Area A-2, Yerba Buena Center Redevelopment Project Area, Hunters Point Redevelopment Project Area, India Basin Redevelopment Project Area and Mission Bay North Project Area (collectively, with the Bayview Hunters Point Redevelopment Project Area B and Transbay Redevelopment Project Area, the “Reserve Account Cross-Collateralization Project Areas”) benefited all of the Agency’s Project Areas, Tax Revenues in the amount of approximately \$735,500,000 from these Project Areas (except Tax Revenues from the Mission Bay North Project Area) may be used, on a subordinate basis to the payment of debt service on the 2007 Loan Agreements, Parity Debt (as defined herein), the Prior Loan Agreements (as defined herein), and certain debt on a parity with the debt under the Prior Loan Agreements, by the Agency to make up all or a portion of any deficiencies in the Reserve Accounts established under the 2007 Loan Agreements or in the reserve accounts established under loan agreements with the Authority previously entered into by the Agency to assist in the financing of redevelopment activities of the Agency in the Reserve Account Cross-Collateralization Project Areas (the “Prior Loan Agreements”). Tax Revenues from the Mission Bay North Project Area will not be used for the payment of debt service on the 2007 Loan Agreement with respect to any other Project Area, including any of the other Reserve Account Cross-Collateralization Project Areas, but Tax Revenues from the other Reserve Account Cross-Collateralization Project Areas may be used on a subordinate basis for the payment of debt service on the 2007 Loan Agreement with respect to the Mission Bay North Project Area. In the event of a deficiency in the Reserve Accounts, the Agency has covenanted to replenish such amounts to the extent of certain tax revenues from the Reserve Account Cross-Collateralization Project Areas, except the Mission Bay North Project Area (together, the “Contributing Cross-Collateralization Project Areas” and each, a “Contributing Cross-Collateralization Project Area”). See “SECURITY FOR THE BONDS—Cross-Collateralization of Reserve Accounts.”

Bond Insurance

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

Limited Obligation

The Bonds are limited obligations of the Authority entitled, ratably and equally, to the benefits of the related 2007 Indenture and are payable solely from and secured by an assignment and pledge of the Authority’s interest in certain loan repayments (the “2007 Series A Loans” and the “2007 Series B Loans,” and collectively, the “2007 Loans”) to be made by the Agency under the 2007 Series A Loan Agreements and the 2007 Series B Loan Agreements, as the case may be. The Agency’s obligations under the 2007 Series A Loan Agreements and the 2007 Series B Loan Agreements are secured, on a parity with the Agency’s obligations under other existing loan agreements, by a pledge of Tax Revenues derived from the 2007 Series A Related Project Areas and the 2007 Series B Related Project Areas, as the case may be. See “SECURITY FOR THE BONDS—Parity Prior Loan Obligations,” “—Cross-Collateralization of Reserve Accounts,” and “—Senior Obligations.” Under the conditions stated herein, the Agency may create

additional indebtedness payable on a parity with the Agency's obligations under the 2007 Loan Agreements. See "SECURITY FOR THE BONDS—Parity Debt."

Risk Factors

Certain events could affect the ability of the Agency to make the payments under the 2007 Loan Agreements and the ability of the Authority to pay debt service on the Bonds when due. See "CERTAIN RISKS TO BOND OWNERS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

Continuing Disclosure

The Agency has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Agency not later than six months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2007 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository (each, a "National Repository") and with any then existing State Repository (collectively, the "Repositories"). The notices of material events will be filed with each National Repository or the Municipal Securities Rulemaking Board (the "MSRB") and with the State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

Availability of Documents

This Official Statement contains brief descriptions of, among other things, the Bonds, the 2007 Loan Agreements, the 2007 Indentures, the 2007 Related Project Areas, the Reserve Account Cross-Collateralization Project Areas, the security and sources of payment for the Bonds, the Continuing Disclosure Certificates, the Authority, the Agency and certain other documents. Such summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, and the descriptions herein are qualified in their entirety by the forms thereof and the information with respect thereto included in such documents and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Any capitalized term used herein and not otherwise defined herein shall have the meanings given to such terms as set forth in the 2007 Indentures or the 2007 Loan Agreements. Copies of the 2007 Indentures and the 2007 Loan Agreements are available for inspection during business hours at the office of the Trustee in San Francisco, California. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

PLAN OF FINANCE

The Bonds are being issued by the Authority for the purpose of making the loans of the proceeds to the Agency secured by Tax Revenues from the 2007 Related Project Areas. Each 2007 Loan is separately secured by tax increment revenue from the Related 2007 Project Area, as described below. A Reserve Account is established under each of the 2007 Loan Agreements. Each Reserve Account is required to be maintained at a level at least equal to the applicable Reserve Requirement as defined therein. The Reserve Requirements for the 2007 Series A Loan Agreements, with respect to the 2007 Series A Related Project Areas, except the Bayview Hunters Point Redevelopment Project Area B and the Transbay Redevelopment Project Area (together, the "2007 Series A Reserve Policy Project Areas"), will be met by debt service

reserve surety bonds (each, a “Reserve Policy,” and together, the “Reserve Policies”). The Reserve Requirements for the 2007 Series A Loan Agreements with respect to the Bayview Hunters Point Redevelopment Project Area B and the Transbay Redevelopment Project Area (together, the “2007 Series A Cash Reserve Project Areas”) will be cash funded from proceeds of the 2007 Series A Bonds. A portion of the Reserve Requirements for the 2007 Series B Loan Agreement with respect to the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area will be met by a Reserve Policy and the remainder of the Reserve Requirements for such 2007 Series B Loan Agreement and the other 2007 Series B Loan Agreements will be cash funded. The Trustee will hold, for the benefit of the Bond Owners of the 2007 Series A Bonds, Reserve Policies in an aggregate amount equal to the aggregate Reserve Requirements for the 2007 Series A Loan Agreements for the 2007 Series A Reserve Policy Project Areas and for the benefit of the Bond Owners of the 2007 Series B Bonds, a Reserve Policy in an amount equal to a portion of the Reserve Requirement for the 2007 Series B Loan Agreement for the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area. See “SECURITY FOR THE BONDS–Reserve Accounts,” “BOND INSURANCE” and “DEBT SERVICE RESERVE FUND SURETY BONDS.”

Proceeds from the sale of the 2007 Series A Bonds will be used for general redevelopment purposes, including financing the development, rehabilitation and preservation of low and moderate income housing.

Proceeds from the sale of the 2007 Series B Bonds, together with certain of the funds of the Agency, in the combined aggregate amount of approximately \$98,196,269.08, will be deposited into Escrow Funds established pursuant to Agreements Regarding the Redemption, Defeasance and Payment of Bonds and Loan Agreements dated as of October 15, 2007, among the Authority, the Agency and an escrow trustee which provide for the defeasance and redemption of all of the Authority’s 1999 Series A Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects), 1999 Series B Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects), 2000 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) and 2001 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects).

The particular bonds of the Authority to be refunded from proceeds of the 2007 Series B Bonds, the redemption dates, redemption prices and CUSIP numbers are set forth in the table below.

Authority Bonds to be Refunded

<u>Series of Bonds</u>	<u>Maturity</u>	<u>Amount to Be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP[†]</u>
1999A	8/1/2008	3,020,000	12/13/2007	100%	79771PQC2
	8/1/2009	3,150,000	12/13/2007	100%	79771PQD0
	8/1/2010	3,275,000	12/13/2007	100%	79771PQE8
	8/1/2011	3,360,000	12/13/2007	100%	79771PQF5
	8/1/2012	3,620,000	12/13/2007	100%	79771PQG3
	8/1/2013	3,790,000	12/13/2007	100%	79771PQH1
	8/1/2014	4,180,000	12/13/2007	100%	79771PQJ7
	8/1/2015	4,505,000	12/13/2007	100%	79771PQK4
	8/1/2016	4,725,000	12/13/2007	100%	79771PQL2
	8/1/2017	4,945,000	12/13/2007	100%	79771PQM0
	8/1/2018	5,190,000	12/13/2007	100%	79771PQN8

[†] Copyright 2007, American Bankers Association. CUSIP data herein is provided by Standard and Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters take any responsibility for the accuracy of such numbers.

	8/1/2019	40,000	12/13/2007	100%	79771PQP3
	8/1/2020	45,000	12/13/2007	100%	79771PQQ1
1999B	8/1/2008	655,000	12/13/2007	100%	79771PQY4
	8/1/2009	685,000	12/13/2007	100%	79771PQZ1
	8/1/2010	710,000	12/13/2007	100%	79771PRA5
	8/1/2011	740,000	12/13/2007	100%	79771PRB3
	8/1/2012	780,000	12/13/2007	100%	79771PRC1
	8/1/2013	810,000	12/13/2007	100%	79771PRD9
	8/1/2014	845,000	12/13/2007	100%	79771PRE7
	8/1/2015	890,000	12/13/2007	100%	79771PRF4
	8/1/2016	930,000	12/13/2007	100%	79771PRG2
	8/1/2017	970,000	12/13/2007	100%	79771PRH0
	8/1/2018	1,020,000	12/13/2007	100%	79771PRJ6
	8/1/2022	4,595,000	12/13/2007	100%	79771PRN7
2000A	8/1/2008	290,000	12/13/2007	100%	79771PRZ0
	8/1/2009	300,000	12/13/2007	100%	79771PSA4
	8/1/2010	315,000	12/13/2007	100%	79771PSB2
	8/1/2011	330,000	12/13/2007	100%	79771PSC0
	8/1/2012	350,000	12/13/2007	100%	79771PSD8
	8/1/2013	1,280,000	12/13/2007	100%	79771PSE6
	8/1/2014	1,230,000	12/13/2007	100%	79771PSF3
	8/1/2015	1,295,000	12/13/2007	100%	79771PSG1
	8/1/2016	1,375,000	12/13/2007	100%	79771PSH9
	8/1/2017	1,450,000	12/13/2007	100%	79771PSJ5
	8/1/2018	1,525,000	12/13/2007	100%	79771PSK2
2001A	8/1/2008	2,145,000	12/13/2007	101%	79771PTF2
	8/1/2009	2,240,000	12/13/2007	101%	79771PTG0
	8/1/2010	2,340,000	12/13/2007	101%	79771PTH8
	8/1/2011	2,445,000	12/13/2007	101%	79771PTJ4
	8/1/2012	2,555,000	12/13/2007	101%	79771PTK1
	8/1/2013	2,675,000	12/13/2007	101%	79771PTL9
	8/1/2014	2,695,000	12/13/2007	101%	79771PTM7
	8/1/2015	2,840,000	12/13/2007	101%	79771PTN5
	8/1/2016	2,990,000	12/13/2007	101%	79771PTP0
	8/1/2017	3,150,000	12/13/2007	101%	79771PTQ8
	8/1/2018	3,320,000	12/13/2007	101%	79771PTR6

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The following lists the 2007 Related Project Area(s) for each Series of Bonds and the par amounts of the related 2007 Loan Agreements:

2007 Series A Loan Agreements

2007 Series A	
<u>Related Project Areas</u>	<u>2007 Loan Amount</u>
Bayview Hunters Point (Area B)	\$4,350,000
Mission Bay North	14,225,000
Rincon Point – South Beach	69,835,000
South of Market	7,965,000
Transbay	6,200,000
Yerba Buena Center	15,710,000

2007 Series B Loan Agreements

2007 Series B	
<u>Related Project Areas</u>	<u>2007 Loan Amount</u>
Golden Gateway/SOMA/FOB	\$59,735,000
Hunters Point	725,000
India Basin	625,000
Rincon Point – South Beach	18,310,000
Western Addition A-2	4,935,000
Yerba Buena Center	9,785,000

Amounts payable under the 2007 Loan Agreements related to each 2007 Related Project Area are secured by a pledge of Tax Revenues from such 2007 Related Project Area, which pledge is on a parity with the pledge of such Tax Revenues securing other loan agreements related to such 2007 Related Project Area, including the pledge of such Tax Revenues to secure Parity Prior Loans and any future Parity Debt (as defined herein). See “SECURITY FOR THE BONDS–Parity Prior Loan Obligations” and “–Parity Debt.” See also “SECURITY FOR THE BONDS–Senior Obligations.”

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

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SOURCES AND USES OF FUNDS

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

	2007 Series A <u>Bonds</u>	2007 Series B <u>Bonds</u>	<u>Total</u>
Sources:			
Par Amount	\$118,285,000.00	\$94,115,000.00	\$212,400,000.00
<i>Less</i> Net Discount/ <i>Plus</i> Premium	(2,099,178.55)	3,532,623.55	1,433,445.00
Transfers from Existing Reserve Accounts	-	10,606,981.00	10,606,981.00
TOTAL SOURCES	\$116,185,821.45	\$108,254,604.55	\$224,440,426.00
Uses:			
Escrow Funds ⁽¹⁾	-	\$98,196,269.08	\$98,196,269.08
Redevelopment Fund	10,830,000.00	-	10,830,000.00
Low and Moderate Income Housing Fund	99,967,000.00	-	99,967,000.00
Reserve Accounts ⁽²⁾	736,450.00	9,298,843.76	10,035,293.76
Costs of Issuance ⁽³⁾	3,025,204.68	759,491.71	3,784,696.39
Revenue Fund	1,627,166.77 ⁽⁴⁾	-	1,627,166.77
TOTAL USES	\$116,185,821.45	\$108,254,604.55	\$224,440,426.00

⁽¹⁾ For redemption of certain of the Authority's outstanding Bonds. See "PLAN OF FINANCE."

⁽²⁾ Represents the aggregate amounts of cash deposited to the Reserve Accounts under certain 2007 Loan Agreements.

⁽³⁾ Includes legal, financing and consultant fees, premiums for the Policies (defined herein) and the Reserve Policies, rating agencies' fees, underwriters' discounts, and other miscellaneous expenses.

⁽⁴⁾ Represents capitalized interest.

DEBT SERVICE SCHEDULES

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

2007 Series A Bonds Debt Service Schedule

Year (Period Ending <u>August 1</u>)	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2008	\$685,000.00	\$4,921,323.59	\$5,606,323.59
2009	1,235,000.00	6,698,737.50	7,933,737.50
2010	1,305,000.00	6,630,812.50	7,935,812.50
2011	1,355,000.00	6,559,037.50	7,914,037.50
2012	1,380,000.00	6,484,512.50	7,864,512.50
2013	1,460,000.00	6,408,612.50	7,868,612.50
2014	1,650,000.00	6,328,312.50	7,978,312.50
2015	1,715,000.00	6,237,562.50	7,952,562.50
2016	1,835,000.00	6,143,237.50	7,978,237.50
2017	1,890,000.00	6,042,312.50	7,932,312.50
2018	2,515,000.00	5,938,362.50	8,453,362.50
2019	5,360,000.00	5,800,037.50	11,160,037.50
2020	1,145,000.00	5,505,237.50	6,650,237.50
2021	1,195,000.00	5,442,262.50	6,637,262.50
2022	1,265,000.00	5,376,537.50	6,641,537.50
2023	1,795,000.00	5,306,962.50	7,101,962.50
2024	1,900,000.00	5,203,750.00	7,103,750.00

Year (Period Ending August 1)	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2025	4,195,000.00	5,094,500.00	9,289,500.00
2026	4,650,000.00	4,853,287.50	9,503,287.50
2027	4,910,000.00	4,585,912.50	9,495,912.50
2028	5,195,000.00	4,303,587.50	9,498,587.50
2029	5,490,000.00	4,004,875.00	9,494,875.00
2030	4,830,000.00	3,689,200.00	8,519,200.00
2031	7,090,000.00	3,411,475.00	10,501,475.00
2032	7,495,000.00	3,003,800.00	10,498,800.00
2033	7,930,000.00	2,572,837.50	10,502,837.50
2034	8,380,000.00	2,116,862.50	10,496,862.50
2035	8,865,000.00	1,635,012.50	10,500,012.50
2036	9,375,000.00	1,125,275.00	10,500,275.00
2037	<u>10,195,000.00</u>	<u>586,212.50</u>	<u>10,781,212.50</u>
TOTAL	\$118,285,000.00	\$142,010,448.59	\$260,295,448.59

2007 Series B Bonds Debt Service Schedule

Year (Period Ending August 1)	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2008	\$6,930,000.00	\$3,114,098.08	\$10,044,098.08
2009	6,130,000.00	3,916,143.76	10,046,143.76
2010	6,380,000.00	3,670,943.76	10,050,943.76
2011	6,640,000.00	3,351,943.76	9,991,943.76
2012	7,030,000.00	3,086,343.76	10,116,343.76
2013	8,225,000.00	2,805,143.76	11,030,143.76
2014	8,640,000.00	2,393,893.76	11,033,893.76
2015	9,215,000.00	1,961,893.76	11,176,893.76
2016	9,700,000.00	1,501,143.76	11,201,143.76
2017	10,180,000.00	1,016,143.76	11,196,143.76
2018	10,600,000.00	608,943.76	11,208,943.76
2019	1,040,000.00	184,943.76	1,224,943.76
2020	1,095,000.00	143,343.76	1,238,343.76
2021	1,130,000.00	98,175.00	1,228,175.00
2022	<u>1,180,000.00</u>	<u>50,150.00</u>	<u>1,230,150.00</u>
TOTAL	\$94,115,000.00	\$27,903,248.20	\$122,018,248.20

THE BONDS

Description of the Bonds

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

The Bonds will be dated the date of their delivery to the original purchasers thereof. The Bonds will bear or accrue interest at the rates per annum and will mature, subject to redemption provisions set forth hereinafter, on the dates and in the principal amounts all as set forth on the inside cover page hereof. If the Bonds are not in book-entry form, then the principal of the Bonds and any redemption premium are

payable upon presentation and surrender thereof, at maturity or upon prior redemption thereof, at the corporate trust office of the Trustee (the "Trust Office") in San Francisco, California.

Interest on the Bonds will be payable on February 1 and August 1, of each year, commencing February 1, 2008 (each an "Interest Payment Date"). Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after the close of business on the 15th day of the month preceding an Interest Payment Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to January 15, 2008, in which event it shall bear interest from the date of delivery of the Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a Bond interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has been previously paid or made available for payment thereon or from the date of delivery of the Bonds to the original purchasers thereof if no interest has been paid on such Bond.

Book-Entry Only System

The Bonds, when issued, will be registered in the name of Cede & Co. as the registered owner and nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds so purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein and in the Indenture to the Owners or Bond Owners mean Cede & Co. and do not mean the Beneficial Owners of the Bonds. In this Official Statement, the term "Beneficial Owner" or "purchaser" means the person for whom the DTC Participant acquires an interest in the Bonds.

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Authority or the Trustee with respect to the principal or redemption price of or interest on the Bonds to the extent of the sum or sums so paid.

The Authority and the Trustee cannot and do not give any assurance that DTC's Direct Participants or Indirect Participants will distribute to Beneficial Owners (i) payments of interest, principal or premiums, if any, with respect to the Bonds, (ii) confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the Bonds, or that DTC's Direct Participants or Indirect Participants will do so on a timely basis.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

2007 Series A Bonds Redemption Provisions

Optional Redemption. The 2007 Series A Bonds are subject to redemption prior to their maturity, at the option of the Agency, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the Agency determines, at a redemption price equal to the greater of:

- (a) One-hundred percent (100%) of the principal amount of the 2007 Series A Bonds to be redeemed; or

(b) the sum of the present values of the remaining scheduled payments of principal and interest on the 2007 Series A Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points,

plus in each case, accrued and unpaid interest on the 2007 Series A Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions will apply:

“Treasury Rate” means, with respect to any redemption date for a particular 2007 Series A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular 2007 Series A Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable 2007 Series A Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2007 Series A Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular 2007 Series A Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Agency.

“Reference Treasury Dealer” means an investment banking institution of national standing, specified by the Agency from time to time, that is a primary U.S. Government securities dealer in New York, New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Agency will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2007 Series A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

The Trustee will effect each optional redemption of the 2007 Series A Bonds by redeeming from each person who is the registered owner of a 2007 Series A Bond subject to optional redemption on the Record Date immediately preceding a redemption date, an amount of such 2007 Series A Bonds determined by (i) multiplying the principal amount of the 2007 Series A Bonds to be redeemed on the applicable redemption date by a fraction the numerator of which is the principal amount of the 2007 Series A Bonds owned by such registered owner and the denominator of which is the principal amount of the 2007 Series A Bonds outstanding immediately prior to such date of redemption, and (ii) then rounding the product down to the next lower integral multiple of \$5,000. The Trustee will apply, to the extent possible,

any remaining amount of a sinking fund installment to redeem \$5,000 units of the 2007 Series A Bonds and will select by lot the units to be redeemed from all such 2007 Series A Bonds registered owners.

Mandatory Sinking Fund Redemption. The 2007 Series A Term Bonds maturing on August 1, 2022, are subject to mandatory sinking fund redemption in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, on each August 1 during the period from August 1, 2008, through August 1, 2022, in the aggregate principal amounts set forth in the following table; *provided*, however, that in lieu of mandatory sinking fund redemption thereof, such 2007 Series A Term Bonds may be purchased by the Authority as provided in the 2007 Series A Indenture.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2008	\$685,000
2009	1,235,000
2010	1,305,000
2011	1,355,000
2012	1,380,000
2013	1,460,000
2014	1,650,000
2015	1,715,000
2016	1,835,000
2017	1,890,000
2018	2,515,000
2019	5,360,000
2020	1,145,000
2021	1,195,000
2022†	1,265,000

† Maturity.

The 2007 Series A Term Bonds maturing on August 1, 2037, are subject to mandatory sinking fund redemption in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, on each August 1 during the period from August 1, 2023, through August 1, 2037, in the aggregate principal amounts set forth in the following table; *provided*, however, that in lieu of mandatory sinking fund redemption thereof, such 2007 Series A Term Bonds may be purchased by the Authority as provided in the 2007 Series A Indenture.

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2023	\$1,795,000
2024	1,900,000
2025	4,195,000
2026	4,650,000
2027	4,910,000
2028	5,195,000
2029	5,490,000
2030	4,830,000
2031	7,090,000

2032	7,495,000
2033	7,930,000
2034	8,380,000
2035	8,865,000
2036	9,375,000
2037†	10,195,000

† Maturity.

The Trustee will effect each mandatory sinking fund redemption of the 2007 Series A Term Bonds by redeeming from each person who is the registered owner of a 2007 Series A Term Bond on the Record Date immediately preceding a redemption date, an amount of such 2007 Series A Term Bonds determined by (1) multiplying the principal amount of the 2007 Series A Term Bonds to be redeemed on the applicable redemption date by a fraction the numerator of which is the principal amount of the 2007 Series A Term Bonds owned by such registered owner and the denominator of which is the principal amount of the 2007 Series A Term Bonds outstanding immediately prior to such date of redemption, and (2) then rounding the product down to the next lower integral multiple of \$5,000. The Trustee will apply, to the extent possible, any remaining amount of a sinking fund installment to redeem \$5,000 units of the 2007 Series A Term Bonds and will select by lot the units to be redeemed from all such 2007 Series A Term Bonds registered owners.

In lieu of redemption of the 2007 Series A Term Bonds pursuant to the preceding paragraphs, the Authority may purchase such 2007 Series A Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Authority may in its discretion determine. The par amount of any of such 2007 Series A Term Bonds so purchased by the Authority in any twelve-month period ending on June 1 in any year shall be credited towards and shall reduce the par amount of such 2007 Series A Term Bonds required to be redeemed on the next succeeding August 1.

2007 Series B Bonds Redemption Provisions

Optional Redemption. The 2007 Series B Bonds maturing on or prior to August 1, 2017, are not subject to optional redemption. The 2007 Series B Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, by such maturity or maturities as shall be directed by the Agency (or in the absence of such direction, *pro rata* by maturity and by lot within a maturity), from prepayments of the 2007 Series B Loans made at the option of the Agency pursuant to the terms of the 2007 Series B Loan Agreements or from any other source of available moneys. Such optional redemptions may be made on or after February 1, 2018, on any date with respect to which such 2007 Series B Loan prepayments or other moneys shall have been made available subject to prior notice as provided in the 2007 Series B Indenture, at a redemption price equal to 100% of the principal amount of the 2007 Series B Bonds to be redeemed, without premium, plus accrued, but unpaid interest to the date fixed for redemption.

For purposes of selecting 2007 Series B Bonds for redemption, the 2007 Series B Bonds will be deemed to be composed of \$5,000 portions and any such portions may be redeemed separately. If less than all of the 2007 Series B Bonds of any maturity are called for redemption at any one time, and so long as such 2007 Series B Bonds are in book-entry form with DTC as the owner, DTC will determine by lot the amount of interests of each Direct Participant in such maturity to be redeemed. In the case of a partial redemption of the 2007 Series B Bonds, the Trustee, if such 2007 Series B Bonds are no longer held in book-entry form, will select the 2007 Series B Bonds within each maturity to be redeemed by lot.

General Redemption Provisions

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

From and after the date fixed for redemption, if funds available for the payment of the principal of, and premium, if any, and interest on, the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the applicable 2007 Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. The Authority may rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be canceled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the 2007 Indentures. If any redemption is rescinded or canceled in accordance with the applicable 2007 Indenture, the Trustee will mail notice of such rescission or cancellation in the same manner as notice of such redemption was originally provided.

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

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

SECURITY FOR THE BONDS

General

Under the 2007 Indenture related to each Series of Bonds, all of the Authority's right, title and interest in and to the Agency's payments of principal and interest under the related 2007 Loan Agreements are pledged to secure the payment of the principal, premium, if any, and interest payable with respect to the related Series of Bonds. Such payments under the related 2007 Loan Agreements constitute the sole source of payment of principal, redemption premium, if any, and interest payable with respect to each Series of Bonds (except to the extent amounts, including the proceeds of such Series of Bonds and investment earnings on amounts held under the related 2007 Indenture, are available for such payment).

Any substantial reduction of the amount of Tax Revenues available to the Agency as a source of repayment of the 2007 Loans may have a material adverse impact on the ability of the Authority to pay the principal of and interest on the Bonds. See "PLEDGE OF TAX REVENUES." The 2007 Indenture related to each Series of Bonds provides the Trustee with the power to enforce, either jointly with the Authority or separately, all of the rights of the Authority under the related 2007 Loan Agreements.

The 2007 Indentures

The Bonds are limited obligations of the Authority entitled to the benefits of the related 2007 Indenture, and are payable solely from and secured by the funds and accounts held by the Trustee pursuant to such 2007 Indenture, and by an assignment and pledge of the Authority's interest in the payments of principal and interest made by the Agency under the related 2007 Loan Agreements. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF 2007 SERIES A INDENTURE AND 2007 SERIES B INDENTURE." The 2007 Loans are secured, and therefore the Bonds of each Series are secured, by a pledge of the Tax Revenues. See "PLEDGE OF TAX REVENUES" herein.

The 2007 Loan Agreements

Except as set forth below, the 2007 Loan Agreements and all Parity Debt, including existing Parity Debt, are secured by a pledge of and first lien on the Tax Revenues allocated and paid to the Agency from the 2007 Related Project Areas. Each 2007 Loan is secured additionally by a pledge of and first lien upon all of the moneys in the Reserve Account established pursuant to the related 2007 Loan Agreement. See APPENDIX D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF 2007 SERIES A LOAN AGREEMENTS AND 2007 SERIES B LOAN AGREEMENTS—Reserve Accounts." The Bonds of each Series of Bonds are secured by a pledge of Revenues, consisting primarily of the loan payment installments which the Agency is required to pay to the Authority pursuant to the related 2007 Loan Agreement. See "PLAN OF FINANCE" and "PLEDGE OF TAX REVENUES—Tax Revenues."

The 2007 Loan Agreement with respect to the Rincon Point-South Beach Redevelopment Project Area is secured on a subordinate basis to the South Beach Harbor Bonds with respect to the Tax Revenues generated by the South Beach Harbor Project. See "SECURITY FOR THE BONDS—Senior Obligations."

Under the terms of each 2007 Loan Agreement, the Agency may issue or incur Parity Debt with respect to the related 2007 Related Project Area. See "SECURITY FOR THE BONDS—Parity Debt" herein.

Reserve Accounts

Each of the 2007 Loan Agreements establishes a Reserve Account to be held by the Trustee for the benefit of the Authority and the Owners of the related Series of Bonds. The amount on deposit in each Reserve Account is required to be maintained at the applicable Reserve Requirement at all times prior to the payment of the related 2007 Loan in full. The Agency has elected to meet the Reserve Requirements

under the 2007 Series A Loan Agreements with respect to the 2007 Series A Reserve Policy Project Areas with a Reserve Policy for each applicable 2007 Loan Agreement and to fund the Reserve Requirements under the 2007 Series A Loan Agreements with respect to the 2007 Series A Cash Reserve Project Areas with proceeds of the 2007 Series A Bonds. The Agency has elected to meet a portion of the Reserve Requirement under the 2007 Series B Loan Agreement with respect to the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area with a Reserve Policy for such 2007 Series B Loan Agreement and to fund the remainder of the Reserve Requirement under such 2007 Series B Loan Agreement and the Reserve Requirements under all of the other 2007 Series B Loan Agreements with cash. The Trustee will hold, for the benefit of the Bond Owners of the 2007 Series A Bonds, Reserve Policies in an aggregate amount equal to the Reserve Requirements for the 2007 Series A Loan Agreements for the 2007 Series A Reserve Policy Project Areas and for the benefit of the Bond Owners of the 2007 Series B Bonds, a Reserve Policy in the amount of \$76,950 for the 2007 Series B Loan Agreement for the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area. See “BOND INSURANCE” and “DEBT SERVICE RESERVE FUND SURETY BONDS.” See also APPENDIX D–“SUMMARY OF PRINCIPAL LEGAL DOCUMENTS–SUMMARY OF 2007 SERIES A LOAN AGREEMENTS AND 2007 SERIES B LOAN AGREEMENTS –Reserve Accounts” and “SECURITY FOR THE BONDS–Cross-Collateralization of Reserve Accounts” below.

Cross-Collateralization of Reserve Accounts

The Agency has determined that approximately 66% of the aggregate proceeds of the 2007 Loans and the loans made pursuant to the Prior Loan Agreements (the “Prior Loans”) have been or will be used for low and moderate income housing purposes to benefit all of the Reserve Account Cross-Collateralization Project Areas. Consequently, each 2007 Loan Agreement provides that, if at any time or from time to time, there are insufficient moneys in the Reserve Account under such 2007 Loan Agreement or any Prior Loan Agreement, to transfer to the Trustee when due the full amount required to be so transferred to the Trustee in accordance with the applicable provisions of such 2007 Loan Agreement or Prior Loan Agreements, the Agency shall cause Tax Revenues in the amount of such insufficiency to be paid to the Trustee from one or more other Contributing Cross-Collateralization Project Areas; provided, however, that the obligation to pay any such insufficiency (i) shall be subordinate to the payment of scheduled debt service on the 2007 Loan Agreements, Parity Debt, the Prior Loan Agreements, and certain debt on a parity with the debt under the Prior Loan Agreements and (ii) shall be allocated pro rata among all the Contributing Cross-Collateralization Project Areas, calculated by multiplying a fraction, the numerator of which is the amount of the total excess Allocable Tax Revenues of the applicable Contributing Cross-Collateralization Project Area and the denominator of which is the total excess Allocable Tax Revenues available for the Contributing Cross-Collateralization Project Areas that do not have insufficiencies, by the amount of such insufficiency, and, provided, further, that the aggregate obligation of the applicable Project Area and the other Contributing Cross-Collateralization Project Areas to pay such insufficiencies shall not exceed the aggregate of the amount of moneys deposited in the Low and Moderate Income Housing Fund of the Agency pursuant to the 2007 Loan Agreements and the Prior Loan Agreements (plus applicable reserves and financing costs, including, without limitation, interest paid on such amounts).

Based upon the foregoing, the Agency has concluded that an aggregate amount of approximately \$735,500,000 (which amount does not exceed the debt service applicable to the moneys deposited in the Low and Moderate Income Housing Fund as provided above) in tax revenues from all of the Agency’s Contributing Cross-Collateralization Project Areas would be currently available to replenish the Reserve Accounts established under the 2007 Loan Agreements. The obligation to use tax revenues from any Contributing Cross-Collateralization Project Area to reimburse the reserve accounts established under other 2007 Loan Agreements is, in all respects, junior and subordinate to the obligation of the Agency to apply Tax Revenues for a particular Project Area to the payment of indebtedness including a Loan, any parity debt and any other form of indebtedness including bonded indebtedness, if any, related specifically to that Project Area. Upon the issuance of the Bonds, the Tax Revenues that may be used for the Reserve

Account Cross-Collateralization Project Areas to maintain a Reserve Account in the amount of the Reserve Requirement for the 2007 Loan Agreements or Prior Loan Agreements are limited to the following maximum amounts (which have been computed by taking the maximum of tax increment available to each such Project Area and subtracting therefrom an amount equal to the sum of (i) the amount of tax increment previously collected by the Agency with respect to such Project Area and (ii) the amount of tax increment that will be needed to pay debt service on all outstanding indebtedness with respect to such Project Area): the Western Addition Redevelopment Project Area A-2, in the amount of \$15,396,000, and the Yerba Buena Center Redevelopment Project Area, in the amount of \$136,950,000. For the Bayview Hunters Point Redevelopment Project Area B, the Mission Bay North Project Area (the tax increment revenues from which may not be used for any other Project Area), and the Golden Gateway, the Hunters Point, the India Basin, the Transbay and the Rincon Point-South Beach Redevelopment Project Areas, the tax increment revenues are not limited, except as set forth in SB 2113 (as defined herein) and related provisions of law. See "PLEDGE OF TAX REVENUES--Senate Bill 2113 and Related Redevelopment Law Provisions." See TABLE 2 – "Reserve Account Cross-Collateralization Project Area Plan Summaries" herein.

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

In the event there shall be, at any time or from time to time, insufficient moneys in a Reserve Account to transfer to the Trustee when due the full amount required to be so transferred to the Trustee in accordance with the applicable provisions of the related 2007 Loan Agreement and such insufficiency shall be paid pursuant to one or more of the unrelated 2007 Loan Agreements or Prior Loan Agreements, the Agency will thereafter cause the first available surplus Tax Revenues in the amount of such insufficiency to be returned to the applicable Special Funds of the unrelated 2007 Loan Agreements or Prior Loan Agreements.

If the Agency and the Board of Supervisors of the City (the "Board of Supervisors") determine with respect to any future indebtedness of the Agency that any portion of a redevelopment project to be financed with the proceeds of such future indebtedness are of benefit to the Reserve Account Cross-Collateralization Project Areas, then the Agency may provide in the applicable indebtedness instrument with respect to such future indebtedness that provisions of like force and effect to the provisions of the 2007 Loan Agreements previously described shall apply with respect to any reserve fund established for such future indebtedness, and such provisions of such indebtedness instrument shall be deemed to be on a parity with the provisions of the 2007 Loan Agreements. See APPENDIX D--"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Tax Revenues from the Mission Bay North Project Area will not be used for the payment of debt service on the 2007 Loan Agreement with respect to any other Project Area. However, Tax Revenues from the Contributing Cross-Collateralization Project Areas may be used on a subordinate basis for the payment of debt service on the 2007 Loan Agreement with respect to the Mission Bay North Project Area.

Pursuant to Assembly Bill 1290 adopted by the California Legislature in 1993, every redevelopment project in the State was required to have adopted a Debt Repayment limit after which bonded indebtedness may no longer be paid, subject to certain pre-existing debt. Pursuant to Section 33333.7 of the Redevelopment Law, the Redevelopment Plans for the Golden Gateway, Hunters Point and India Basin Redevelopment Project Areas were amended to extend the date to incur and repay indebtedness and to eliminate the limit on the receipt of tax increment for the exclusive purpose of financing low and moderate income housing. Pursuant to Sections 33333.8 and 33333.6(e)(4)(B) of the

Redevelopment Law, the Redevelopment Plan for the Rincon Point-South Beach Redevelopment Project Area was amended to extend the time limit for the receipt of tax increment to repay indebtedness and to suspend the limits on the amount of debt that can be outstanding at any one time from the issuance of tax increment bonds and the total amount of tax increment funds that the Agency may receive for the exclusive purpose of financing low and moderate income housing. For the Western Addition Redevelopment Project Area A-2, the Debt Repayment Date is January 1, 2019. For the Golden Gateway portion of the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area and the Hunters Point and India Basin Redevelopment Project Areas, the Debt Repayment date is January 1, 2044. For the South of Market portion of the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area, the Debt Repayment Date is June 11, 2030, for the Yerba Buena Center Redevelopment Project Area, the Debt Repayment Date is January 1, 2020, for the Mission Bay North Project Area, the Debt Repayment Date is October 26, 2043, for the Transbay Redevelopment Project Area, the Debt Repayment Date is June 21, 2050, and for the Bayview Hunters Point Redevelopment Project Area B, the Debt Repayment Date is June 1, 2051. As a result, the effect of the Cross Collateralization described herein will decline as Project Areas reach their respective Debt Repayment Limits.

Additional Bonds

Under each of the 2007 Indentures, the Authority has covenanted that no additional bonds, notes or other indebtedness will be issued or incurred which are payable in whole or in part out of the Revenues. Under each of the 2007 Loan Agreements, the Agency has covenanted not to enter into any obligations which are secured by a pledge of any Tax Revenues senior to the pledge of Tax Revenues under the 2007 Loan Agreements. However, in addition to the 2007 Loan, and subject to the requirements of the 2007 Loan Agreements, the Agency may issue or incur Parity Debt with respect to such 2007 Loan in such principal amount as shall be determined by the Agency. See "SECURITY FOR THE BONDS-Parity Debt" and "-Parity Prior Loan Obligations" herein.

Parity Debt

In addition to the 2007 Loans and the Parity Prior Loans (as defined herein), the Agency may issue or incur bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which are secured by a lien on all or any part of the Tax Revenues with respect to any of the 2007 Related Project Areas which is on a parity with the lien established under the 2007 Loan Agreement for that 2007 Related Project Area ("Parity Debt") in such principal amount as shall be determined by the Agency, subject to the following specific conditions which are conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the applicable 2007 Loan Agreement or the applicable Parity Prior Loan Agreements (as defined herein) shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in such 2007 Loan Agreement.

(b) The Tax Revenues received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the related Project Area as evidenced in a written document from an appropriate official of the City, exclusive of State subventions and taxes levied to pay outstanding bonded indebtedness, shall at least be equal to one hundred percent (100%) of Maximum Annual Debt Service on the 2007 Loan and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt, and Allocable Tax Revenues for the then current Fiscal Year based on the most recent assessed valuation of property in the related Project Area as evidenced in written documentation from an appropriate official of the City shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Loans and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt.

(c) The Agency shall certify that the aggregate principal of and interest on the 2007 Loans, any Parity Debt (including the Parity Debt to be incurred) and Subordinate Debt coming due and payable will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency with respect to the Project Area after the issuance of such Parity Debt

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

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

Parity Prior Loans

Reserve Account Cross-Collateralization Project Areas. In addition to the 2007 Loan Agreements, the Agency has previously entered into certain parity prior loan agreements (the “Parity Prior Loan Agreements”) creating its obligations under Prior Loans (the “Parity Prior Loans”) with respect to certain of the Reserve Account Cross-Collateralization Project Areas in connection with the issuance by the Authority of certain tax allocation revenue bonds (the “Parity Prior Bonds”). The Agency’s obligations under the Parity Prior Loan Agreements are set forth in the Estimated Annual Debt Service Coverage Table for each Reserve Account Cross-Collateralization Project Area set forth under the caption “TAX REVENUES AND DEBT SERVICE—Historical and Current Tax Revenues for Each Reserve Account Cross-Collateralization Project Area.” The obligations of the Agency under the Parity Prior Loans, which have an outstanding aggregate principal amount of \$574,527,610 (as of September 1, 2007), are on a parity with the obligations of the Agency under the 2007 Loan Agreements.

Senior Obligations

South Beach Harbor Bonds. In December 1986, the Agency issued \$23,900,000 Variable Rate Demand Refunding Bonds, 1986 Issue A (Refunding Bonds) (the “South Beach Harbor Bonds”). The pledge of the Agency to pay Tax Revenues under the Prior Loan Agreements and the 2007 Loan Agreements relating to the Rincon Point-South Beach Redevelopment Project Area are subordinate to the pledge of such Tax Revenues for the South Beach Harbor Bonds. As of August 1, 2007, the South Beach Harbor Bonds had a remaining principal balance of \$7,700,000. The South Beach Harbor Bonds mature on December 1, 2016.

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

BOND INSURANCE

In connection with the issuance of the Bonds, MBIA Insurance Corporation (“MBIA”) will be issuing a financial guaranty insurance policy for each Series of Bonds and debt service reserve fund surety bonds for certain of the 2007 Loan Agreements. Neither the Authority nor the Agency makes any representation as to the accuracy or completeness of the information set forth below under “BOND

INSURANCE” or as to the absence of material adverse changes in such information subsequent to the date hereof.

The MBIA Insurance Corporation Insurance Policy

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

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

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

MBIA's Policies do not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policies do not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policies also do not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. (“MBIA Mexico”), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

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

Regulation

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

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

Financial Strength Ratings of MBIA

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

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

Fitch Ratings rates the financial strength of MBIA “AAA.”

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

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

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with

statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$6.8 billion (unaudited), and total capital and surplus of \$4.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2007 and for the six month periods ended June 30, 2007 and June 30, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

Incorporation of Certain Documents by Reference

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

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

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

DEBT SERVICE RESERVE FUND SURETY BONDS

The following information has been furnished by MBIA for use in this Official Statement.

Application has been made to MBIA for a commitment to issue surety bonds for certain of the 2007 Loan Agreements (each, a "Debt Service Reserve Fund Surety Bond," and together, the "Debt Service Reserve Fund Surety Bonds"). Each Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the related Revenue Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the portion of the related Bonds allocable to the 2007 Loan Agreement to which such Debt Service Reserve Fund Surety Bond relates, MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on such allocable portion of the related Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to MBIA, MBIA will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of each Debt Service Reserve Fund Surety Bond is the initial face amount of such Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by MBIA with the Trustee with respect to such Debt Service Reserve Fund Surety Bond, which have not been reimbursed by the Agency. The Agency and MBIA will enter into a Financial Guaranty Agreement (the "Financial Guaranty Agreement") with respect to each Debt Service Reserve Fund Surety Bond. Pursuant to each Financial Guaranty Agreement, the Agency will be required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Trustee under the related Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Revenue Fund allocable to the related 2007 Loan Agreement have been made.

Under the terms of each Financial Guaranty Agreement, the Trustee will be required to reimburse MBIA, with interest, until the face amount of the related Debt Service Reserve Fund Surety Bond is reinstated before the Agency may withdraw funds pursuant to the related 2007 Loan Agreement. No optional redemption of a Series of Bonds may be made until MBIA's Debt Service Reserve Fund Surety Bonds related to such Series of Bonds are reinstated. Each Debt Service Reserve Fund Surety Bond will be held by the Trustee in the related Reserve Account and will be provided as an alternative to the Agency depositing funds equal to the applicable Reserve Requirement in such Reserve Account. Each Debt Service Reserve Fund Surety Bond will be issued in a face amount, which together with any funds deposited in the related Reserve Account will equal the related Reserve Requirement and the premium therefor will be fully paid by the Agency at the time of delivery of the related Series of Bonds.

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THE RESERVE ACCOUNT CROSS-COLLATERALIZATION PROJECT AREAS

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

TABLE 2
Reserve Account Cross-Collateralization Project Area Plan Summaries

Project Area	Approximate Area Size (acres)	Plan Adoption Date	Plan Limit Termination Dates			Revenue Limits (\$ 000)		Bonded Limit ⁽¹¹⁾
			Debt Incurrence	Plan Duration	Debt Repayment	Total Tax Increment	Approximate Amount Remaining ⁽¹⁰⁾	
Bayview Hunters Point (Area B)	1,361	06/01/06	06/01/36 ⁽⁶⁾	06/01/36	06/01/51	No limit	N/A	400,000 ⁽¹²⁾
Golden Gateway ⁽¹⁾	51	05/25/59	01/01/14	01/01/09	01/01/44	No limit ⁽⁹⁾	N/A	No limit
Hunters Point ⁽¹⁾	137	01/20/69	01/01/14	01/01/09	01/01/44	No limit ⁽⁹⁾	N/A	No limit
India Basin ⁽¹⁾	126	01/20/69	01/01/14	01/01/09	01/01/44	No limit ⁽⁹⁾	N/A	No limit
Mission Bay North ⁽²⁾	65	10/26/98	10/26/28 ⁽⁷⁾	10/26/28	10/26/43	No limit	N/A	190,000 ⁽¹³⁾
Rincon Point-South Beach ⁽³⁾	120	01/05/81	01/05/21	01/05/21	No limit ⁽³⁾	No limit ⁽³⁾	N/A	No limit ⁽³⁾
South of Market ⁽⁴⁾	62	06/11/90	06/11/20	06/11/20	06/11/30	200,000	129,950	80,000 ⁽¹⁴⁾
Transbay	40	06/21/05	06/21/35 ⁽⁸⁾	06/21/35	06/21/50	No limit	N/A	800,000 ⁽¹⁵⁾
Western Addition, A2	277	10/13/64	01/01/09	01/01/09	01/01/19	270,000	15,396	No limit
Yerba Buena Center ⁽⁵⁾	87	04/25/66	01/01/09	01/01/10	01/01/20	600,000	136,950	No limit

- (1) The redevelopment plans of Golden Gateway, Hunters Point, and India Basin were amended in January 2005 pursuant to Section 33333.7 of the Redevelopment Law to extend the date to incur indebtedness and the debt repayment period for the exclusive purpose of financing low and moderate income housing. See "PLEDGE OF TAX REVENUES—Senate Bill 2113 and Related Redevelopment Law Provisions." For each project, the date to incur indebtedness was extended to January 1, 2014 (or such earlier date on which the Agency has fulfilled its SB2113 replacement housing obligations), and the repayment period to January 1, 2044.
 - (2) Tax Revenues from the Mission Bay North Project Area will not be available for payment of debt service on the 2007 Loan Agreement with respect to any other Project Area. See "SECURITY FOR THE BONDS—Cross-Collateralization of Reserve Accounts."
 - (3) The redevelopment plan of Rincon Point-South Beach was amended on May 18, 2007, pursuant to Sections 33333.8 and 33333.6(e)(4)(B) of the Redevelopment Law to extend the time limit for the receipt of tax increment revenue to repay indebtedness as well as to suspend the limits on the amount of debt that can be outstanding at any one time from the issuance of tax increment bonds and on the receipt of tax increment for the exclusive purpose of financing low and moderate income housing.
 - (4) South of Market total tax increment was raised to \$200 million pursuant to amendment of its Plan adopted December 6, 2005. Pursuant to its Plan, the maximum amount of bonded indebtedness that can be outstanding at any one time is \$80,000,000. Prior to issuance of the Bonds, the amount of bonded indebtedness outstanding is \$9,083,000.
 - (5) Yerba Buena Center's plan duration and debt repayment period extended by one year pursuant to Section 33333.6(e)(2)(C) of the Redevelopment Law.
 - (6) The Agency may not incur debt for purposes other than financing low and moderate income housing after June 1, 2026.
 - (7) The Agency may not incur debt for purposes other than financing low and moderate income housing after October 26, 2018.
 - (8) The Agency may not incur debt for purposes other than financing low and moderate income housing after June 21, 2025.
 - (9) The limit on the receipt of tax increment was eliminated for the exclusive purpose of financing low and moderate income housing pursuant to Sections 33333.7 and 33333.8(e) of the Redevelopment Law. See "PLEDGE OF TAX REVENUES—Senate Bill 2113 and Related Redevelopment Law Provisions."
 - (10) Amount remaining consists of the total tax increment under the Plan revenue limit less the sum of (i) tax increment received to date and (ii) debt service to be paid under existing loan agreements.
 - (11) This limit represents the amount of bonded indebtedness that can be outstanding at any one time.
 - (12) Prior to issuance of the Bonds, no bonded indebtedness with respect to Bayview Hunters Point (Area B) is outstanding.
 - (13) Prior to issuance of the Bonds, bonded indebtedness in the aggregate principal amount of \$63,863,000 with respect to Mission Bay North is outstanding.
 - (14) Prior to issuance of the Bonds, bonded indebtedness in the aggregate principal amount of \$9,083,000 with respect to South of Market is outstanding.
 - (15) Prior to issuance of the Bonds, no bonded indebtedness with respect to Transbay is outstanding.
- Source: Redevelopment Agency of the City and County of San Francisco.

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

PLEDGE OF TAX REVENUES

General

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

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

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

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

Tax Revenues

The term "Tax Revenues" as generally defined in each 2007 Loan Agreement (other than the 2007 Loan Agreement relating to the Mission Bay North Project Area and the 2007 Loan Agreement relating to the Transbay Redevelopment Project Area) means: all taxes annually allocated within the limitation of the Redevelopment Plan of, and paid to the Agency with respect to, the related Project Area following the date of delivery of the Bonds, pursuant to the Redevelopment Law and Section 16 of Article XVI of the State Constitution and other applicable State laws and as provided in the Redevelopment Plan for such Project Area, including all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations (but excluding subvention payments to the Agency with respect to personal property within the related Project Area) and including that portion of such taxes (if any) otherwise required by the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the related 2007 Loan and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the related Project Area, but excluding all other amounts of taxes required to be deposited into the Low and Moderate Income Housing Fund, Investment Earnings and all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due under the related 2007 Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Certain Required Payments of Tax Revenues to Taxing Entities" hereinafter. Each 2007 Loan is secured by and payable from the Tax Revenues from the related 2007 Related Project Area and the amounts held in the Reserve Account established under the related 2007 Loan Agreement.

The term “Tax Revenues” as defined in the 2007 Loan Agreement relating to the Mission Bay North Project Area means: all taxes annually allocated within the limitation of the Redevelopment Plan of, and paid to the Agency with respect to, the Mission Bay North Project Area following the date of delivery of the Bonds, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and other applicable State laws and as provided in the Redevelopment Plan for such Project Area, and required to be deposited in the Low and Moderate Income Housing Fund of the Agency, provided that such amount shall never be less than 20% of the taxes allocated and paid to the Agency under the Redevelopment Plan for such Project Area.

The term “Tax Revenues” as defined in the 2007 Loan Agreement relating to the Transbay Redevelopment Project Area means: all taxes annually allocated within the limitation of the Redevelopment Plan of, and paid to the Agency with respect to, the Transbay Redevelopment Project Area following the date of delivery of the Bonds, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and other applicable State laws and as provided in the Redevelopment Plan for such Project Area, including all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Transbay Redevelopment Project Area pursuant to Sections 16110, *et seq.*, of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the 2007 Loan relating to the Transbay Redevelopment Project Area and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and Investment Earnings, and also excluding (i) all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due under the 2007 Loan Agreement related to the Transbay Redevelopment Project Area pursuant to Section 33607.5(e) of the Redevelopment Law and (ii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan for such Project Area.

Teeter Plan

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

The Teeter Plan remains in effect unless the City Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the City Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City.

Tax Revenues Allocable to the Agency

The Agency Tax Rate calculated by the City for fiscal year 2007-08 is 1.012% for the secured roll and 1.016% for the unsecured roll. In accordance with Health and Safety Code Section 33670(e) the Agency Tax Rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Agency Tax Rate reported by the City for the prior fiscal year, 2006-07 was 1.016% for the secured roll and 1.021% for the unsecured roll. Future reductions in the Tax Rate will offset, to a certain extent, increases in assessed valuation experienced in Project Areas and result in a lower allocable tax increment number. The Agency anticipates that the Agency Tax Rate will converge to 1% by 2012. The Agency does not receive, on an annual basis, all Tax Revenue allocable to it ("Allocable Tax Revenues"), unless required to pay debt service. See the tables for each Reserve Account Cross-Collateralization Project Area under the caption "TAX REVENUES AND DEBT SERVICE--Historical and Current Tax Revenues for Each Reserve Account Cross-Collateralization Project Area."

Low and Moderate Income Housing Requirements

The lien on the Tax Revenues created by the 2007 Loan Agreements are subject to provisions of the Redevelopment Law described below requiring that the Agency make deposits to a low and moderate income housing fund; provided that to the extent 2007 Loan proceeds are used to fund low and moderate income housing activities, such deposits may instead be used to make payments on such 2007 Loan.

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

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

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

Assembly Bill 1290

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

(i) time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See "THE RESERVE ACCOUNT CROSS-COLLATERALIZATION PROJECT AREAS" for a discussion of the time limitations.

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

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

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

AB 1290 also established a statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after the establishment of the project area or the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the 11th year of collecting tax increment, an additional 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the 30th year must be so paid. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Certain Required Payments of Tax Revenues to Taxing Entities."

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

The tax sharing payments described above are required to be made prior to payment of debt service on 2007 Loans secured by tax increment from Project Areas which are subject to AB 1290. However, pursuant to Section 33607.5(e) of the Redevelopment Law, upon approval of the affected taxing entities, such payments may be subordinated to debt service on newly-issued bonds or loans. Pursuant to this procedure, the AB 1290 payments for the Golden Gateway Redevelopment Project Area, Yerba Buena Center Redevelopment Project Area, Hunters Point Redevelopment Project Area, India Basin Redevelopment Project Area, Western Addition Redevelopment Project Area A-2, Rincon Point-South Beach Redevelopment Project Area, South of Market Redevelopment Project Area, Bayview Hunters Point Redevelopment Project Area B, Mission Bay North Project Area, Transbay Redevelopment Project Area, and Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area have been subordinated to 2007 Loan Payments for that Project Area.

Senate Bill 211

Senate Bill 211 (being Chapter 741, Statutes of 2001) ("SB 211") was adopted by the California Legislature and became law on January 1, 2002. Among other things SB 211 authorizes a redevelopment agency that adopted a redevelopment plan on or before December 31, 1993, to amend that plan in accordance with specified procedures to extend its effectiveness and receive tax increment revenues with respect to the plan for not more than 10 years from the termination of the effectiveness of the plan if specified requirements

are met. If a plan is so amended, the requirement for allocating tax increment revenues to low and moderate income housing is increased from 20% to 30%. SB 211 also allows redevelopment agencies to amend redevelopment plans to extend the time limit for the establishment of loans, advances and indebtedness. On August 12, 2003, the City's Board of Supervisors adopted Ordinance No. 211-03, which eliminated the existing time limits for the establishment of loans, advances and indebtedness in the following redevelopment plans: the Western Addition Area A-2 Redevelopment Plan, the Yerba Buena Center Redevelopment Plan, the Rincon Point-South Beach Redevelopment Plan and the Embarcadero-Lower Market Redevelopment Plan. The elimination of such time limits triggered statutory tax sharing requirements for the Yerba Buena Center Redevelopment Project Area. The other redevelopment project areas previously referred to are already subject to the statutory tax sharing requirements. See "Certain Required Payments of Tax Revenue to Taxing Entities." Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective. The Agency has covenanted in each 2007 Loan Agreement that it will not approve any amendment to the applicable redevelopment plan which would, in and of itself, cause the amount of Tax Revenues available to the Agency for application under such 2007 Loan Agreement in any succeeding Fiscal Year to fall below 125% of maximum annual debt service under such 2007 Loan Agreement and Parity Debt relating to the applicable 2007 Related Project Area.

Senate Bill 2113 and Related Redevelopment Law Provisions

Senate Bill 2113 (Chapter 661, Statutes of 2000) ("SB 2113") was adopted by the California Legislature and became law on January 1, 2001. Among other things, SB 2113 authorized the Agency, notwithstanding existing time limits for the payment of debt and the receipt of tax revenues, to incur indebtedness until the earlier of January 1, 2014 or until the Agency replaces all of the housing units demolished prior to January 1, 1976, the effective date of the replacement housing obligations adopted in 1975 and to repay indebtedness until January 1, 2044, in each case for the exclusive purpose of providing low and moderate income. The adoption of an extension of time to receive tax revenues under SB 2113 does not constitute an extension of redevelopment plans for purposes of AB 1290 or SB 211. The Board of Supervisors approved an SB 2113 extension of the Agency's ability to receive tax increment to be used exclusively for low and moderate income housing for the India Basin, Hunters Point and Golden Gateway Redevelopment Project Areas. The extension of time to receive tax revenues for low and moderate income housing purposes under SB 2113 does not impair the ability of the Agency to pay debt service on the Bonds. SB 2113 requires that if an extension of time is adopted thereunder, there must be allocated to school entities all amounts to which they would be entitled without regard to the existence of a redevelopment project area (following payment of debt service on tax allocation bonds outstanding prior to plan extension) in accordance with California law. The Agency's obligations to make payments to the school entities will be subordinate to the Agency's obligations incurred prior to amendment and will not be subordinate under the 2007 Loan Agreements.

In 2001, the Legislature added Section 33333.8 to the Health and Safety Code, which required all redevelopment agencies to suspend the time limit on the effectiveness of a redevelopment plan, the time limit on the repayment of indebtedness, and the limit on the total amount of tax increment funds that a redevelopment agency may receive if, among other things, an "agency has not complied with subdivision (a) of Section 33413 with respect to replacement housing." (Chapter 741, § 7, Statutes of 2001.)

In 2002, the Legislature amended Section 33333.8(a) of the Health and Safety Code to clarify that the suspension of tax increment limits to ensure compliance with "affordable housing obligations" was applicable "[n]otwithstanding any other provision of law." (Chapter 782, Statutes of 2002, referred to as "SB 701.") SB 701 also defined "affordable housing obligations" to include the obligation to provide replacement housing pursuant to Section 33413(a) of the Health and Safety Code and "other similar and related statutes." SB 2113 is a statute "similar and related" to Section 33413 (which requires replacement housing), because SB 2113 allows San Francisco to replace affordable housing that the Redevelopment Agency destroyed prior to 1976, the year when replacement housing obligations took effect pursuant to 1975 amendments to the Redevelopment Law.

The Board of Supervisors has adopted an ordinance approving an amendment to the Rincon Point-South Beach Redevelopment Plan that allows the Agency to continue to utilize tax increment financing pursuant to Section 33333.8 of the Health and Safety Code, to the extent necessary to finance housing affordable by low and moderate-income households. However, the allocation of tax increment revenues generated by the Rincon Point-South Beach Redevelopment Project Area will continue to be subject to the annual appropriation process as a part of the Board of Supervisors' review of the Agency's budget.

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

CERTAIN RISKS TO BOND OWNERS

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

Concentration of Tax Base

In several of the 2007 Related Project Areas, a major portion of the assessed value is attributable to relatively few assessees. In such an area, the failure or financial difficulty of one or more of such large developments could have a significant detrimental impact on their assessed value and consequently on the amount of Allocable Tax Revenues of such Project Area available to secure the related 2007 Loans. See "TAX REVENUES AND DEBT SERVICE."

Estimates of Tax Revenues

In estimating that the total Tax Revenues to be received by the Agency will be sufficient to pay debt service on the 2007 Loans, the Agency has relied on actual historical Tax Revenues and made certain assumptions with regard to future assessed valuations in the 2007 Related Project Areas, future tax rates and the percentage of taxes collected. See "TAX REVENUES AND DEBT SERVICE." The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the total Tax Revenues available to pay debt service on the 2007 Loans will be reduced. Such reduced Tax Revenues may be insufficient to provide for the payment of debt service on the 2007 Loans and hence the Bonds. See "PLEDGE OF TAX REVENUES" herein.

Reduction in Tax Base

Tax Revenues allocated to the Agency by the State and the City constitute the ultimate source of payment on the Bonds. Such Tax Revenues are determined by the amount of the incremental taxable value of property in the 2007 Related Project Areas, the current rate or rates at which property in the 2007 Related Project Areas is taxed and the percentage of taxes collected in the 2007 Related Project Areas. A reduction of the taxable values of property in the 2007 Related Project Areas could occur as a result of numerous factors beyond the Agency's control, including but not limited to, a general economic downturn, availability and cost of electric power, natural gas and other fuel sources, political and economic obstacles to additional development and redevelopment activities in the 2007 Related Project Areas, relocation out of the 2007 Related Project Areas by one or more major property owners, property becoming exempt from property taxes, or the complete or partial destruction of property caused by, among other calamities, an

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

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Tax Revenues to be received by it to make payments with respect to the Bonds, the Agency has not assumed 2% inflationary increases. The projected Tax Revenues are based on the latest actual amounts received by the Agency. However, future deflation could cause decreases in property values, a reduction in tax revenues received by the Agency and reduced Tax Revenues. See "PLEDGE OF TAX REVENUES" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Seismic Risk

San Francisco is in a seismically active area, where damaging earthquakes have occurred and are likely to occur again along the two earthquake fault lines that affect San Francisco, which are the San Andreas fault line and the Loma Prieta fault line. Sizable earthquakes can cause significant damage to people and property and possibly result in a substantial reduction in property values. Earthquake damage is frequently uninsured, so repair efforts could require funding from federal and State agencies in order to restore property values. If there were to be an occurrence of severe seismic activity in any of the 2007 Related Project Areas, there could be a negative impact on assessed values of taxable values of property in such 2007 Related Project Area and could result in a reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of debt service on the related Series of Bonds.

State Budgets

In connection with its approval of the budget for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05, and 2005-06 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. In 2003, the State Legislature adopted and the Governor of the State signed legislation, SB 1045, requiring redevelopment agencies to pay into ERAF in Fiscal Year 2003-04 an aggregate amount of \$135 million. SB 1045, signed by the Governor in September 2003, required the payment into ERAF in Fiscal Year 2003-04 only. SB 1045 provides that one-half of the ERAF obligation of the Agency is calculated based on the gross tax increment received by the Agency and the other one-half of the ERAF obligation of the Agency is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities), as such tax increment revenues are shown in Table 1 of the Fiscal Year 2001-02 Annual Report of the California State Controller. The Governor's budget for Fiscal Year 2004-05 as implemented by SB 1096 and the Governor's budget for Fiscal Year 2005-06 as implemented by SB 77 each again included a transfer by redevelopment agencies to the applicable ERAFs. The aggregate ERAF transfer by all redevelopment agencies increased from \$135 million in Fiscal Year 2003-04 to \$250 million in each of Fiscal Years 2004-05 and 2005-06. SB 1096 provides that required transfers to ERAF are subordinate to payments on bonds secured by tax increment revenues. Based on the tax increment revenues shown in

Table 1 of the State Controller's Annual Report as being retained by the Agency, the Agency paid \$3,583,348.40 into ERAF by May 10, 2006. No other payments beyond Fiscal Year 2005-06 are currently mandated. In the opinion of the Agency the required ERAF payments have not and will not impair its ability to pay debt service on its outstanding bonds.

The Agency cannot predict whether the State Legislature will adopt legislation requiring other shifts of redevelopment property tax increment revenues in future fiscal years to the State and/or to schools, whether by the ERAF mechanism or by other arrangement. Should such legislation be enacted, Tax Revenues available for payment of the Bonds may, in the future, be substantially reduced, and the Agency's ability to pay debt service on the Bonds may be impaired.

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

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the county-wide unitary values assigned to public utilities was allocated to the 2007 Related Project Areas. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. However, any such impact with respect to utility properties within the 2007 Related Project Areas will be lessened because the impact will be spread on a Countywide basis. For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS-Property Tax Collection Procedures" and "-Taxation of Unitary Property."

Appeals to Assessed Values

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

In the City and County of San Francisco (the "City"), a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the City's Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by November 30 of such tax year. Following a review of the application by the Assessor, the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date unless waived by applicant. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the County Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the

then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures” and “TAX REVENUES AND DEBT SERVICE.”

An appeal may result in a reduction to the Assessor’s original taxable value and a tax refund to the applicant property owner. A reduction in taxable values within the 2007 Related Project Areas and the refund of taxes which may arise out of successful appeals by these owners will affect the amount of Tax Revenues.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the 2007 Related Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the 2007 Related Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Reduction in Inflation Rate

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

Delinquencies

The Agency does not have any independent power to levy and collect property taxes. Delinquencies in the payment of property taxes could have an adverse effect on the Agency’s ability to make timely debt service payments. However, the City has adopted the Teeter Plan and provides 100% of Tax Revenues to the Agency regardless of delinquencies. See “PLEDGE OF TAX REVENUES.” Such plan may be discontinued at any time.

Investment Funds

All funds held by the Trustee under the 2007 Indentures and all funds held by the Agency in the Special Funds, into which all Tax Revenues are initially deposited, are required to be invested in Permitted Investments as provided in the 2007 Indentures and 2007 Loan Agreements. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the 2007 Indentures or the Special Funds could have a material adverse effect on the security for the Bonds.

Bankruptcy and Foreclosure

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

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

Levy and Collection of Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the 2007 Loans and of the Authority to pay debt service on the Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make timely 2007 Loan payments. The City allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. If there is a decline in the general economy of the project area, the owners of property within such project area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Agency from such project area.

Changes in the Law

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

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2007 Series B Bonds, the Authority has covenanted in the 2007 Series B Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and the Agency has covenanted in the 2007 Series B Loan Agreements to comply with certain provisions of the Tax Code. The interest on the 2007 Series B Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the 2007 Series B Bonds as a result of acts or omissions of the Authority or the Agency in violation of these or other covenants in the 2007 Series B Indenture or the 2007 Series B Loan Agreements applicable to the 2007 Series B Bonds. The 2007 Series B Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the 2007 Series B Indenture. See "TAX MATTERS."

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the “IRS”), the IRS commenced operation of its Tax Exempt and Government Entities Division (the “TE/GE Division”), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. There is no assurance that if an IRS examination of the 2007 Series B Bonds was undertaken it would not adversely affect the market value of the 2007 Series B Bonds. See “TAX MATTERS – 2007 Series B Bonds.” The Agency is not currently the subject of any ongoing audit nor has it been notified by the IRS regarding the possibility of any such audit.

Secondary Market

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

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including, without limitation, amendments to the Internal Revenue Code of 1986 (the “Code”)), or by any state constitutional amendments, court decisions, changes in interpretation of the Code, or actions of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

As one example, on May 21, 2007, the United States Supreme Court agreed to review a Kentucky Court of Appeals decision in *Davis v. Kentucky Department of Revenue of the Finance and Admin. Cabinet*, 197 S.W.3d 557 (2006), that Kentucky’s exemption from taxation of interest on bonds issued by Kentucky or its political subdivisions and its taxation of interest on bonds issued by other states or their political subdivisions violates the Commerce Clause of the United States Constitution. California also exempts from taxation interest on bonds issued by the State of California or its political subdivisions, such as the Bonds, and taxes interest on bonds issued by other states or their political subdivisions. If the decision is upheld, the marketability and market price for the Bonds may be affected.

Parity Obligations

As described in “SECURITY FOR THE BONDS –Parity Debt,” the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Bonds. The existence of and the potential for additional Parity Debt increases the risks associated with the Agency’s payment of debt service on the Bonds in the event of a decrease in the Agency’s collection of Tax Revenues.

Bonds Are Limited Obligations

The Bonds are special, limited obligations of the Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Agency, and none of the City, the State or any of their political subdivisions other than the Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the Bonds are payable solely from Tax Revenues allocated to the Agency from the 2007 Related Project Areas and certain other funds pledged therefor under the 2007 Indentures. The Bonds do not constitute an indebtedness within the meaning of any constitutional or

statutory debt limitation or restriction. See “SECURITY FOR THE BONDS.” No Owner of the Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on, the Bonds.

Limited Recourse on Default

If the Agency defaults on its obligations to make debt service payments on either Series of Bonds, the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal amount of such Series of Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of such Series of Bonds.

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

Property Tax Limitations: Article XIII A

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

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

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

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

by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Property Tax Collection Procedures

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

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

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

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

Except for property assessed by the State, the valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31, and such taxes are levied at the prior year’s secured tax rate.

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

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

Penalty. A 10% penalty is added to delinquent taxes that have been levied in respect of property on the secured roll. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector. A 10% penalty also attaches to delinquent taxes in

respect of property on the unsecured roll and an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

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

Supplemental Assessments. A bill enacted in 1983, SB 813 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Collection of taxes based on supplemental assessments will occur throughout the year. Previously, statutes enabled the assessment of such changes only as of the next annual tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments. As enacted, Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the 2007 Related Project Areas, Tax Revenues may increase.

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

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

Property Tax Administrative Charges. In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990), now codified in Section 95.3 of the California Revenue and Taxation Code, which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. The City Controller has not imposed on the Agency the property tax administrative charges authorized by Section 95.3, although the City Controller could elect to do so in the future.

Limitations on Receipt of Additional Taxing Entity Revenue

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

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

Taxation of Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case, values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

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

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

The City Controller has estimated that the Agency is qualified to receive approximately \$1,420,809 of allocable tax revenues in fiscal year 2007-08 from unitary property tax revenues. To the extent unitary values decrease county-wide, the Agency's allocable tax revenues resulting from unitary assessments can be expected to decrease.

Appropriations Limitations: Article XIII B of the State Constitution

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

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. Proceeds of taxes include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the costs of providing the service or regulation) and (2) the investment of tax revenues.

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

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

Low and Moderate Income Housing

Sections 33334.2 and 33334.6 of the Redevelopment Law require redevelopment agencies to set aside 20% of all tax revenues allocated to such agencies into a low and moderate income housing fund to be used within the jurisdiction of the redevelopment agency to increase and improve the supply of low and moderate income housing. See “PLEDGE OF TAX REVENUES—Low and Moderate Income Housing Requirements” herein.

Limitation on Tax Revenues

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

The Yerba Buena Center Redevelopment Plan was amended on November 21, 1994, and contains a limitation of \$600,000,000 in tax dollars which may be divided and allocated to the Agency. The Western Addition Area A-2 Redevelopment Plan was amended on November 9, 1987, to incorporate tax revenue provisions, on August 10, 1992, and again on October 3, 1994, to include a limitation of \$270,000,000 in tax dollars which may be divided and allocated to the Agency. The South of Market Redevelopment Project Area was established effective June 11, 1990, and amended December 6, 2005, and contains a limitation of \$200,000,000 in tax dollars which may be divided and allocated to the Agency. The Bayview Hunters Point Redevelopment Project Area B, Mission Bay North Project Area, and Transbay, India Basin, Hunters Point, Rincon Point-South Beach and Golden Gateway Redevelopment Project Areas are not subject to limitation on receipt of tax increment. See "THE RESERVE ACCOUNT CROSS-COLLATERALIZATION PROJECT AREAS—TABLE 2—Reserve Account Cross-Collateralization Project Areas" and "PLEDGE OF TAX REVENUES—Senate Bill 2113 and Related Redevelopment Law Provisions."

The Agency does not believe that the foregoing limitations will materially adversely affect the Agency's ability to repay the 2007 Loans.

Certain Required Payments of Tax Revenues to Taxing Entities

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

assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the redevelopment agency receives affected tax increments.

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

Section 33607.5 permits a redevelopment agency to subordinate the payments required to be paid to an affected taxing entity to loans, bonds, or other indebtedness of the redevelopment agency, except loans or advances from the community which adopted the redevelopment project area, if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such indebtedness. The Agency's payments under Sections 33607.5 and 33607.7 have been subordinated to the Agency's obligations under the 2007 Loan Agreements relating to the Mission Bay North Project Area, Bayview Hunters Point Redevelopment Project Area B, and Rincon Point-South Beach, South of Market, Transbay and Yerba Buena Center Redevelopment Project Areas.

Pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, the Agency's aggregate obligations related to the Project Areas totaled \$11,303,399 in fiscal year 2007-08. On a per Project Area basis, these obligations were as follows: the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area, \$2,288,698 (of which obligations related to Golden Gateway Redevelopment Project Area was \$1,758,612 and South of Market Redevelopment Project Area was \$530,086); Rincon Point-South Beach Redevelopment Project Area, \$3,326,463; Western Addition Redevelopment Project Area A-2, \$2,677,079; India Basin Redevelopment Project Area, \$23,631; Yerba Buena Center Redevelopment Project Area, \$2,169,730; the Hunters Point Redevelopment Project Area, \$23,405; Transbay Redevelopment Project Area, \$272,635; and Bayview Hunters Point Redevelopment Project Area B, \$521,758. The coverage tables under the caption "TAX REVENUES AND DEBT SERVICE—Historical and Current Tax Revenues for Each Reserve Account Cross-Collateralization Project Area" have been computed based on tax increment numbers that include such amounts, because payments pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

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

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In

other cases, the State has “suspended” mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 2, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to reduce significantly the State’s authority over major local government revenue sources. Proposition 1A prohibits the State from reducing any local sales tax rate, limiting existing local government authority to levy a sales tax rate or changing the allocation of local sales tax revenues.

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

If the State reduces the VLF rate below 0.65 percent of the market value of a vehicle, which is the current rate, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. First, beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. Second, Proposition 1A allows the State to approve voluntary exchanges of local sales and use tax and property tax revenues among local governments within a county.

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

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

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

SB 2113. Pursuant to SB 2113 (See “PLEDGE OF TAX REVENUES–Senate Bill 2113 and Related Redevelopment Law Provisions”) the Agency extended the time to receive tax revenues for the India Basin, Hunters Point and Golden Gateway Redevelopment Project Areas. SB 2113 also eliminates the limit on tax revenues which may be collected from these Project Areas. The law does require that certain tax revenues received pursuant to such extension of time be allocated to school entities. The Agency’s

obligations to make payments to the school entities will be subordinate to the Agency's obligations prior to amendment and will not be subordinate under the 2007 Loan Agreements.

Future Initiatives

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

THE AUTHORITY

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

THE AGENCY

The Board of Supervisors organized the Agency in 1948 to exercise the powers granted by the Redevelopment Law. Information concerning the Agency, including a description of the Project Areas, is contained in APPENDIX A—"THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO AND PROJECT AREAS." See also APPENDIX B—"CITY AND COUNTY OF SAN FRANCISCO - ECONOMY AND GENERAL INFORMATION." The Agency's Audited Financial Statements for the year ended June 30, 2006 appears as APPENDIX C hereto.

TAX REVENUES AND DEBT SERVICE

Historical and Current Tax Revenues

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

The total taxable value of all properties within a given Project Area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such Project Area establishes a base from which increases in taxable value are computed. The base established for the Rincon Point-South Beach Redevelopment Project Area is the 1979-80 assessment roll. The base established for the Yerba Buena Center Redevelopment Project Area is the 1964-65 assessment roll. The base for the Western Addition Redevelopment Project Area A-2 is the 1967-68 assessment roll. The base for the South of Market Redevelopment Project Area is the 1989-90 assessment roll. The base year for the Mission Bay North Project Area is the 1998-99 assessment roll. The base for the Golden Gateway Redevelopment Project Area is the 1958-59 assessment roll. The base established for the Hunters Point Redevelopment Project Area is the 1967-68 assessment roll. The base for the India Basin Redevelopment Project Area is the 1968-69 assessment roll. The base year for the Bayview Hunters Point Redevelopment Project Area B is the 2005-06 assessment roll. The base for the Mission Bay North Project Area is the 1997-98 assessment roll and the base for the Transbay Redevelopment Project Area is the 2004-05 assessment roll.

Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment rolls, plus a portion of taxes levied in excess of the foregoing amount sufficient to pay

debt service on voter-approved bonded indebtedness of the Taxing Agencies, will continue to be paid to and retained by all Taxing Agencies levying property taxes in the Project Areas. Taxes levied by the respective Taxing Agencies on any increases in taxable value realized in any Project Area ordinarily would be allocated to the Agency to the extent requested by the Agency to pay indebtedness incurred with respect to the Project Area and certain other costs.

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

Total Tax Revenues for all Project Areas for Fiscal Year 2007-08 are estimated at \$95,403,641 net of certain required payments of Tax Revenues to affected taxing entities. However, property owners will have until November 30, 2007, to apply for reductions of assessed values of properties for Fiscal Year 2007-08. As of August 14, 2007, assessment appeals are pending which would reduce the aggregate assessed values of certain property in the Agency's Project Areas for Fiscal Year 2007-08 from \$251,533,291 to \$195,964,961. If the full amount of such appeals is granted, total Tax Revenues for all project areas would be reduced by \$449,400. For Fiscal Year 2006-07, assessment appeals are pending which would reduce the aggregate assessed values of certain property in the Agency's Project Areas from \$2,108,984,882 to \$1,325,369,025. If the full amount of the appeals is granted, total Tax Revenues for all project areas in Fiscal Year 2006-07 would be reduced by \$5,730,025. See "--Pending Tax Appeals."

Historical and Current Tax Revenues for Each Reserve Account Cross-Collateralization Project Area

General. The tables below set forth the following information for the 2007 Related Project Areas and the remaining Reserve Account Cross-Collateralization Project Areas: (i) the property taxable values and the tax revenues received from the Project Areas for Fiscal Years 2003-04 to 2007-08; (ii) information on concentration of assessed value for Fiscal Year 2007-08; and (iii) estimated debt service coverage. Assuming the 2007-08 Agency Tax Rate and 2007-08 assessed values, the Agency expects that Tax Revenues will be sufficient to pay amounts due on the 2007 Loans and the Prior Loans as and when they become due. However, as set forth above, property owners will have until November 30, 2007, to apply for reductions of assessed values of properties for Fiscal Year 2007-08. See "--Pending Tax Appeals" and "CERTAIN RISKS TO BOND OWNERS--Appeals to Assessed Values."

AB 1290 Payment Subordination for Certain Project Areas. The AB 1290 obligations for the Project Areas for which tables are set forth below have been subordinated to debt service payments relative to the 2007 Loans and the Prior Loans in accordance with the statutory procedure therefor. Such subordinated AB 1290 obligations are therefore not reflected in the various tables below for such Project Areas.

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Golden Gateway (Embarcadero-Lower Market) Redevelopment Project Area.

**Golden Gateway (Embarcadero-Lower Market) Redevelopment Project Area
Property Taxable Values, Tax Revenues, and Delinquency Rates⁽¹⁾
(Dollars in Thousands)**

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured Property Assessed Values:					
County Rolls	\$1,747,333	\$1,780,233	\$1,812,087	\$1,853,994	\$1,896,187
State Unitary Property	\$0	\$0	\$0	\$0	\$131
Total Secured Assessed Values	\$1,747,333	\$1,780,233	\$1,812,087	\$1,853,994	1,896,318
Unsecured Assessed Values	\$222,077	\$218,033	\$232,284	\$224,724	\$243,395
Total Assessed Values	\$1,969,410	\$1,998,266	\$2,044,371	\$2,078,718	\$2,139,713
Base Year Values:					
Secured	\$18,824	\$18,824	\$18,824	\$18,824	\$18,824
Unsecured	\$2,348	\$2,348	\$2,348	\$2,348	\$2,348
Increase Over Base Year Values:					
Secured	\$1,728,509	\$1,761,409	\$1,793,263	\$1,835,170	\$1,877,363
Unsecured	\$219,729	\$215,685	\$229,936	\$222,376	\$241,047
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue^{(2):}					
Secured Property	\$17,855	\$18,072	\$18,309	\$18,645	\$18,999
Unsecured Property	\$2,261	\$2,228	\$2,359	\$2,270	\$2,449
Gross Tax Increment Revenue	20,117	20,300	20,668	20,916	21,448
Less School District Allocation ⁽³⁾	0	2,245	3,058	2,477	2,650
Less AB 1290 Pass-Through Obligation ⁽⁴⁾	2,123	2,177	-	-	-
Allocable Tax Increment Revenue	\$17,985	\$15,878	\$17,610	\$18,439	\$18,798
Delinquency Rate ⁽⁵⁾	0.04%	0.2%	0.0%	0.0%	N/A

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

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

(3) Required pursuant to SB 2113. See "PLEDGE OF TAX REVENUES--Senate Bill 2113 and Related Redevelopment Law Provisions."

(4) No amount deducted commencing with fiscal year 2005-06 to compute Allocable Tax Increment Revenue, since AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

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

Source: City and County of San Francisco

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**Golden Gateway Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Project Assessed Value</u>
Four Embarcadero Center(Office & Retail)	\$367,394,639	17.2%
One Embarcadero Center (Office & Retail) ⁽¹⁾	316,672,989	14.8%
Three Embarcadero Center(Office & Retail) ⁽²⁾	298,159,805	13.9%
Two Embarcadero Center (Office & Retail)	297,006,020	13.9%
Five Embarcadero (Hotel) ⁽³⁾	198,764,926	9.3%
300 Clay St. (Office Building)	114,271,134	5.3%
Golden Gateway Center (Commercial & Residential) ⁽⁴⁾	68,827,701	3.2%
CARR NP Properties LLC (75 Broadway Office/Retail)	34,248,486	1.6%
Carramerica Realty (One Jackson St. Office/Retail)	25,634,303	1.2%
CARR NP Properties LLC/Palomar Oaks LLC (Embarcadero Office/Retail)	25,634,303	1.2%
Total Ten Largest	1,746,614,306	81.6%
All Other	393,098,194	18.4%
Total Project Assessed Value	\$2,139,712,500	100.0%

(1) Assessed value for fiscal year 2006-07 of \$310,510,572 is being appealed. Appeal value is \$295,000,000.

(2) Assessed value for fiscal year 2006-07 of \$292,239,757 is being appealed. Appeal value is \$280,000,000.

(3) Assessed value for fiscal year 2006-07 of \$197,995,729 is being appealed. Appeal value is \$70,000,000.

(4) Assessed value for fiscal year 2006-07 of \$64,118,716 is being appealed. Appeal value is \$61,753,038.

Source: City and County of San Francisco.

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Golden Gateway Redevelopment Project Area
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations and the Bonds⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series B Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio	
2008	\$7,663,456	\$6,465,979	\$14,129,435	\$18,798,405	1.33	x
2009	7,633,493	6,459,450	14,092,943	18,786,500	1.33	
2010	7,732,901	6,460,850	14,193,751	18,830,292	1.33	
2011	7,753,298	6,449,600	14,202,898	18,837,774	1.33	
2012	7,782,336	6,476,800	14,259,136	18,853,998	1.32	
2013	6,878,135	7,406,000	14,284,135	18,861,434	1.32	
2014	6,781,813	7,419,500	14,201,313	18,828,762	1.33	
2015	6,698,527	7,408,250	14,106,777	18,809,500	1.33	
2016	6,672,958	7,422,750	14,095,708	18,807,128	1.33	
2017	6,674,831	7,426,000	14,100,831	18,806,590	1.33	
2018	5,728,531	7,446,400	13,174,931	18,481,829	1.40	
2019	7,454,532		7,454,532	14,070,095	1.89	
2020	6,515,280		6,515,280	14,071,129	2.16	
2021	6,526,500		6,526,500	14,054,842	2.15	
2022	6,500,900		6,500,900	14,054,842	2.16	
2023	6,495,820		6,495,820	14,054,842	2.16	
2024	6,510,220		6,510,220	14,054,842	2.16	
2025	6,578,060		6,578,060	14,054,842	2.14	
2026	6,576,480		6,576,480	14,054,842	2.14	
2027	6,583,860		6,583,860	14,054,842	2.13	
2028	6,594,680		6,594,680	14,054,842	2.13	
2029	6,603,680		6,603,680	14,054,842	2.13	
2030	6,610,860		6,610,860	14,054,842	2.13	
2031	6,631,220		6,631,220	14,054,842	2.12	
2032	6,628,980		6,628,980	14,054,842	2.12	
2033	6,640,180		6,640,180	14,054,842	2.12	
2034	6,649,040		6,649,040	14,054,842	2.11	
2035	6,650,560		6,650,560	14,054,842	2.11	
2036	5,830,000		5,830,000	14,054,842	2.41	
2037					-	
TOTAL	\$196,581,130	\$76,841,579	\$273,422,708	\$459,720,901		

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

Yerba Buena Center Redevelopment Project Area.

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

Secured Property Assessed

Values:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
County Rolls	\$1,265,976	\$1,651,160	\$1,609,495	\$2,129,146 ⁽⁶⁾	\$2,391,818 ⁽⁶⁾
State Unitary Property	<u>152,620</u>	<u>139,525</u>	<u>134,530</u>	<u>130,602</u>	<u>133,971</u>
Total Secured Assessed Values	\$1,418,596	\$1,790,684	\$1,744,024	\$2,259,747	\$2,525,789
Unsecured Assessed Values	<u>549,604</u>	<u>552,447</u>	<u>574,371</u>	<u>575,048</u>	<u>594,721</u>
Total Assessed Values	\$1,968,200	\$2,343,132	\$2,318,396	\$2,834,795	\$3,120,510
Base Year Values:					
Secured ⁽²⁾	\$45,019	\$45,019	\$45,019	\$122,850 ⁽⁶⁾	\$124,788 ⁽⁶⁾
Unsecured	\$7,637	\$7,637	\$7,637	\$8,175 ⁽⁶⁾	\$8,175 ⁽⁶⁾
Increase Over Base-Year Values:					
Secured	\$1,373,577	\$1,745,665	\$1,699,005	\$2,136,898	\$2,401,001
Unsecured	\$541,967	\$544,810	\$566,734	\$568,873	\$586,546
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽³⁾:					
Secured Property	\$14,189	\$17,911	\$17,347	\$21,711	\$24,298
Unsecured Property	<u>5,577</u>	<u>5,628</u>	<u>5,815</u>	<u>5,788</u>	<u>5,959</u>
Gross Tax Increment Revenue	\$19,766	\$23,538	\$23,162	\$27,499	\$30,258
Less AB 1290 Pass-Through Obligation ⁽⁴⁾	<u>0</u>	<u>769</u>	<u>1,031</u>	<u>-</u>	<u>-</u>
Allocable Tax Increment Revenue	<u>\$19,766</u>	<u>\$22,769</u>	<u>\$22,131</u>	<u>\$27,499</u>	<u>\$30,258</u>
Delinquency Rate ⁽⁵⁾	0.4%	1.8%	0.8%	N/A	N/A

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

(2) Secured Base-Year Value increases each year pursuant to the Yerba Buena Center Redevelopment Project Area's Redevelopment Plan. Such Secured Base-Year Value will increase by at most two percent (2%) per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Area added to the Yerba Buena Center Redevelopment Project Area pursuant to a plan amendment dated August 3, 2000. The Emporium Site Area has a base year assessed value of \$69,111,621, which was the assessed value in 2000-01.

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

(4) No amount deducted commencing with fiscal year 2006-07 to compute Allocable Tax Increment Revenue, since AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

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

(6) Assessed values and base year values commencing with fiscal year 2006-07 include values related to the Emporium Site Area.

Source: City and County of San Francisco.

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**Yerba Buena Center Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	Assessed Value Fiscal Year 2007-08	% of Total Fiscal Year 2007-08 Project Assessed Value
Emporium Mall LLC (Multi-Use Retail/Office Complex) ⁽¹⁾	\$465,175,770	14.9%
Marriott Hotel ⁽²⁾	405,542,394	13.0%
St. Francis Place (Office & Retail)	170,374,582	5.5%
SLT Realty Limited (W Hotel) ⁽³⁾	145,548,711	4.7%
Third & Mission Assoc. LLC (Apartment Bldg) ⁽⁴⁾	125,913,815	4.0%
Metreon, Inc. (Entertainment Complex) ⁽⁵⁾	125,908,660	4.0%
Meridien Hotel	125,775,380	4.0%
St. Regis (Hotel) ⁽⁶⁾	104,452,099	3.3%
75 Hawthorne Associates LLC	103,750,000	3.3%
Four Seasons Hotel ⁽⁷⁾	96,071,497	3.1%
Total Ten Largest	1,868,512,908	59.9%
All Other	1,251,997,114	40.1%
Total Project Assessed Value	\$3,120,510,022	100.0%

(1) Assessed value for fiscal year 2006-07 of \$456,054,681 is being appealed. Appeal value is \$191,550,000.

(2) Assessed value for fiscal year 2006-07 of \$397,590,582 is being appealed. Appeal value is \$230,468,190.

(3) Assessed value for fiscal year 2006-07 of \$143,226,293 is being appealed. Appeal value for fiscal year 2006-07 is \$90,503,085.
Assessed value for fiscal year 2007-08 also is being appealed. Appeal value for fiscal year 2007-08 is \$123,323,839.

(4) Assessed value for fiscal year 2006-07 of \$123,593,554 is being appealed. Appeal value is \$70,000,000.

(5) Assessed value does not reflect sale of property for a reported \$45,000,000.

(6) Assessed value for fiscal year 2006-07 of \$102,404,021 is being appealed. Appeal value for fiscal year 2006-07 is \$67,389,369.
Assessed value for fiscal year 2007-08 also is being appealed. Appeal value for fiscal year 2007-08 is \$71,852,583.

(7) Assessed value for fiscal year 2006-07 of \$94,187,743 is being appealed. Appeal value is \$45,550,000.

Source: City and County of San Francisco

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Yerba Buena Center Redevelopment Project Area
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations and the Bonds⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service⁽²⁾	2007 Series A Debt Service	2007 Series B Debt Service	Total Debt Service⁽²⁾	Allocable Project Area Tax Revenue⁽³⁾	Debt Service Coverage Ratio
2008	\$17,115,558	\$631,237	\$1,129,513	\$18,876,307	\$30,257,943	1.60 x
2009	17,002,007	1,749,050	1,123,950	19,875,007	30,257,943	1.52
2010	16,993,960	1,755,375	1,125,150	19,874,485	30,257,943	1.52
2011	17,012,372	1,733,675	1,132,650	19,878,697	30,257,943	1.52
2012	17,065,689	1,680,325	1,130,850	19,876,864	30,257,943	1.52
2013	17,059,896	1,686,975	1,127,850	19,874,721	30,257,943	1.52
2014	16,938,053	1,800,325	1,135,100	19,873,478	30,257,943	1.52
2015	16,956,597	1,774,325	1,139,850	19,870,772	30,257,943	1.52
2016	16,939,762	1,791,125	1,147,100	19,877,987	30,257,943	1.52
2017	16,983,585	1,753,250	1,141,600	19,878,435	30,257,943	1.52
2018	16,915,336	1,818,450	1,154,400	19,888,186	30,257,943	1.52
2019	15,438,026	4,525,950		19,963,976	30,257,943	1.52
2020	4,451,073			4,451,073	30,257,943	6.80
2021	7,225,247			7,225,247	30,257,943	4.19
2022	7,775,000			7,775,000	30,257,943	3.89
2023	7,780,000			7,780,000	30,257,943	3.89
2024	7,775,000			7,775,000	30,257,943	3.89
2025						-
2026						-
2027						-
2028						-
2029						-
2030						-
2031						-
2032						-
2033						-
2034						-
2035						-
2036						-
2037						-
TOTAL	\$237,427,161	\$22,700,062	\$12,488,013	\$272,615,235	\$514,385,031	

(1) Numbers are rounded.

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

(3) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

Rincon Point-South Beach Redevelopment Project Area.

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

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured Property Assessed Values:					
County Rolls	\$1,069,490	\$1,179,944	\$1,328,794	\$1,475,560	\$1,520,365
State Unitary Property	\$9,938	\$9,086	\$8,760	\$8,505	\$8,724
Total Secured Assessed Values	\$1,079,428	\$1,189,029	\$1,337,554	\$1,484,065	\$1,529,089
Unsecured Assessed Value	\$351,362	\$363,296	\$371,733	\$243,649	\$248,337
Total Assessed Values	\$1,430,790	\$1,552,325	\$1,709,287	\$1,727,714	\$1,777,425
Base Year Values:					
Secured	\$11,572	\$11,572	\$11,572	\$11,572	\$11,572
Unsecured	\$6,521	\$6,521	\$6,521	\$6,521	\$6,521
Increase Over Base-Year Values:					
Secured	\$1,067,856	\$1,177,457	\$1,325,982	\$1,472,493	\$1,517,517
Unsecured	\$344,841	\$356,775	\$365,212	\$237,128	\$241,816
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽²⁾:					
Secured Property	\$11,031	\$12,081	\$13,538	\$14,961	\$15,357
Unsecured Property	\$3,548	\$3,685	\$3,747	\$2,421	\$2,457
Gross Tax Increment Revenue	\$14,579	\$15,766	\$17,285	\$17,382	\$17,814
Less AB 1290 Pass-Through Obligation ⁽³⁾	\$2,329	\$2,574	\$2,879	-	-
Allocable Tax Increment Revenue	\$12,250	\$13,192	\$14,406	\$17,382	\$17,814
Delinquency Rate ⁽⁴⁾	1.5%	1.4%	1.3%	1.27%	N/A

- (1) Assessed valuations shown are "full cash value" and exclude homeowner subventions and assessed values of property from which Tax Revenues pledged to the payment of the South Beach Harbor Bonds are generated. See "SECURITY FOR THE BONDS—Senior Obligations."
- (2) Revenue numbers equal the tax rate times the increase over base year value and do not necessarily equal amounts collected.
- (3) No amount deducted for this obligation commencing with fiscal year 2006-07 to compute Allocable Tax Increment Revenue, since AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.
- (4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. See "PLEDGE OF TAX REVENUES—Teeter Plan."

Source: City and County of San Francisco.

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**Rincon Point-South Beach Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Project Assessed Value</u>
China Basin Ballpark Company LLC ⁽¹⁾	\$227,750,000	12.8%
GAP, Inc.	224,701,981	12.6%
Bre/Rincon LLC (Office/Retail)	218,051,719	12.3%
Bayside Village (Apartment Complex)	121,144,293	6.8%
South Beach Marina (Apartment Complex)	95,014,771	5.3%
Bayside Plaza (Apartment Complex)	37,415,528	2.1%
Private Individual(s)	4,476,280	0.3%
Private Individual(s)	3,544,500	0.2%
Private Individual(s)	3,277,260	0.2%
Private Individual(s)	2,939,130	0.2%
Total Ten Largest	938,315,462	52.8%
All Others	839,110,020	47.2%
Total Project Assessed Value	\$1,777,425,482	100.0%

(1) The Office of the Assessor of the City and County of San Francisco has agreed with the property owner that the assessed value of this property will be \$218,750,000 in fiscal year 2008-09.

Source: City and County of San Francisco.

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

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series A Debt Service	2007 Series B Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio
2008	\$5,354,239	\$2,933,555	\$1,785,179	\$10,072,973	\$17,814,117	1.77 x
2009	5,352,276	4,015,513	1,790,194	11,157,982	17,814,117	1.60
2010	5,714,423	4,015,513	1,783,794	11,513,729	17,814,117	1.55
2011	5,749,038	4,015,513	1,785,294	11,549,844	17,814,117	1.54
2012	5,734,931	4,015,513	1,795,294	11,545,737	17,814,117	1.54
2013	5,735,270	4,015,513	1,783,094	11,533,876	17,814,117	1.54
2014	5,211,295	4,015,513	1,782,344	11,009,152	17,814,117	1.62
2015	5,507,511	4,015,513	1,793,594	11,316,617	17,814,117	1.57
2016	5,514,377	4,015,513	1,791,094	11,320,983	17,814,117	1.57
2017	5,512,508	4,015,513	1,790,344	11,318,364	17,814,117	1.57
2018	5,265,406	4,015,513	1,770,944	11,051,863	17,814,117	1.61
2019	5,655,329	4,015,513	1,224,944	10,895,785	17,814,117	1.63
2020	5,679,830	4,015,513	1,238,344	10,933,686	17,814,117	1.63
2021	6,105,514	4,015,513	1,228,175	11,349,201	17,814,117	1.57
2022	4,560,346	4,015,513	1,230,150	9,806,009	17,814,117	1.82
2023	4,309,879	4,475,513		8,785,391	17,814,117	2.03
2024	4,315,475	4,469,063		8,784,538	17,814,117	2.03
2025	2,186,240	6,596,463		8,782,703	17,814,117	2.03
2026	1,981,850	6,804,950		8,786,800	17,814,117	2.03
2027	1,986,050	6,797,738		8,783,788	17,814,117	2.03
2028	1,985,100	6,801,038		8,786,138	17,814,117	2.03
2029	1,983,950	6,803,700		8,787,650	17,814,117	2.03
2030	1,982,350	6,800,150		8,782,500	17,814,117	2.03
2031		8,785,100		8,785,100	17,814,117	2.03
2032		8,783,550		8,783,550	17,814,117	2.03
2033		8,787,450		8,787,450	17,814,117	2.03
2034		8,785,363		8,785,363	17,814,117	2.03
2035		8,786,425		8,786,425	17,814,117	2.03
2036		8,784,200		8,784,200	17,814,117	2.03
2037		8,782,538		8,782,538	17,814,117	2.03
TOTAL	\$103,383,187	\$170,193,967	\$24,572,779	\$298,149,934	\$534,423,510	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues and reflects payment of the senior South Beach Harbor Bonds. (See "SECURITY FOR THE BONDS-Senior Obligations"). The Office of the Assessor of the City and County of San Francisco has agreed with the property owner that the assessed value of AT&T Park (Giants baseball park) will be \$227,750,000 in Fiscal Year 2007-08 and \$218,750,000 in Fiscal Year 2008-09. The latter value would reduce Allocable Tax Increment by \$91,440, from \$17,814,117 to \$17,722,677, if applied to Fiscal Year 2007-08.

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

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

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

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

Secured Property Assessed Values:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
County Rolls	\$2,072,495	\$2,133,605	\$2,174,613	\$2,248,881	\$2,314,781
State Unitary Property	\$0	\$0	\$0	\$0	\$131
Total Secured Assessed Values	\$2,072,495	\$2,133,605	\$2,174,613	\$2,248,881	\$2,314,911
Unsecured Assessed Values	<u>\$240,083</u>	<u>\$234,171</u>	<u>\$247,839</u>	<u>\$233,800</u>	<u>\$257,332</u>
Total Assessed Values	\$2,312,578	\$2,367,776	\$2,422,452	\$2,482,682	\$2,572,243
Base Year Values:					
Secured	\$114,680	\$114,680	\$114,680	\$114,680	\$114,680
Unsecured	\$19,883	\$19,883	\$19,883	\$19,883	\$19,883
Increase Over Base Year Values:					
Secured	\$1,957,815	\$2,018,925	\$2,059,933	\$2,134,201	\$2,200,231
Unsecured	\$220,200	\$214,288	\$227,956	\$213,917	\$237,449
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽²⁾:					
Secured Property	\$20,224	\$20,714	\$21,032	\$21,683	\$22,266
Unsecured Property	\$2,266	\$2,214	\$2,339	\$2,184	\$2,412
Gross Tax Increment Revenue	\$22,490	\$22,928	\$23,371	\$23,868	\$24,679
Less School District Allocation ⁽³⁾	0	2,245	3,058	2,477	2,650
Less AB1290 Obligation ⁽⁴⁾	349	398	414	-	-
Allocable Tax Increment Revenue	<u>\$22,144</u>	<u>\$20,285</u>	<u>\$19,899</u>	<u>\$21,391</u>	<u>\$22,029</u>
Delinquency Rate ⁽⁵⁾	0.8%	1.1%	0.7%	1.0%	N/A

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

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

(3) Required pursuant to SB 2113 in connection with the Golden Gateway Redevelopment Project Area only. Not required with respect to outstanding debt related to Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area, which were all incurred prior to adoption of the ordinance pursuant to SB 2113. See "PLEDGE OF TAX REVENUES--Senate Bill 2113 and Related Redevelopment Law Provisions."

(4) No amount deducted commencing with fiscal year 2006-07 to compute Allocable Tax Increment Revenue, since AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

(5) The amounts shown in years prior to fiscal year 2006-07 relate solely to the South of Market and the Federal Office Building Redevelopment Project Areas

Source: City and County of San Francisco

**Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Project Assessed Value</u>
Four Embarcadero Center (Office and Retail)	\$367,394,639	14.3%
One Embarcadero Center (Office and Retail) ⁽¹⁾	316,672,989	12.3%
Three Embarcadero Center (Office and Retail) ⁽²⁾	298,159,805	11.6%
Two Embarcadero Center (Office and Retail)	297,006,020	11.5%
Five Embarcadero (Hotel) ⁽³⁾	198,764,926	7.7%
300 Clay St. (Office Building)	114,271,134	4.4%
Golden Gateway Center (Commercial and Residential) ⁽⁴⁾	68,827,701	2.7%
Carramerica Realty (75 Broadway Office/Retail)	34,248,486	1.3%
1045 Mission LP (Commercial and Residential)	29,941,585	1.2%
Carramerica Realty (One Jackson St. Office/Retail)	<u>25,634,303</u>	<u>1.0%</u>
Total Ten Largest	1,750,921,5880	68.1%
All Others	<u>821,321,559</u>	<u>31.9%</u>
Total Project Area Assessed Value	\$2,572,243,147	100.0%

(1) Assessed value for fiscal year 2006-07 of \$310,510,572 is being appealed. Appeal value is \$295,000,000.

(2) Assessed value for fiscal year 2006-07 of \$292,239,757 is being appealed. Appeal value is \$280,000,000.

(3) Assessed value for fiscal year 2006-07 of \$197,995,729 is being appealed. Appeal value is \$70,000,000.

(4) Assessed value for fiscal year 2006-07 of \$64,118,716 is being appealed. Appeal value is \$61,753,038.

Source: City and County of San Francisco.

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

Bond Year Ending (August 1)	Pre-SB 2113 Project Area Parity Prior Debt Service⁽³⁾	2007 Series B Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾⁽³⁾	Less 2005 Series C Debt Service Coverage⁽⁴⁾	Less 2006 Series A Debt Service Coverage⁽⁴⁾	Adjusted Allocable Project Area Tax Revenue⁽⁵⁾	Debt Service Coverage Ratio
2008	\$7,562,908	\$6,465,979	\$14,028,887	\$24,678,821	\$653,710	\$297,045	\$23,728,067	1.69 x
2009	7,571,616	6,459,450	14,031,066	24,678,821	668,838	294,165	23,715,818	1.69
2010	8,053,553	6,460,850	14,514,403	24,678,821	623,188	297,185	23,758,448	1.64
2011	8,071,604	6,449,600	14,521,204	24,678,821	634,291	293,252	23,751,278	1.64
2012	8,116,642	6,476,800	14,593,442	24,678,821	611,083	295,219	23,772,520	1.63
2013	7,212,306	7,406,000	14,618,306	24,678,821	607,538	296,483	23,774,801	1.63
2014	6,911,300	7,419,500	14,330,800	24,678,821	616,582	297,044	23,765,195	1.66
2015	6,546,947	7,408,250	13,955,197	24,678,821	590,215	296,904	23,791,702	1.70
2016	6,529,982	7,422,750	13,952,732	24,678,821	583,684	296,061	23,799,076	1.71
2017	6,525,541	7,426,000	13,951,541	24,678,821	589,934	294,516	23,794,371	1.71
2018	5,080,286	7,446,400	12,526,686	24,678,821	588,396	297,810	23,792,615	1.90
2019	61,488		61,488	24,678,821	2,018,165	7,300,000	15,360,656	249.81
2020	60,000		60,000	24,678,821	844,100	7,300,000	16,534,721	275.58
2021	65,000		65,000	24,678,821	870,625	7,287,500	16,520,696	254.16
2022	65,000		65,000	24,678,821	838,625	7,287,500	16,552,696	254.66
2023	65,000		65,000	24,678,821	832,275	7,287,500	16,559,046	254.75
2024	65,000		65,000	24,678,821	850,275	7,287,500	16,541,046	254.48
2025				24,678,821	935,075	7,287,500	16,456,246	-
2026				24,678,821	933,100	7,287,500	16,458,221	-
2027				24,678,821	942,325	7,287,500	16,448,996	-
2028				24,678,821	955,850	7,287,500	16,435,471	-
2029				24,678,821	967,100	7,287,500	16,424,221	-
2030				24,678,821	976,075	7,287,500	16,415,246	-
2031				24,678,821	1,001,525	7,287,500	16,389,796	-
2032				24,678,821	998,725	7,287,500	16,392,596	-
2033				24,678,821	1,012,725	7,287,500	16,378,596	-
2034				24,678,821	1,023,800	7,287,500	16,367,521	-
2035				24,678,821	1,025,700	7,287,500	16,365,621	-
2036				24,678,821		7,287,500	17,391,321	-
2037								-
TOTAL	\$78,564,169	\$76,841,579	\$155,405,748	\$715,685,809	\$23,793,524	\$134,455,683	\$557,436,602	

(1) Numbers are rounded.

(2) See "PLEDGE OF TAX REVENUES--Senate Bill 2113 and Related Redevelopment Law Provisions."

(3) Allocable Project Area Tax Revenues available for Pre-SB 2113 Project Area parity prior debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Gross Tax Revenues.

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

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

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

South of Market Redevelopment Project Area.

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

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured Property Assessed Values:					
County Rolls	\$325,162	\$353,372	\$362,526	\$394,887	\$418,593
State Unitary Property	\$0	\$0	\$0	\$0	\$0
Total Secured Assessed Values	\$325,162	\$353,372	\$362,526	\$394,887	\$418,593
Unsecured Assessed Values	\$18,006	\$16,138	\$15,536	\$9,076	\$13,931
Total Assessed Values	\$343,168	\$369,510	\$378,062	\$403,963	\$432,525
Base Year Values:					
Secured	\$91,050	\$91,050	\$91,050	\$91,050	\$91,050
Unsecured	\$17,535	\$17,535	\$17,535	\$17,535	\$17,535
Increase Over Base Year Values:					
Secured	\$234,112	\$262,322	\$271,476	\$303,837	\$327,543
Unsecured	\$471	(\$1,397)	(\$1,999)	(\$8,459)	(\$3,604)
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽²⁾:					
Secured Property	\$2,418	\$2,691	\$2,772	\$3,087	\$3,315
Unsecured Property	\$5	(\$14)	(\$21)	(\$86)	(\$37)
Gross Tax Increment Revenue	\$2,423	\$2,677	\$2,751	\$3,001	\$3,278
Less AB1290 Pass-Through Obligation ⁽³⁾	356	408	424	-	-
Allocable Tax Increment Revenue	\$2,067	\$2,269	\$2,327	\$3,001	\$3,278
Delinquency Rate ⁽⁴⁾	5.6%	6.5%	4.1%	5.8%	N/A

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

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

(3) No amount deducted commencing with fiscal year 2006-07 to compute Allocable Tax Increment Revenue, since AB 1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

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

Source: City and County of San Francisco

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**South of Market Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Project Assessed Value</u>
1045 Mission LP (Commercial & Residential)	\$29,941,585	6.9%
Private Individual(s)	9,864,424	2.3%
34 - 40 6TH Street LLC	4,984,158	1.2%
Mercy Properties California/SF Medical Center	4,625,802	1.1%
Private Individual(s)	3,873,394	0.9%
Unity Pacific Inc./Liu Annie	3,739,822	0.9%
Bill Graham Enterprises Inc.	3,388,494	0.8%
450 Clementina St. Associates	3,329,280	0.8%
Private Individual(s)	3,317,844	0.8%
Private Individual(s)	2,980,300	0.7%
Total Ten Largest	70,045,103	16.2%
All Other	362,479,747	83.8%
Total Project Assessed Value	\$432,524,850	100.0%

Source: City and County of San Francisco.

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

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series A Debt Service	Total Debt Service⁽²⁾	Allocable Project Area Tax Revenue⁽³⁾	Debt Service Coverage Ratio
2008	\$660,056	\$329,901	\$989,957	\$3,278,127	3.31 x
2009	708,525	451,575	1,160,100	3,278,127	2.83
2010	1,056,950	451,575	1,508,525	3,278,127	2.17
2011	1,060,340	451,575	1,511,915	3,278,127	2.17
2012	1,059,348	451,575	1,510,923	3,278,127	2.17
2013	1,057,388	451,575	1,508,963	3,278,127	2.17
2014	860,388	451,575	1,311,963	3,278,127	2.50
2015	558,115	451,575	1,009,690	3,278,127	3.25
2016	560,820	451,575	1,012,395	3,278,127	3.24
2017	558,270	451,575	1,009,845	3,278,127	3.25
2018	60,720	906,575	967,295	3,278,127	3.39
2019	61,488	906,550	968,038	3,278,127	3.39
2020	60,000	920,150	980,150	3,278,127	3.34
2021	65,000	911,550	976,550	3,278,127	3.36
2022	65,000	911,850	976,850	3,278,127	3.36
2023	65,000	915,500	980,500	3,278,127	3.34
2024	65,000	915,713	980,713	3,278,127	3.34
2025		978,913	978,913	3,278,127	3.35
2026		981,363	981,363	3,278,127	3.34
2027		981,225	981,225	3,278,127	3.34
2028		978,500	978,500	3,278,127	3.35
2029		978,188	978,188	3,278,127	3.35
2030					-
2031					-
2032					-
2033					-
2034					-
2035					-
2036					-
2037					-
TOTAL	\$8,582,407	\$15,680,151	\$24,262,557	\$72,118,797	

(1) Numbers are rounded.

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

(3) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

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Hunters Point Redevelopment Project Area.

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

Secured Property Assessed Values:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
County Rolls	\$105,619	\$107,063	\$109,481	\$125,149	\$133,605
State Unitary Property	\$1,757	\$1,606	\$1,549	\$1,503	\$1,549
Total Secured Assessed Values	107,376	\$108,669	\$111,030	\$126,652	\$135,154
Unsecured Assessed Values	258	0	0	15	15
Total Assessed Values	\$107,634	\$108,669	\$111,030	\$126,667	\$135,169
Base Year Values:					
Secured	\$2,847	\$2,847	\$2,847	\$2,847	\$2,847
Unsecured	\$0	\$0	\$0	\$0	\$0
Increase Over Base-Year Values:					
Secured	\$104,529	\$105,822	\$108,183	\$123,805	\$132,307
Unsecured	258	0	0	15	15
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽²⁾:					
Secured Property	\$1,080	\$1,086	\$1,105	\$1,258	\$1,339
Unsecured Property	\$3	\$0	\$0	\$0	\$0
Gross Tax Increment Revenue	\$1,083	\$1,086	\$1,105	\$1,258	\$1,339
Less School District Allocation ⁽³⁾	0	232	241	294	315
Less AB 1290 Pass-Through Obligation ⁽⁴⁾	26	42	-	-	-
Allocable Tax Increment Revenue ⁽⁵⁾	\$1,057	\$811	\$863	\$964	\$1,024
Delinquency Rate ⁽⁶⁾	2.6%	2.3%	2.4%	2.6%	N/A

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

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

(3) Required pursuant to SB 2113. See "PLEDGE OF TAX REVENUES—Senate Bill 2113 and Related Redevelopment Law Provisions."

(4) No amount deducted commencing with fiscal year 2005-06 to compute Allocable Tax Increment Revenue, since AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

(5) Allocable Tax Revenue in fiscal year 2007-08 would be \$930,554 if certain properties identified in the following page were to become exempt from paying property taxes. This lower amount is used to calculate the debt service coverage ratio.

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

Source: City and County of San Francisco

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**Hunters Point Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Project Assessed Value</u>
Northridge Cooperative Homes	\$29,614,933	21.9%
1340 Hudson Ave. ⁽¹⁾	11,845,733	8.8%
La Salle Apartments ⁽²⁾	5,347,506	4.0%
All Hollows Associates ⁽²⁾	3,239,477	2.4%
Shoreview Apartments ⁽²⁾	2,807,857	2.1%
Bayview Hunters Point Apts. ⁽²⁾	2,674,440	2.0%
Unity Homes Inc.	1,677,215	1.2%
Private Individual(s)	765,000	0.6%
Private Individual(s)	758,000	0.6%
Ridgeview Terrace Affordable Housing	<u>694,662</u>	<u>0.5%</u>
Total Ten Largest	59,424,823	44.0%
All Other	<u>75,743,822</u>	<u>56.0%</u>
Total Project Assessed Value	\$135,168,645	100.0%

(1) Formerly Jackie Robinson Apts.

(2) The Agency is aware that these properties are likely to become exempt from paying property taxes. Such exemption would reduce assessed values in fiscal year 2007-08 by \$14,069,280 and Allocable Tax Revenue by an amount estimated by the Agency to be \$93,000.

Source: City and County of San Francisco.

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Hunters Point Redevelopment Project Area
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series B Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio
2008	\$544,533	\$73,962	\$618,495	\$930,554	1.50 x
2009	508,616	75,300	583,916	930,329	1.59
2010	512,199	78,500	590,699	932,868	1.58
2011	519,670	51,000	570,670	928,048	1.63
2012	550,596	55,000	605,596	921,244	1.52
2013	551,812	53,800	605,612	922,184	1.52
2014	569,701	52,300	622,001	915,093	1.47
2015	482,527	125,800	608,327	898,201	1.48
2016	480,058	130,550	610,608	901,303	1.48
2017	472,299	129,800	602,099	900,693	1.50
2018	505,599	130,000	635,599	919,290	1.45
2019	560,486		560,486	853,670	1.52
2020	330,822		330,822	854,561	2.58
2021	459,455		459,455	892,544	1.94
2022	582,560		582,560	953,110	1.64
2023	582,560		582,560	953,110	1.64
2024	582,560		582,560	953,110	1.64
2025	237,560		237,560	784,207	3.30
2026	235,020		235,020	784,207	3.34
2027	227,220		227,220	784,207	3.45
2028	224,420		224,420	784,207	3.49
2029	216,360		216,360	784,207	3.62
2030	213,300		213,300	784,207	3.68
2031	209,980		209,980	784,207	3.73
2032	201,400		201,400	784,207	3.89
2033	197,820		197,820	784,207	3.96
2034	193,980		193,980	784,202	4.04
2035	199,880		199,880	784,207	3.92
2036					-
2037					-
TOTAL	\$11,152,993	\$956,012	\$12,109,005	\$24,186,184	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues, excluding the assessed value of properties that are likely to become exempt from paying property taxes identified in footnote 2 to the table of ten largest assesseees on the previous page.

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

India Basin Industrial Park Redevelopment Project Area.

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

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured Property Assessed Values:					
County Rolls	\$87,113	\$90,167	\$91,630	\$97,581	\$95,033
State Unitary Property	\$5,944	\$5,434	\$5,239	\$5,086	\$5,217
Total Secured Assessed Values	\$93,057	\$95,600	\$96,869	\$102,667	\$100,251
Unsecured Assessed Values	\$10,819	\$12,527	\$8,742	\$15,972	\$16,628
Total Assessed Values	\$103,876	\$108,128	\$105,611	\$118,639	\$116,879
Base Year Values:					
Secured	\$12,575	\$12,575	\$12,575	\$12,575	\$12,575
Unsecured	\$1,116	\$1,116	\$1,116	\$1,116	\$1,116
Increase Over Base Year:					
Secured	\$80,482	\$83,025	\$84,294	\$90,092	\$87,676
Unsecured	\$9,703	\$11,411	\$7,626	\$14,856	\$15,512
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽²⁾:					
Secured Property	\$831	\$852	\$861	\$915	\$887
Unsecured Property	\$100	\$118	\$78	\$152	\$158
Gross Tax Increment Revenue	\$931	\$970	\$939	\$1,067	\$1,045
Less School District Allocation ⁽³⁾	0	224	190	235	222
Less AB 1290 Pass-Through Obligation ⁽⁴⁾	50	58	-	-	-
Allocable Tax Increment Revenue	\$881	\$688	\$749	\$832	\$823
 Delinquency Rate ⁽⁵⁾	 2.0%	 5.0%	 13.9%	 8.9%	 N/A

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

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

(3) AB1290 obligation in fiscal year 2005-06 is lower than prior years because school district allocation reduces allocable tax increment available to the Agency and lower gross tax increment. Required pursuant to SB 2113. See "PLEDGE OF TAX REVENUES—Senate Bill 2113 and Related Redevelopment Law Provisions."

(4) No amount deducted commencing with fiscal year 2005-06 to compute Allocable Tax Increment Revenue, since AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

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

Source: City and County of San Francisco.

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**India Basin Industrial Park Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	Assessed Value Fiscal Year <u>2007-08</u>	% of Total Fiscal Year 2007-08 Project Assessed <u>Value</u>
White Cap Const Supply Inc. ⁽¹⁾	\$7,682,061	6.6%
Private Individual(s)	5,967,000	5.1%
Private Individual(s)	5,958,021	5.1%
Plant Construction Co.	5,935,103	5.1%
Private Individual(s)	3,581,574	3.1%
Private Individual(s)	3,343,785	2.9%
1 Newhall LLC	3,042,336	2.6%
Private Individual(s)	2,876,770	2.5%
Private Individual(s)	2,804,585	2.4%
Private Individual(s)	<u>2,330,045</u>	<u>2.0%</u>
Total Ten Largest	43,521,280	37.2%
All Other	<u>73,357,333</u>	<u>62.8%</u>
Total Project Assessed Value	\$116,878,613	100.0%

(1) Assessed value for fiscal year 2006-07 of \$6,834,000 is being appealed. Appeal value is \$4,000,000.
Source: City and County of San Francisco.

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India Basin Industrial Park Redevelopment Project Area
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series B Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio
2008	\$500,892	\$56,113	\$557,005	\$822,818	1.48 x
2009	500,894	62,150	563,044	824,129	1.46
2010	500,723	60,750	561,473	823,575	1.47
2011	522,353	39,000	561,353	820,183	1.46
2012	392,563	118,400	510,963	813,286	1.59
2013	392,588	124,600	517,188	814,958	1.58
2014	364,830	134,350	499,180	805,131	1.61
2015	424,319	58,350	482,669	795,955	1.65
2016	424,688	50,850	475,538	793,531	1.67
2017	435,021	48,600	483,621	794,625	1.64
2018	561,527	46,800	608,327	823,740	1.35
2019	493,830		493,830	774,488	1.57
2020	525,324		525,324	774,546	1.47
2021	524,901		524,901	774,649	1.48
2022	303,000		303,000	684,709	2.26
2023	294,680		294,680	684,709	2.32
2024	296,360		296,360	684,709	2.31
2025	287,520		287,520	684,709	2.38
2026	283,680		283,680	684,709	2.41
2027	294,580		294,580	684,709	2.32
2028	284,440		284,440	684,709	2.41
2029	279,300		279,300	684,709	2.45
2030	273,900		273,900	684,709	2.50
2031	273,240		273,240	684,709	2.51
2032	267,060		267,060	684,709	2.56
2033	260,620		260,620	684,709	2.63
2034	248,920		248,920	684,709	2.75
2035	247,220		247,220	684,709	2.77
2036					-
2037					-
TOTAL	\$10,458,974	\$799,963	\$11,258,937	\$20,841,544	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

Western Addition Redevelopment Project Area A-2.

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

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured Property Assessed Values:					
County Rolls	\$1,280,035	\$1,344,653	\$1,376,641	\$1,533,343	\$1,740,006
State Unitary Property	<u>\$11,496</u>	<u>\$10,509</u>	<u>\$10,133</u>	<u>\$9,837</u>	<u>\$10,091</u>
Total Secured Assessed Values	\$1,291,531	\$1,355,162	\$1,386,774	\$1,543,180	\$1,750,097
Unsecured Assessed Values	<u>\$28,414</u>	<u>\$30,308</u>	<u>\$48,478</u>	<u>\$50,828</u>	<u>\$43,242</u>
Total Assessed Value	\$1,319,945	\$1,385,470	\$1,435,252	\$1,594,009	\$1,793,339
Base Year Values:					
Secured	\$46,390	\$46,390	\$46,390	\$46,390	\$46,390
Unsecured	\$14,850	\$14,850	\$14,850	\$14,850	\$14,850
Increase Over Base-Year Values:					
Secured	\$1,245,141	\$1,308,772	\$1,340,384	\$1,496,790	\$1,703,707
Unsecured	\$13,564	\$15,458	\$33,628	\$35,978	\$28,392
Secured Tax Rate	0.01033	0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue⁽²⁾:					
Secured Property	\$12,862	\$13,428	\$13,685	\$15,207	\$17,242
Unsecured Property	<u>\$140</u>	<u>\$160</u>	<u>\$345</u>	<u>\$367</u>	<u>\$288</u>
Gross Tax Increment Revenue	\$13,002	\$13,588	\$14,030	\$15,575	\$17,530
Less AB1290 Obligation ⁽³⁾	<u>\$1,047</u>	<u>\$1,174</u>	<u>\$1,270</u>	<u>-</u>	<u>-</u>
Allocable Tax Increment Revenue	<u>\$11,955</u>	<u>\$12,414</u>	<u>\$12,760</u>	<u>\$15,575</u>	<u>\$17,530</u>
Delinquency Rate ⁽⁴⁾	1.8%	3.4%	2.4%	2.5%	N/A

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

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

(3) No amount deducted commencing with fiscal year 2006-07 to compute Allocable Tax Increment Revenue, since AB 1290 payments for this Project Area have been subordinated to the 2007 Loan Agreements and Parity Prior Loan Agreements.

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

Source: City and County of San Francisco.

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**Western Addition Redevelopment Project Area A-2
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Project Assessed Value</u>
Fillmore Center Associates (Apartment Bldg)	\$233,740,583	13.0%
California Pacific Medical Center	99,753,550	5.6%
1550 Sutter Assoc.	27,071,169	1.5%
United Bank of California (Office)	24,327,358	1.4%
WCP I (Apartment Bldg)	22,314,757	1.2%
San Francisco Care Center (Assisted Living Facility)	21,168,126	1.2%
Wealth Properties Inc. (Office)	20,624,826	1.2%
Daniel Burnham Court (Office & Retail)	19,462,304	1.1%
Young Broadcasting of SF	19,360,528	1.1%
601 Van Ness - Opera Plaza (Office & Retail)	17,649,673	1.0%
Total Ten Largest	505,472,874	28.2%
All Other	1,287,866,172	71.8%
Total Project Assessed Value	\$1,793,339,046	100.0%

Source: City and County of San Francisco.

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

<u>Bond Year Ending (August 1)</u>	<u>Project Area Parity Prior Debt Service⁽²⁾</u>	<u>2007 Series B Debt Service</u>	<u>Total Debt Service⁽²⁾</u>	<u>Allocable Project Area Tax Revenue⁽³⁾</u>	<u>Debt Service Coverage Ratio</u>
2008	\$7,517,660	\$533,352	\$8,051,012	\$17,529,978	2.18 x
2009	7,399,436	535,100	7,934,536	17,529,978	2.21
2010	7,424,763	541,900	7,966,663	17,529,978	2.20
2011	7,302,955	534,400	7,837,355	17,529,978	2.24
2012	7,124,595	540,000	7,664,595	17,529,978	2.29
2013	7,201,636	534,800	7,736,436	17,529,978	2.27
2014	8,283,707	510,300	8,794,007	17,529,978	1.99
2015	6,060,772	651,050	6,711,822	17,529,978	2.61
2016	5,157,285	658,800	5,816,085	17,529,978	3.01
2017	5,233,600	659,800	5,893,400	17,529,978	2.97
2018	6,269,495	660,400	6,929,895	17,529,978	2.53
2019	3,088,823		3,088,823	17,529,978	5.68
2020	3,089,824		3,089,824	17,529,978	5.67
2021	3,128,352		3,128,352	17,529,978	5.60
2022	4,240,000		4,240,000	17,529,978	4.13
2023	4,245,000		4,245,000	17,529,978	4.13
2024	4,245,000		4,245,000	17,529,978	4.13
TOTAL	\$97,012,902	\$6,359,902	\$103,372,804	\$298,009,626	

(1) Numbers are rounded.

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

(4) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

Mission Bay North Project Area.

**Mission Bay North Project Area -- Housing
Property Taxable Values, Tax Revenues, & Delinquency Rates⁽¹⁾
(Dollars in Thousands)**

	2003-04	2004-05	2005-06	2006-07	2007-08
Secured Property Assessed Values:					
County Rolls	\$366,652	\$458,772	\$512,447	\$702,645	\$1,003,891
State Unitary Property	\$0	\$0	\$0	\$0	\$0
Total Secured Assessed Values	\$366,652	\$458,772	\$512,447	\$702,645	\$1,003,891
Unsecured Assessed Values	\$0	\$0	\$3,674	\$9,733	\$11,075
Total Assessed Values	\$366,652	\$458,772	\$516,121	\$712,378	\$1,014,966
Base Year Values:					
Secured	\$27,756	\$27,756	\$27,756	\$25,586	\$25,586
Unsecured	\$818	\$818	\$818	\$818	\$818
Increase Over Base-Year Values:					
Secured	\$338,896	\$431,016	\$484,692	\$677,059	\$978,306
Unsecured	(\$818)	(\$818)	\$2,856	\$8,914	\$10,256
Secured Tax Rate	0.01033	0.01026	0.01021	0.01021	0.01012
Unsecured Tax Rate	0.01029	0.01033	0.01026	0.01021	0.01021
Tax Increment Revenue⁽²⁾					
Secured Property	\$3,501	\$4,422	\$4,949	\$6,913	\$9,900
Unsecured Property	(\$8)	(\$8)	\$29	\$91	\$105
Gross Tax Increment Revenue	\$3,492	\$4,414	\$4,978	\$7,004	\$10,005
Less: 80% Devoted to Non-Housing	\$2,794	\$3,531	\$3,984	\$5,604	\$8,005
Allocable Tax Increment Revenue	\$698	\$883	\$994	\$1,399	\$2,000
Delinquency Rate ⁽³⁾	0.0%	0.2%	1.3%	4.6%	N/A

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

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

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

Source: City and County of San Francisco.

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**Mission Bay North Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	Assessed Value Fiscal Year 2007-08	% of Total Fiscal Year 2007-08 Project Assessed Value
MVP I LLC (Apartments and Retail)	\$126,404,795	12.5%
Avalon Bay (Apartments and Retail)	100,628,416	9.9%
5 th & Berry LLC	51,300,460	5.1%
Beacon Retail LP (Retail)	40,312,668	4.0%
Urban Housing Mission Bay LLC	31,089,050	3.1%
Signature Properties (Vacant Land)	26,036,010	2.6%
Beacon Parking LP (Parking Garage)	13,155,020	1.3%
Mission Place LLC (Parking Garage)	6,574,064	0.6%
Glassworks-Com LLC	4,264,599	0.4%
BOSA Development Cal II Inc.	<u>2,732,090</u>	<u>0.3%</u>
Total Ten Largest	402,497,172	39.7%
All Other	<u>612,468,874</u>	<u>60.3%</u>
Total Project Assessed Value	\$1,014,966,046	100.0%

Source: City and County of San Francisco.

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Mission Bay North Project Area
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations and the Bonds⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series A Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio
2008	\$287,281	\$979,531	\$1,266,812	\$1,999,735	1.58 x
2009	284,191	985,513	1,269,703	1,999,735	1.57
2010	286,101	984,513	1,270,613	1,999,735	1.57
2011	287,730	977,963	1,265,693	1,999,735	1.58
2012	284,078	986,138	1,270,216	1,999,735	1.57
2013	285,427	983,213	1,268,639	1,999,735	1.58
2014	286,494	979,738	1,266,232	1,999,735	1.58
2015	287,281	980,713	1,267,993	1,999,735	1.58
2016	283,011	985,863	1,268,873	1,999,735	1.58
2017	283,006	979,913	1,262,919	1,999,735	1.58
2018	283,006	983,413	1,266,419	1,999,735	1.58
2019	287,707	980,813	1,268,519	1,999,735	1.58
2020	286,819	982,388	1,269,206	1,999,735	1.58
2021	285,637	982,863	1,268,499	1,999,735	1.58
2022	284,160	982,238	1,266,397	1,999,735	1.58
2023	287,047	980,513	1,267,560	1,999,735	1.58
2024	284,316	986,650	1,270,966	1,999,735	1.57
2025	286,275	981,063	1,267,338	1,999,735	1.58
2026	282,616	984,325	1,266,941	1,999,735	1.58
2027	283,648	985,863	1,269,511	1,999,735	1.58
2028	284,061	985,675	1,269,736	1,999,735	1.57
2029	283,856	983,763	1,267,619	1,999,735	1.58
2030	283,032	985,125	1,268,157	1,999,735	1.58
2031	286,590	984,475	1,271,065	1,999,735	1.57
2032	284,220	986,813	1,271,033	1,999,735	1.57
2033	286,231	981,850	1,268,081	1,999,735	1.58
2034	287,315	979,875	1,267,190	1,999,735	1.58
2035	287,471	980,600	1,268,071	1,999,735	1.58
2036	286,700	983,738	1,270,437	1,999,735	1.57
2037		1,269,000	1,269,000	1,999,735	1.58
TOTAL	\$8,275,307	\$29,774,131	\$38,049,438	\$59,992,049	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

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Transbay Redevelopment Project Area.

**Transbay Redevelopment Project Area
Property Taxable Values, Tax Revenues, & Delinquency Rates ⁽¹⁾
(Dollars in Thousands)**

	<u>2003-04</u>	<u>2004-05⁽²⁾</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Secured Property Assessed Values:					
Existing Properties					
Real Property	\$753,275	\$770,731	\$904,362	\$934,843	\$956,352
SBE Rolls	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
New development					
Total Secured Assessed Value	\$753,275	\$770,731	\$904,362	\$934,843	\$956,352
Unsecured Assessed Values	84,212	110,122	131,820	66,892	\$59,403
Total Assessed Value	<u>\$837,487</u>	<u>\$880,853</u>	<u>\$1,036,182</u>	<u>\$1,001,736</u>	<u>\$1,015,755</u>
Base Year Values:					
Secured		\$770,731	\$770,731	\$770,731	\$770,731
Unsecured		\$110,122	\$110,122	\$110,122	\$110,122
Increase Over Base-Year Values:					
Secured		\$0	\$133,631	\$164,112	\$185,621
Unsecured		\$0	\$21,698	(\$43,230)	(\$50,719)
Secured Tax Rate		0.01026	0.01021	0.01016	0.01012
Unsecured Tax Rate		0.01033	0.01026	0.01021	0.01016
Tax Increment Revenue ⁽³⁾:					
Secured Property		0	1,364	1,667	1,878
Unsecured Property		0	223	(441)	(515)
Gross Tax Increment Revenue	<u>0</u>	<u>0</u>	<u>1,587</u>	<u>1,226</u>	<u>1,363</u>
Less AB1290 Pass-Through Obligation ⁽⁴⁾	<u>0</u>	<u>0</u>	<u>317</u>	<u>245</u>	
Allocable Tax Increment Revenue	<u>0</u>	<u>0</u>	<u>1,270</u>	<u>981</u>	<u>1,363</u>
Delinquency Rate ⁽⁵⁾	N/A	N/A	N/A	0.08%	N/A

(1) Assessed valuations shown are "full cash value" and exclude homeowner subventions and assessed values of property for which no Tax Revenues are generated. See "PLEDGE OF TAX REVENUES—Tax Revenues."

(2) Base Year.

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

(4) No amount deducted in fiscal year 2007-08 to compute Allocable Tax Increment Revenue, since future AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreement. No Parity Prior Loan Agreements are outstanding for this Project Area.

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

Source: City and County of San Francisco

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**Transbay Redevelopment Project Area
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)**

<u>Property/Taxpayer</u>	Assessed Value Fiscal Year <u>2007-08</u>	% of Total Fiscal Year 2007-08 Project <u>Assessed Value</u>
GLL Fremont Street Partners	\$152,929,148	15.1%
Resnick in San Francisco LLC (Office Bldg)	144,005,925	14.2%
Foundry Square Associates II (Office Bldg)	138,391,700	13.6%
Utah State Retirement Investment (Office Bldg)	93,033,384	9.2%
CA-Mission Street/Equity Office Properties (Office Bldg)	90,577,868	8.9%
W2007 HWD Realty LLC (Office Bldg)	71,400,000	7.0%
Mission Street LLC/Tishman Speyer Properties (Vacant Lot)	30,438,710	3.0%
Mission Street Development LLC (Office Bldg)	27,442,529	2.7%
Gellborough Foundry Square LLC (Vacant Lot)	24,820,450	2.4%
514 Howard LLC/Vista Reverse 4 LLC (Parking Lot)	22,516,461	2.2%
Total Ten Largest	<u>795,556,175</u>	<u>78.3%</u>
All Other	<u>220,198,549</u>	<u>21.7%</u>
Total Project Assessed Value	\$1,015,754,724	100.0%

Source: City and County of San Francisco.

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Transbay Redevelopment Project Area
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations and the Bonds⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series A Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio
2008	\$0	\$431,863	\$431,863	\$1,363,173	3.16 x
2009	0	431,975	431,975	1,363,173	3.16
2010	0	427,025	427,025	1,363,173	3.19
2011	0	432,075	432,075	1,363,173	3.15
2012	0	431,575	431,575	1,363,173	3.16
2013	0	430,800	430,800	1,363,173	3.16
2014	0	429,750	429,750	1,363,173	3.17
2015	0	428,425	428,425	1,363,173	3.18
2016	0	431,825	431,825	1,363,173	3.16
2017	0	429,675	429,675	1,363,173	3.17
2018	0	427,250	427,250	1,363,173	3.19
2019	0	429,550	429,550	1,363,173	3.17
2020	0	431,300	431,300	1,363,173	3.16
2021	0	427,500	427,500	1,363,173	3.19
2022	0	428,425	428,425	1,363,173	3.18
2023	0	428,800	428,800	1,363,173	3.18
2024	0	428,163	428,163	1,363,173	3.18
2025	0	431,950	431,950	1,363,173	3.16
2026	0	429,875	429,875	1,363,173	3.17
2027	0	427,225	427,225	1,363,173	3.19
2028	0	429,000	429,000	1,363,173	3.18
2029	0	429,913	429,913	1,363,173	3.17
2030	0	429,963	429,963	1,363,173	3.17
2031	0	429,150	429,150	1,363,173	3.18
2032	0	427,475	427,475	1,363,173	3.19
2033	0	429,938	429,938	1,363,173	3.17
2034	0	431,250	431,250	1,363,173	3.16
2035	0	431,413	431,413	1,363,173	3.16
2036	0	430,425	430,425	1,363,173	3.17
2037	0	428,288	428,288	1,363,173	3.18
TOTAL	\$0	\$12,891,838	\$12,891,838	\$40,895,182	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

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Bayview Hunters Point Redevelopment Project Area B.

**Bayview Hunters Point Redevelopment Project Area B
Property Taxable Values, Tax Revenues, & Delinquency Rates ⁽¹⁾
(Dollars in Thousands)**

Secured Property Assessed Values:	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06⁽²⁾</u>	<u>2006-07</u>	<u>2007-08</u>
Existing Properties					
Real Property	\$854,919	\$984,637	\$1,009,527	\$1,113,738	\$1,274,365
SBE Rolls	N/A	N/A	2,993	N/A	763
New development					
Total Secured Assessed Value	\$854,919	\$984,637	\$1,012,519	\$1,113,738	\$1,275,128
Unsecured Assessed Values	128,143	141,008	146,241	151,886	\$138,456
Total Assessed Value	\$983,062	\$1,125,645	\$1,158,761	\$1,265,624	\$1,413,585
Base Year Values:					
Secured			\$1,018,987	\$1,018,987	\$1,018,987
Unsecured			\$146,241	\$146,241	\$146,241
Increase Over Base-Year Values:					
Secured			(\$6,468)	\$94,751	\$256,141
Unsecured			\$0	\$5,645	(\$7,785)
Secured Tax Rate			0.01021	0.01016	0.01012
Unsecured Tax Rate			0.01026	0.01021	0.01016
Tax Increment Revenue ⁽³⁾:					
Secured Property			(66)	963	2,592
Unsecured Property			0	58	(79)
Gross Tax Increment Revenue			(66)	1,020	2,513
Less AB1290 Pass-Through Obligation ⁽⁴⁾					
Allocable Tax Increment Revenue			(66)	1,020	2,513
Delinquency Rate ⁽⁵⁾	N/A	N/A	N/A	N/A	N/A

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

(2) Base Year.

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

(4) No amount deducted in fiscal year 2007-08 to compute Allocable Tax Increment Revenue, since future AB1290 payments for this Project Area have been subordinated to the 2007 Loan Agreement. No Parity Prior Loan Agreements are outstanding for this Project Area.

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

Source: City and County of San Francisco

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Bayview Hunters Point Redevelopment Project Area B
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)

<u>Property/Taxpayer</u>	Assessed Value Fiscal Year <u>2007-08</u>	% of Total Fiscal Year 2007-08 Project <u>Assessed Value</u>
200 Paul LLC	\$98,838,000	7.0%
SF Distribution Center	36,414,000	2.6%
Hearst Corporation	33,082,098	2.3%
Twenty-Six Self-Storage LP	17,352,193	1.2%
San Francisco Self Storage III	16,786,750	1.2%
JMDH Real Estate of SF LLC	15,009,037	1.1%
400 Paul Wave Exchange	11,246,933	0.8%
Private Individual(s)	10,074,696	0.7%
Shurgard Storage Center	9,837,286	0.7%
Zocalco Properties LLC	7,769,306	0.5%
Total Ten Largest	256,410,299	18.1%
All Other	1,157,174,207	81.9%
Total Project Assessed Value	\$1,413,584,506	100.0%

Source: City and County of San Francisco.

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Bayview Hunters Point Redevelopment Project Area B
Estimated Annual Debt Service Coverage by Project Area
Prior Obligations and the Bonds⁽¹⁾

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series A Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽²⁾	Debt Service Coverage Ratio
2008	\$0	\$300,237	\$300,237	\$2,513,050	8.37 x
2009	0	300,113	300,113	2,513,050	8.37
2010	0	301,813	301,813	2,513,050	8.33
2011	0	303,238	303,238	2,513,050	8.29
2012	0	299,388	299,388	2,513,050	8.39
2013	0	300,538	300,538	2,513,050	8.36
2014	0	301,413	301,413	2,513,050	8.34
2015	0	302,013	302,013	2,513,050	8.32
2016	0	302,338	302,338	2,513,050	8.31
2017	0	302,388	302,388	2,513,050	8.31
2018	0	302,163	302,163	2,513,050	8.32
2019	0	301,663	301,663	2,513,050	8.33
2020	0	300,888	300,888	2,513,050	8.35
2021	0	299,838	299,838	2,513,050	8.38
2022	0	303,513	303,513	2,513,050	8.28
2023	0	301,638	301,638	2,513,050	8.33
2024	0	304,163	304,163	2,513,050	8.26
2025	0	301,113	301,113	2,513,050	8.35
2026	0	302,775	302,775	2,513,050	8.30
2027	0	303,863	303,863	2,513,050	8.27
2028	0	304,375	304,375	2,513,050	8.26
2029	0	299,313	299,313	2,513,050	8.40
2030	0	303,962	303,962	2,513,050	8.27
2031	0	302,750	302,750	2,513,050	8.30
2032	0	300,963	300,963	2,513,050	8.35
2033	0	303,600	303,600	2,513,050	8.28
2034	0	300,375	300,375	2,513,050	8.37
2035	0	301,575	301,575	2,513,050	8.33
2036	0	301,913	301,913	2,513,050	8.32
2037	0	301,388	301,388	2,513,050	8.34
TOTAL	\$0	\$9,055,300	\$9,055,300	\$75,391,500	

(1) Numbers are rounded.

(2) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

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Consolidated Information.

Consolidated
Merged Golden Gateway/South of Market/Federal Office Building, Hunters Point, India Basin,
Rincon Point-South Beach, Western Addition A-2, Yerba Buena Center, and Transbay
Redevelopment Project Areas, Mission Bay North Project Area, and Bayview Hunters Point
Redevelopment Project Area B
Ten Largest Assesseees for Fiscal Year 2007-08
(Assessed Values Exclude Homeowner Subventions)

<u>Property/Taxpayer</u>	<u>Project Area</u>	<u>Assessed Value Fiscal Year 2007-08</u>	<u>% of Total Fiscal Year 2007-08 Assessed Value</u>
Emporium Mall LLC (Multi-Use Retail/Office Complex) ⁽¹⁾	Yerba Buena Center	\$465,175,770	3.6%
Marriott Hotel ⁽²⁾	Yerba Buena Center	405,542,394	3.1%
Four Embarcadero Center (Office & Retail)	Golden Gateway	367,394,639	2.8%
One Embarcadero Center(Office & Retail) ⁽³⁾	Golden Gateway	316,672,989	2.4%
Three Embarcadero Center (Office & Retail) ⁽⁴⁾	Golden Gateway	298,159,805	2.3%
Two Embarcadero Center (Office & Retail)	Golden Gateway	297,006,020	2.3%
Fillmore Center Associates (Apartment Building)	Western Addition	233,740,583	1.8%
China Basin Ballpark Company LLC ⁽⁵⁾	Rincon Point-South Beach	227,500,000	1.8%
GAP, Inc. (Office)	Rincon Point-South Beach	224,701,981	1.7%
Br/Rincon Point LLC (Office, Retail, & Condos)	Rincon Point-South Beach	218,051,719	1.7%
Total Ten Largest		3,053,945,900	23.6%
All Other		9,905,924,331	76.4%
Total Assessed Value of Six Project Areas Producing Tax Revenues		\$12,959,870,231	100.0%

(1) Assessed value for fiscal year 2006-07 of \$456,054,681 is being appealed. Appeal value is \$191,550,000.

(2) Assessed value for fiscal year 2006-07 of \$397,590,582 is being appealed. Appeal value is \$230,468,190.

(3) Assessed value for fiscal year 2006-07 of \$310,510,572 is being appealed. Appeal value is \$295,000,000.

(4) Assessed value for fiscal year 2006-07 of \$292,239,757 is being appealed. Appeal value is \$280,000,000.

(5) Assessed values estimated by the Office of the Assessor of the City and County of San Francisco to be \$218,750,000 for fiscal year 2008-09.

Source: City and County of San Francisco.

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

Bond Year Ending (August 1)	Project Area Parity Prior Debt Service	2007 Series A Debt Service	2007 Series B Debt Service	Total Debt Service	Allocable Project Area Tax Revenue⁽³⁾	Debt Service Coverage Ratio
2008	\$39,643,674	\$5,606,324	\$10,044,098	\$55,294,096	\$95,307,900	1.72 x
2009	39,389,438	7,933,738	10,046,144	57,369,319	95,297,081	1.66
2010	40,222,020	7,935,813	10,050,944	58,208,776	95,342,858	1.64
2011	40,207,756	7,914,038	9,991,944	58,113,738	95,342,128	1.64
2012	39,994,135	7,864,513	10,116,344	57,974,991	95,344,651	1.64
2013	39,162,152	7,868,613	11,030,144	58,060,908	95,354,699	1.64
2014	39,296,282	7,978,313	11,033,894	58,308,488	95,305,108	1.63
2015	36,975,649	7,952,563	11,176,894	56,105,105	95,259,778	1.70
2016	36,032,958	7,978,238	11,201,144	55,212,339	95,253,085	1.73
2017	36,153,120	7,932,313	11,196,144	55,281,576	95,253,031	1.72
2018	35,589,620	8,453,363	11,208,944	55,251,927	94,980,982	1.72
2019	33,040,221	11,160,038	1,224,944	45,425,203	90,454,376	1.99
2020	20,938,971	6,650,238	1,238,344	28,827,552	90,456,359	3.14
2021	24,320,606	6,637,263	1,228,175	32,186,043	90,478,157	2.81
2022	24,310,966	6,641,538	1,230,150	32,182,654	90,448,784	2.81
2023	24,059,986	7,101,963		31,161,948	90,448,784	2.90
2024	24,073,931	7,103,750		31,177,681	90,448,784	2.90
2025	9,575,655	9,289,500		18,865,155	42,491,960	2.25
2026	9,359,646	9,503,288		18,862,934	42,491,960	2.25
2027	9,375,358	9,495,913		18,871,271	42,491,960	2.25
2028	9,372,701	9,498,588		18,871,289	42,491,960	2.25
2029	9,367,146	9,494,875		18,862,021	42,491,960	2.25
2030	9,363,442	8,519,200		17,882,642	39,213,833	2.19
2031	7,401,030	10,501,475		17,902,505	39,213,833	2.19
2032	7,381,660	10,498,800		17,880,460	39,213,833	2.19
2033	7,384,851	10,502,838		17,887,689	39,213,833	2.19
2034	7,379,255	10,496,863		17,876,118	39,213,828	2.19
2035	7,385,131	10,500,013		17,885,144	39,213,833	2.19
2036	6,116,700	10,500,275		16,616,975	37,744,916	2.27
2037		10,781,213		10,781,213	23,690,075	2.20
TOTAL	\$672,874,060	\$260,295,449	\$122,018,248	\$1,055,187,757	\$2,099,964,325	

(1) The consolidated table is presented for informational purposes only, in that Project Area revenues are limited to paying debt service applicable to each respective Project Area, but further subject to benefit of the Agency Reserve Account Cross-Collateralization. The effect of the Cross Collateralization will substantially decline after January 1, 2019. See "SECURITY FOR THE BONDS—Cross-Collateralization of Reserve Accounts."

(2) Numbers are rounded.

(3) Tax Revenues available for parity debt service, based on Fiscal Year 2007-08 assessed valuation and Fiscal Year 2007-08 Allocable Tax Revenues.

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

Pending Tax Appeals

As of August 14, 2007, a total of 34 tax appeals recorded in the Agency's Project Areas for tax year 2006-07 remain outstanding and a total of six (6) tax appeals recorded in the Agency's Project Areas for tax year 2007-08 remain outstanding. None of such appeals had been heard as of such date. The following tables present for each Project Area a comparison of the assessed values and claimed values for known pending Tax Appeals as of August 14, 2007, and their estimated impacts on tax increment. Historically, tax appeals within the City have resulted in an average reduction of 25% of the reduction in value sought.

The Agency has received Tax Revenues for fiscal year 2006-07. To the extent tax appeals are successful, the Agency may be required to return to the City Tax Revenues allocable to any reduction in value that it has received. See "CERTAIN RISKS TO BOND OWNERS – Appeals to Assessed Values."

Pending Tax Appeals for Tax Year 2006-07 as of August 14, 2007

<u>Project Area</u>	<u>Assessor's Value</u>	<u>Owner's Appeal Value</u>	<u>Difference</u>	<u>Maximum Potential Loss in Tax Increment</u>	
				<u>Dollars</u>	<u>Percent</u>
GG/SOMA/FOB†	\$869,228,601	\$689,545,000	\$179,683,601	(\$831,189)	-4.48%
Western Addition, A-2	No Appeals				
Rincon Point--South Beach	1,312,740	1,100,000	212,740	(1,729)	-0.01%
Yerba Buena Center	1,119,963,779	579,097,025	540,866,754	(4,396,165)	-19.58%
Hunters Point	No Appeals				
India Basin	6,834,000	4,000,000	2,834,000	(13,110)	-1.58%
Bayview Hunters Point (Area B)	15,903,863	10,325,000	5,578,863	(45,345)	-5.08%
Mission Bay North	71,408,124	22,302,000	49,106,124	(399,135)	-7.12%
Transbay	24,333,775	19,000,000	5,333,775	(43,353)	-4.42%
TOTAL	\$2,108,984,882	\$1,325,369,025	\$783,615,857	(\$5,730,025)	-8.96%

† Represents the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area.

Information for the Golden Gateway and South of Market Redevelopment Project Areas are as follows:

<u>Project Area</u>	<u>Assessor's Value</u>	<u>Owner's Appeal Value</u>	<u>Difference</u>	<u>Maximum Potential Loss in Tax Increment</u>	
				<u>Dollars</u>	<u>Percent</u>
Golden Gateway	\$869,228,601	\$689,545,000	\$179,683,601	(\$831,189)	-5.13%
South of Market	No Appeals				

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

**Pending Tax Appeals for Tax Year 2007-08
as of August 14, 2007⁽¹⁾**

<u>Project Area</u>	<u>Assessor's Value</u>	<u>Owner's Appeal Value</u>	<u>Difference</u>	<u>Maximum Potential Loss in Tax Increment</u>	
				<u>Dollars</u>	<u>Percent</u>
GG/SOMA/FOB†	\$1,938,000	\$1,800,000	\$138,000	(\$536)	-0.003%
Western Addition, A-2	No Appeals as of August 14, 2007				
Rincon Point--South Beach	3,955,942	3,350,000	605,942	(4,906)	-0.033%
Yerba Buena Center	245,639,349	190,814,961	54,824,388	(443,858)	-1.580%
Hunters Point	No Appeals as of August 14, 2007				
India Basin	No Appeals as of August 14, 2007				
Bayview Hunters Point (Area B)	No Appeals as of August 14, 2007				
Mission Bay North	No Appeals as of August 14, 2007				
Transbay	No Appeals as of August 14, 2007				
TOTAL	\$251,533,291	\$195,964,961	\$55,568,330	(\$449,400)	-0.72%

Information for the Golden Gateway and South of Market Redevelopment Project Areas are as follows:

<u>Project Area</u>	<u>Assessor's Value</u>	<u>Owner's Appeal Value</u>	<u>Difference</u>	<u>Maximum Potential Loss in Tax Increment</u>	
				<u>Dollars</u>	<u>Percent</u>
Golden Gateway	\$1,938,000	\$1,800,000	\$138,000	(\$636)	-0.004%
South of Market	No Appeals as of August 14, 2007				

(1) The application period for submitting property tax appeals for tax year 2007-08 runs from July 1 to November 30, 2007.

† Represents the Merged Golden Gateway/South of Market/Federal Office Building Redevelopment Project Area.

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

TAX MATTERS

2007 Series B Bonds

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2007 Series B Bonds is exempt from California personal income taxes.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency and the users of the facilities financed or refinanced from the proceeds of the 2007 Series B Bonds comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the 2007 Series B Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2007 Series B Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2007 Series B Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes

“original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2007 Series B Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2007 Series B Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2007 Series B Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2007 Series B Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2007 Series B Bonds who purchase the 2007 Series B Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2007 Series B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2007 Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2007 Series B Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2007 Series B Bonds (said term being the shorter of the applicable maturity date of the 2007 Series B Bonds or the call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2007 Series B Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2007 Series B Bond is amortized each year over the term to maturity of the 2007 Series B Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized 2007 Series B Bond premium is not deductible for federal income tax purposes. Owners of premium 2007 Series B Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2007 Series B Bonds.

In the further opinion of Bond Counsel, interest on the 2007 Series B Bonds is exempt from California personal income taxes.

The form of Bond Counsel’s opinion to be delivered on the date of issuance of the 2007 Series B Bonds is set forth in APPENDIX F hereto.

Owners of the 2007 Series B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2007 Series B Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2007 Series B Bonds other than as expressly described above.

2007 Series A Bonds

Interest on the 2007 Series A Bonds is subject to all applicable federal income taxation. Such interest is exempt from California personal income taxes.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the Internal Revenue Service (“IRS”), Bond Counsel informs Owners of the 2007 Series A Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be

used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Payments of interest on obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of interest with respect to the 2007 Series B Bonds from gross income for federal income tax purposes.

NO LITIGATION

There is no litigation now pending or, to the best knowledge of the Authority and the Agency, as applicable, threatened to restrain or enjoin the execution or delivery of the Bonds, the 2007 Indentures, or the 2007 Loan Agreements or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than six months after the end of the Agency's Fiscal Year (presently June 30) in each year commencing with its report for the 2006-07 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Agency or the Dissemination Agent, if any, on behalf of the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events by the Agency is summarized in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." The Agency has not defaulted on its obligation to provide continuing disclosure about the Agency or any material events affecting its bonds under any existing Continuing Disclosure Agreement or Continuing Disclosure Certificate to which it is a party.

LEGAL OPINIONS

Certain legal matters incident to the issuance, sale and delivery of the Bonds are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, as Bond Counsel. Certain legal matters incident to the issuance of the Bonds will be passed upon for the Agency by its General Counsel and for the Authority by its General Counsel and for the Authority and the Agency by Alexis S. M. Chiu, Esq., Disclosure Counsel.

Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization, issuance and sale of the Bonds, and the exemption of interest on the 2007 Series B Bonds from federal income taxation, and the exemption of interest on the Bonds from California personal income taxes. See "TAX MATTERS" herein and APPENDIX F—"FORMS OF BOND COUNSEL FINAL OPINIONS."

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

CO-FINANCIAL ADVISORS

Backstrom McCarley Berry & Co., LLC, San Francisco, California and Kitahata & Company, San Francisco, California, have served as Co-Financial Advisors to the Authority and the Agency with respect to the sale of the Bonds. The Co-Financial Advisors have assisted the Authority and the Agency in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Co-Financial Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Agency to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors will receive compensation contingent upon the sale and delivery of the Bonds.

RATINGS

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

FINANCIAL STATEMENTS

The audited financial statements of the Agency for the Fiscal Year ended June 30, 2006 are included as part of APPENDIX C—"AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006." Such financial statements have been audited by Williams, Adley & Company, LLP ("Williams, Adley"), independent certified public accountants, whose report also appears in APPENDIX C. Williams, Adley was not requested to consent to the inclusion of its report in Appendix C, nor has Williams, Adley undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion expressed by Williams, Adley with respect to any event subsequent to the date of its report.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations relating to the: (i) adequacy of forecasted receipts of principal and interest on the Governmental Obligations and cash to be held pursuant to the Agreements Regarding Redemption, Defeasance and Payment of Bonds and Loan Agreements (collectively, the "Refunding Agreements") (see "Plan of Finance"); (ii) forecasted payments of principal and interest with respect to the Authority's bonds being refunded on and prior to their projected maturity and/or redemption dates; and (iii) yields with respect to the 2007 Series B Bonds and on the obligations and other securities to be deposited pursuant to the Refunding Agreements, will be verified by Grant Thornton LLP, independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Co-Financial Advisors. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

SALE OF THE BONDS

2007 Series A Bonds

The 2007 Series A Bonds were sold at competitive bid on October 17, 2007. The 2007 Series A Bonds were awarded to a syndicate headed by Lehman Brothers (the "Series A Underwriter") at a purchase price of \$114,747,475.85, representing the \$118,285,000.00 principal amount of the 2007 Series A Bonds, less a net original issue discount in the amount of \$2,099,178.55, and less an Underwriter's discount in the amount of \$1,438,345.60. The Official Notice of Sale provides that all 2007 Series A Bonds will be purchased, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel, and certain other conditions.

2007 Series B Bonds

The 2007 Series B Bonds were sold at competitive bid on October 17, 2007. The 2007 Series B Bonds were awarded to a syndicate headed by Merrill Lynch & Co. (the "Series B Underwriter") at a purchase price of \$97,571,390.40, representing the \$94,115,000.00 principal amount of the 2007 Series B Bonds, plus a net original issue premium in the amount of \$3,532,623.55, and less an Underwriter's discount in the amount of \$76,233.15. The Official Notice of Sale provides that all 2007 Series B Bonds will be purchased, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel, and certain other conditions.

MISCELLANEOUS

All the summaries contained herein of the 2007 Indentures, the 2007 Loan Agreements, applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority or the Agency for further information in connection therewith. The Agency shall provide, upon request, annual audited financial statements when available.

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

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

CITY AND COUNTY OF SAN FRANCISCO
REDEVELOPMENT FINANCING AUTHORITY

By: _____ /s/ Amy Lee
Treasurer

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APPENDIX A

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

History and Purpose

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

Authority and Personnel

The powers of the Agency are vested in its Commission, which has a maximum of seven members who are appointed by the Mayor of the City with the approval of the Board of Supervisors. Members are appointed to staggered four-year terms, must reside within the City limits and must not be officials or employees of the City. Once appointed, members serve until replaced or reappointed.

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

<u>Name</u>	<u>Occupation</u>	<u>First Appointed</u>	<u>Term Expires</u>
London Breed	Executive	2005	9/3/07
Linda A. Cheu	Principal of Consulting Firm	2007	9/3/10
Francee Covington	Businesswoman	2005	9/3/08
Leroy King	Labor Official Retired	1980	9/3/10
Ramon E. Romero	Attorney	1998	9/3/09
Darshan Singh	Businessman	1995	9/3/07

The Redevelopment Agency currently employs approximately 115 persons in full-time positions. The Executive Director, Fred Blackwell, was appointed to that position in August 2007. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration, the Deputy Executive Director, Housing and the Agency General Counsel. Each project area is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Agency has its own fiscal, legal, administrative and property management staffs, including a separate staff to manage the South Beach Harbor Marina.

Powers and Controls

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

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

The following Redevelopment Plans have been adopted since 1997 by the Board of Supervisors: The Hunters Point Naval Shipyard Redevelopment Plan was adopted in March 1997. The Federal Office Building Redevelopment Plan was adopted in October 1997. The Mission Bay North and Mission Bay South Redevelopment Plans were respectively adopted in October and November 1998. The Transbay Terminal Redevelopment Plan was adopted on June 20, 2005. The South of Market Earthquake Recovery Redevelopment Project Area was recently converted to the South of Market Redevelopment Project Area pursuant to an ordinance adopted in December 2005. The Bayview Hunters Point Redevelopment Project Area was adopted June 1, 2006.

The Agency has expanded its study of areas for potential adoption as project areas. Currently, two survey areas are in various stages of analysis and environmental review. They include the Mid-Market and the Visitacion Valley Survey Areas.

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

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

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

Project Areas with Prior Loans

Embarcadero-Lower Market ("Golden Gateway") Redevelopment Project Area

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

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

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

Hunters Point Redevelopment Project Area (Now Known as Bayview Hunters Point Redevelopment Project - Project Area A)

The Board of Supervisors of the City approved the Hunters Point Redevelopment Plan for the Hunters Point Redevelopment Project Area on January 20, 1969, and amended the Redevelopment Plan on August 24, 1970, December 1, 1986, and December 12, 1994.

Based on the Board of Supervisors' adoption on January 11, 2005, of an ordinance implementing the SB 2113 provisions contained in Section 33333.7 of the Redevelopment Law, the Agency is authorized to issue new debt through 2014 for the exclusive purpose of financing low- and moderate-income housing, the payment of which may be secured by Tax Revenues from the Hunters Point Project Area. However such ordinance does not extend the term of the Hunters Point Redevelopment Plan, which expires on January 1, 2009, pursuant to Section 33333.6 of the Redevelopment Law.

On June 1, 2006, an ordinance was adopted amending the Hunters Point Redevelopment Plan to create the Bayview Hunters Redevelopment Project and the territory formerly known as the Hunters Point Redevelopment Project Area is now known as the Bayview Hunters Point Redevelopment Plan, - Project Area A ("Project Area A"). Project Area A is a 137-acre, hilly tract located in the southeastern sector of San Francisco. It is bounded by Fairfax Avenue on the north, Griffith Street on the east, Palou Avenue on the south and Mendell Street on the west. It extends five blocks on its east-west axis and ten blocks in the north-south direction. The areas to the west and south of the Project Area A consist of modest, well-maintained single-family homes. Low-income public housing is situated east and northeast of Project Area A, while the India Basin Industrial Park Redevelopment Project Area abuts to the north.

The provisions of the Bayview Hunters Point Redevelopment Plan add a height requirement for development in Project Area A and otherwise retain the policies contained in the Hunters Point Redevelopment Plan, which provided for the rehabilitation of a residential neighborhood of mixed-income housing. Pursuant to the Hunters Point Redevelopment Plan, 1,554 new rental, co-op, condominium and ownership units have been constructed and 122 homes have been rehabilitated.

India Basin Industrial Park Redevelopment Project Area

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

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

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

Mission Bay North Project Area

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

The Mission Bay North Project Area is an approximately 65-acre area located in the southeastern section of the City, bounded by Seventh Street on the west, Fourth and Third Streets on the east, Townsend and King Streets on the North and the China Basin Channel on the South. Development in Mission Bay North began in 2000. To date, 1,537 residential units have been built in seven projects, including 307 affordable units. An additional 905 units in five projects are under construction, of which 236 units will be made available to low-income households. Completed developments include two Agency-sponsored affordable housing projects (Rich Sorro Commons, a family rental project, and Mission Creek Senior Community, a senior project), along with new parks and a new Mission Bay branch library.

Rincon Point-South Beach Redevelopment Project Area

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

The Rincon Point-South Beach Redevelopment Project Area is a 120-acre area consisting of two noncontiguous subareas located within the northeastern waterfront area of the City, immediately south of the Ferry Building. The major artery through the Project Area is the Embarcadero Roadway which

connects the Project Area to the City's financial district in the north and the Mission Bay district in the south.

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

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

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

It is expected that no additional public funds will be needed to accomplish the goals of the Redevelopment Plan. The Agency's last major effort in Rincon Point-South Beach is the restoration of Pier 40, including making this Pier handicap accessible, construction of a berthing dock along the same pier, and construction of an office/maritime building. The Agency has funds appropriated in prior years to undertake some of these improvements. On May 8, 2007, the Board of Supervisors adopted an ordinance pursuant to Section 33333.8 of the Redevelopment Law to amend this Project Area's Redevelopment Plan to enable the creation of debt and the receipt of Tax Revenues for the purpose of funding affordable housing. Such ordinance was amended on August 7, 2007, to remove certain items that were not required by state law.

South of Market Redevelopment Project Area

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

The South of Market Earthquake Recovery Redevelopment Project Area covers 62.4 acres immediately to the south of Market Street and west of Yerba Buena Gardens. The South of Market Earthquake Recovery Redevelopment Project Area is bounded by Fifth Street on the east and Seventh Street on the west, with Sixth Street bisecting the South of Market Earthquake Recovery Redevelopment Project Area from north to south. The southern boundary is formed by Harrison Street, while the northernmost boundary does not quite reach Market Street. The South of Market Earthquake Recovery Redevelopment Project Area was created after the 1989 Loma Prieta earthquake to repair, restore, and/or replace buildings and physical infrastructure damaged by the earthquake and to provide economic development assistance. Since the Project was created, the Agency has aggressively pursued these goals, particularly in restoring and adding to the project area's affordable housing stock. To date 447 family units have been completed and 75 are in development. Finally, 547 Single Room Occupancy ("SRO") units have been completed, 152 are under construction and 109 are in development. Physical improvements undertaken include facade and signage upgrades, a street cleaning program, and sidewalk improvements. An economic development program to retain and attract new businesses has been funded by the Agency.

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

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

Western Addition Redevelopment Project Area A-2

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

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

The Western Addition Redevelopment Project Area A-2 is largely built out. Fillmore Center, an 1,113-unit mixed-use development completed in 1990, financed in part by tax-exempt bonds has been

moderately renovated and was sold to a new ownership group in December 2004. Future activity is primarily focused on the development of the remaining Agency parcels in the project area and toward strengthening the economic vitality of the Fillmore Jazz Preservation District during the last two years of the project. Activities include the scheduled opening of the Fillmore Heritage Center, a 13 story mixed-use development which will house eighty one-, two- and three-bedroom condominiums offering 68 Market-Rate and 12 affordable homes. This Jazz District destination will be home to the world-famous Yoshi's San Francisco Jazz Club and Japanese Restaurant, the Blue Mirror Restaurant, a Jazz Heritage Center art gallery, screening room and historical display.

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

Yerba Buena Center Redevelopment Project Area

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

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

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

In addition to cultural attractions, the Yerba Buena Center Redevelopment Project Area includes a Children's Park, with a play area for young children, a small bowling alley, ice rink, and other attractions, which were completed in the mid 1990's and built atop of the Moscone Center South Convention facility. The Metreon is an entertainment complex completed in the late 1990's that includes a multiplex cinema with IMAX Theater, other forms of entertainment and restaurants, and was sold in 2006 to a group that includes the developer of the Westfield San Francisco Centre shopping facility. A museum facility is under construction on the block bounded by Mission, Third, Market and Fourth Street and the Agency's remaining obligations on this block are the construction of the Jessie Square Plaza and an additional building to be used as a museum.

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

The expanded Westfield San Francisco Centre opened in September 2006 and contains additional retail and office uses, a Bloomingdale's department store and a nine-screen multiplex theatre.

Project Areas Without Prior Loans

The Bayview Hunters Point Redevelopment Project Area B and the Hunters Point Shipyard, Federal Office Building, Mission Bay South, Transbay, Bayview Industrial Triangle, and Western Addition A-1 Redevelopment Project Areas do not have Prior Loans. Brief descriptions of these Project Areas appear below.

Bayview Hunters Point Redevelopment Project - Project Area B

The Bayview Hunters Point Redevelopment Plan was adopted June 1, 2006, by amending the Hunters Point Redevelopment Plan to create the Bayview Hunters Point Redevelopment Project, which consists of Project Areas A and B. (Project Area A is the territory formerly known as the Hunters Point Redevelopment Project Area.)

Project Area B is a new redevelopment project area located in the southeastern portion of San Francisco and encompasses approximately 2,538 acres. An estimated 34,000 people reside within Project Area B, which is predominantly comprised of residential homes with commercial establishments concentrated along the Third Street corridor. Business establishments include warehousing facilities. In fiscal year 2007-08, the assessed values of real property exceeded \$1.1 billion and the number of properties subject to property taxes exceeded 3,350.

The Redevelopment Plan seeks to eliminate conditions of physical and economic blight through economic development, construction of affordable housing, streetscape and façade improvements, capital improvements, and other redevelopment activities. Particular attention will be given to Third Street, the historic neighborhood-serving commercial street and the major arterial in the community.

Hunters Point Shipyard Redevelopment Project Area

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

Pursuant to agreements with the Navy, portions of the land within this project area are being transferred to the Agency as they are environmentally remediated. Pursuant to a development agreement with a private developer, the Agency subsequently will transfer ownership of portions of this land to the private developer. The first of such transfers occurred in April, 2005. Infrastructure improvements for this portion of the project area are being financed from the proceeds of bonds issued by the Agency pursuant to the Mello-Roos Community Facilities Act of 1982. Construction of infrastructure has commenced with construction of housing to start in the fall of 2007.

Federal Office Building Redevelopment Project Area

The Federal Office Building Project Area was adopted by the Board of Supervisors of the City on and merged into and was amended on October 14, 1997. It is a single-purpose project area created to

provide a new federal office building in San Francisco. Construction of the federal office building has been completed.

Mission Bay South Redevelopment Project Area

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

The Mission Bay South Redevelopment Project Area consists of approximately 237 acres of land located approximately two miles south of the financial district of the City, and south of China Basin Channel and AT&T Park, the waterfront baseball stadium for the San Francisco Giants (which is not in the District). The Project Area is bounded on the south by Mariposa Street, on the east by San Francisco Bay, on the north by China Basin Channel, and on the west by Seventh Street. The District is within a developed urban area with existing and planned transportation improvements, including the existing CalTrain railroad station located at the southwest corner of Fourth and Townsend Street, extensive bus service, and the City-sponsored Third Street "light-rail" transportation project, which commenced operation at the beginning of calendar year 2007.

The Mission Bay UCSF campus, a life science campus for teaching and research, is an integral component of the Project Area. The UCSF Mission Bay campus is expected to create 9,100 jobs at full build-out and may help to draw private biotechnology enterprises to the private bioscience commercial space that is planned to surround the new campus. UCSF began development of its 43-acre research campus in mid-1999, with full development to take place over more than a decade. As of the close of calendar year 2006, UCSF has completed five buildings, including three research centers, a campus housing project, and the campus community center, along with related parking. Other completed developments are the 3.2-acre Mission Creek Park and three commercial buildings with approximately 630,000 square feet of office and retail space, one of which happens to be the first biotechnology building to be developed in the Mission Bay South Project Area.

Transbay Redevelopment Project Area

The Transbay Redevelopment Project Area (Project Area) was adopted in June 2005. The Project Area is approximately 40 acres in size and roughly bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south, and Second Street in the west. The area is characterized by many structures, including the existing Transbay Terminal and its ramps, which are substantially deteriorated or unreinforced masonry buildings and other conditions of blight including irregularly shaped parcels, vacant and underutilized properties, and high vacancy and crime rates.

The Plan's goals and objectives are to eliminate blight through a wide range of projects and activities, including:

- Construction of a major new multi-modal transit terminal on the site of the existing Transbay Terminal and extension of Peninsula Corridor rail service to the new terminal (Caltrain Extension) – the Transbay Joint Powers Authority is responsible for planning, designing, building, and eventually operating the Transbay Terminal and Caltrain Extension, but will receive financial support from certain redevelopment activities, as discussed below;
- Redevelopment of vacant and underutilized land in the Project Area into a vibrant mixed-use, transit-oriented neighborhood consisting of more than 3,400 new housing units, approximately 1,200 of which will be affordable to very low-, low-, and moderate-income households;
- Construction of public improvements throughout the area including two new public parks, new pedestrian-oriented alleys, widened sidewalks and other active recreation spaces.

It is anticipated that the redevelopment program will be funded with a combination of Tax Revenues, sale of land, and federal, state, and local grants.

The Plan provides that the Agency will allocate and pay to or on behalf of the Transbay Joint Powers Authority all State Parcel Net Tax Increment (as defined below) to pay costs associated with the construction and design of the Transbay Terminal. However, in the event that the Transbay Terminal Project is terminated, all State Parcel Net Tax Increment will revert to the City's General Fund for distribution in accordance with the Community Redevelopment Law and the Plan. As used herein and in the Plan, the term "State Parcel Net Tax Increment" means all property tax increment revenues attributable to those parcels acquired by the City and/or the Transbay Joint Powers Authority from the State of California pursuant to a certain cooperative agreement, allocated to and received by Agency, but specifically excluding certain charges, fees, costs or other amounts the Agency is required to pay the City or other governmental entities or to set aside in any funds.

Bayview Industrial Triangle Redevelopment Project Area

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

Western Addition A-1 Redevelopment Project Area

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

APPENDIX B

CITY AND COUNTY OF SAN FRANCISCO ECONOMY AND GENERAL INFORMATION

Area and Economy

The corporate limits of the City and County of San Francisco (the "City") encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located on a peninsula bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north and San Mateo County to the south.

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

Population and Income

The City had a population estimated by the State of California (the "State") Department of Finance Demographic Research Unit, at 808,844 as of January 1, 2007, ranking it the fourth largest city in California after Los Angeles, San Diego and San Jose. The table below reflects the population and per capita income of the City and the State between 2003 and 2007. The State Department of Finance projects that the City's population will reach 818,163 and 844,466 in 2010 and 2020, respectively.

TABLE B-1

POPULATION AND INCOME 2003-2007				
Year	City and County of San Francisco	State of California	San Francisco Per Capita Income	California Per Capita Income
1990	723,959	29,760,021	\$ 16,409	\$ 19,695
2000	776,733	33,871,648	34,556	22,771
2003	789,700	35,612,000	55,720	33,749
2004	792,700	36,271,091	59,398	35,219
2005	799,263	36,810,358	63,140	36,936
2006	798,680	37,172,015	67,064	38,956
2007	808,844	37,662,518	N/A *	N/A *
¹ 2010	816,230	39,246,767	N/A *	N/A *
¹ 2020	820,545	43,851,741	N/A *	N/A *
* Note: Information not available. County data are compiled from numerous sources by the U.S. Department of Commerce, Bureau of Economic Analysis and are typically released with a significant time lag.				
¹ Projections provided by the State of California, Department of Finance, Demographic and Finance Research Units.				
Sources: State of California Department of Finance, Demographic and Finance Research Units; State of California Employment Development Department; U.S. Census Bureau; U.S. Department of Commerce, Bureau of Economic Analysis.				

Conventions and Tourism

According to the San Francisco Convention & Visitors Bureau, during the calendar year 2006 approximately 15.8 million people (124,628 average per day) visited the City, generating approximately \$7.76 billion for local businesses. On average, these visitors spent about \$244 per visitor per day and stayed three to four nights.

Also, as reported by PKF Consulting, hotel occupancy rates in the City averaged 76.4% for calendar year 2006, an increase of 0.9% over the previous year. Average daily San Francisco room rates during 2006 increased about 7.1% to an average of \$168, compared to the prior year.

Although visitors who stay in City hotels accounted for only 35.0% of total out-of-town visitors, the Convention & Visitors Bureau estimates that such visitors generated 65.0% of total spending by visitors from outside the Bay Area. It is estimated that 40.0% of visitors to the City are on vacation, 35.0% are convention and trade show attendees, 22.0% are individual business travelers and the remaining 3.0% are en route elsewhere. International visitors are estimated to make up between 25% and 35% of overnight hotel visitors. U.S government estimates show that San Francisco's top five inbound overseas markets in 2006 were the United Kingdom, Japan, France, Germany, and Australia. In 2006, San Francisco was ranked third in market share for international visitors to the USA, behind New York and Los Angeles, even with Orlando, and ahead of Miami, Honolulu, and Las Vegas. The following table illustrates hotel occupancy and related spending from calendar years 2001 through 2006.

TABLE B-2

CITY AND COUNTY OF SAN FRANCISCO			
San Francisco Overnight Hotel Guests			
Calendar Year	Annual Average Hotel Occupancy (%)	Visitors Staying in Hotels or Motels (000s)	Estimated Hotel Visitor Spending (000s)
2001	67.0%	3,550	\$ 3,700,000
2002	65.4	3,470	3,500,000
2003	68.1	3,860	3,680,000
2004	73.4	4,200	4,070,000
2005	75.7	4,500	4,500,000
2006	76.4	4,500	4,780,000
Source: San Francisco Convention & Visitors Bureau.			

According to the San Francisco Convention & Visitors Bureau, as of June 1, 2007, convention business was almost at full capacity at the Moscone Convention Center and was at strong levels at individual hotels providing self-contained convention services. The City completed construction of an expansion to the Moscone Convention facilities in spring 2003. With the expansion, the Moscone Convention Center offers over 700,000 square feet of exhibit space covering more than 20 acres on three adjacent blocks.

Employment

The City benefits from a highly skilled, educated and professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. According to the State Employment Development Department, the unemployment rate for the City was 4.4% for June 2007 compared with an unadjusted unemployment rate of 5.2% for California. According to the U.S. Department of Labor, the unadjusted unemployment rate for the nation for June 2007 was 4.7%.

TABLE B-3

CITY AND COUNTY OF SAN FRANCISCO Civilian Labor Force, Employment, and Unemployment ^{[1][2]} June 2006 and June 2007 ^[3]					
Year and Area		Labor Force	Employment	Unemployment	Unemployment Rate
June	2007				
	San Francisco	429,100	410,400	18,700	4.4%
	State	18,216,300	17,268,500	947,800	5.2%
June	2006				
	San Francisco	419,000	400,500	18,400	4.4%
	State	17,896,800	17,015,500	881,300	4.9%
^[1] Civilian labor force data are by place of residence; include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike ^[2] San Francisco is in a multi-county Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). Currently industry employment data are only available for the MSA or MD, not the County. The MSA Counties includes: San Francisco, Marin, and San Mateo Counties. ^[3] Data not seasonally adjusted.					
Source: Labor Market Information Division of the California Employment Development Department (EDD).					

TABLE B-4

CITY AND COUNTY OF SAN FRANCISCO Estimated Average Annual Employment by Sector in 2001-2005^[1]					
	2001	2002	2003	2004	2005
Professional and Business Services	129,700	111,600	103,400	100,400	104,800
Government	80,800	84,400	83,700	81,700	82,600
Leisure and Hospitality	72,200	69,900	69,600	70,700	71,800
Trade, Transportation and Utilities	78,000	74,200	71,200	70,000	70,000
Financial, Insurance & Real Estate	68,200	63,500	59,100	57,000	57,500
Educational and Health Services	51,900	51,700	53,200	54,400	54,600
Other Services	24,900	22,500	21,700	21,100	21,700
Information	29,800	23,700	20,500	19,100	17,600
Natural Resources, Mining & Construction	19,700	17,900	17,300	16,000	16,700
Manufacturing	17,800	15,100	13,100	12,300	11,800
Total	573,000	534,500	512,800	502,700	509,100
^[1] City and County of San Francisco, does not include Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). Most recent annual data available.					
Source: California Employment Development Department.					

Table B-5 below lists the 10 largest employers in the City as of December 2006.

TABLE B-5

CITY AND COUNTY OF SAN FRANCISCO Largest Employers in San Francisco As of December 30, 2006		
<u>Employer</u>	<u>Number of Employees</u>	<u>Nature of Business</u>
City and County of San Francisco	30,000	Local government
University of California, San Francisco	17,500	Health services
Wells Fargo & Co. Inc.	13,794	Banks
State of California	6,228	State government
California Pacific Medical Center	5,569	Health care
San Francisco Unified School District	5,557	Education
United States Postal Service, San Francisco District	4,935	Mail delivery
Pacific & Gas and Electric Corporation	4,800	Energy
Gap Inc.	4,075	Retail
Kaiser Permanente	3,918	Health care
Source: San Francisco Business Times, Book of Lists 2007.		

Taxable Sales

The following table reflects a breakdown of taxable sales for the City for the period 2001-2005. Total retail sales increased in 2005 by approximately \$635.0 million compared to 2004. Business and personal services and other outlet taxable sales increased by approximately \$818.5 million in 2005.

TABLE B-6

CITY AND COUNTY OF SAN FRANCISCO Taxable Sales - Calendar Year 2001-2005 (\$000s)					
	2001	2002	2003	2004	2005 ^[1]
Apparel	\$749,391	\$737,396	\$760,715	\$826,686	\$880,718
General Merchandise	1,078,664	1,051,122	1,065,160	1,143,657	1,199,308
Food Stores	413,650	403,163	405,673	419,286	439,472
Speciality Stores	1,998,450	1,889,144	1,910,757	2,084,323	2,212,530
Eating/Drinking	1,883,762	1,844,385	1,879,879	2,067,418	2,237,384
Household	513,618	459,529	484,455	527,519	575,985
Building Materials	313,277	310,111	320,316	353,002	397,218
Automotive	889,936	803,109	804,964	850,984	956,031
Other Retail Stores	149,638	143,999	135,582	141,906	151,142
Retail Stores Total	\$7,990,386	\$7,641,958	\$7,767,501	\$8,414,781	\$9,049,788
Business and					
Personal Services	\$1,107,028	\$1,043,019	\$945,689	\$937,411	\$939,108
All Other Outlets	3,357,822	2,904,463	2,784,369	2,855,315	3,037,078
Total All Outlets	\$12,455,236	\$11,589,440	\$11,497,559	\$12,207,507	\$13,025,974
^[1] Most recent annual data available.					
Source: California State Board of Equalization - Taxable Sales in California (Sales & Use Tax) Annual Reports.					

Building Activity

Table B-7 shows a summary of building activity in the City for Fiscal Years 2000-01 through 2004-05. According to the City's Department of Building Inspection, the total value of building permits was \$434.0 million in Fiscal Year 2004-05.

TABLE B-7

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

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

Banking and Finance

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

Commercial Real Estate

According to the 3rd Quarter 2007 Report from CB Richard Ellis ("CBRE"), the City-wide vacancy rate declined 30 basis points to 8.2% as San Francisco posted 329,247 square feet of absorption in the 3rd quarter of 2007. The average Class A asking rent City-wide is \$44.49 per square foot (psf) (up from \$44.12 psf in the 2nd quarter 2007), with Civic Center average Class A asking rent at \$35 psf (up from \$33 psf from the prior quarter) according to the CBRE Report.

Major Development Projects

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

After three years of construction, the \$460.0 million Westfield San Francisco Centre (which includes the largest Bloomingdale's outside of downtown Manhattan) opened September 28, 2006. The 1.2 million

square foot retail, office, and entertainment complex on the site of the former Emporium building between Market Street and Mission Street and 4th and 5th Streets is expected to draw 25 million visitors annually and generate \$600 million annually in taxable retail sales. In addition, approximately 2,000 net new permanent jobs are projected to be created, with about 20% of the jobs to be placed by community based organizations.

This fall, Barneys New York opened at 47 Stockton Street in a 60,000 square foot store in the space formerly occupied by FAO Schwartz. That building, across the street from Macy's and Crate & Barrel and one block south of Neiman Marcus, has remained about three-quarters vacant since FAO Schwarz closed three years ago. Combined with the opening of Bloomingdale's in Spring 2006, the build out of the Barneys space would bring the number of department stores within a five-block radius to six.

Yerba Buena Lane is getting closer to its promise of becoming a bustling retail thoroughfare connecting Market and Mission Streets, with three new leases totaling more than 15,000 square feet recently completed. New tenants include Taste, a wine tasting collective; Hickey Freeman, a New York based retailer; high-end chocolate retailer Schoggi; and Amber India restaurant.

Another commercial development project which recently completed construction in the City is the Fillmore Renaissance Center, a mixed-use commercial and residential project at Fillmore and Eddy Streets in the Western Addition area of the City known as the Fillmore Jazz Preservation District. The project will include a Fillmore branch of Oakland's Yoshi's Jazz Club & Restaurant, a variety of restaurants and lounges, approximately 80 condominium units (15.0% of which are designated affordable) and a public parking garage.

Development is continuing at the Mission Bay redevelopment project area, portions of which are owned by the City and the Port of San Francisco. The development is projected to utilize approximately 303 acres of land comprised of 6,000 residential units (28.0% of which will be affordable units), office and commercial space, 863,637 square feet of retail space, a new public school, 51 acres of parks and recreational areas, and a 500 room hotel. In addition, the University of California is constructing an approximately 2.65 million square feet biotechnology campus on a 43-acre site in Mission Bay, and has already completed several buildings, including the Bakar recreation center and several laboratory buildings. Alexandria Real Estate, the REIT that acquired most of Mission Bay's entitled land from Catellus Corporation, completed its first lab building, next door to the Gladstone Institutes of Cardiovascular Disease, Virology and Immunology and Neurological Disease in late 2006. Sirna Therapeutics, Inc, a biotechnology company, acquired by Merck & Co. Inc is projected to occupy approximately 40,000 square feet of the 155,000 square feet building.

In addition, on September 27, 2006 FibroGen announced its plans to move its corporate headquarters from South San Francisco to Mission Bay, and become the first anchor tenant in a new 450,000 square feet laboratory building being developed by Shorenstein and SKS at 406 Illinois Street. FibroGen has a lease on 239,000 square feet of space in the building and would be the largest biotech company to locate in San Francisco to date. FibroGen plans to initially house 200 employees when it moves in 2008 but it has announced its intention to grow significantly in the coming years.

The Octavia Boulevard Project, a ground-level six-lane boulevard between Market and Hayes Streets, opened in Fall 2005. The redevelopment of this roadway system has opened up approximately 7.2 acres of property to be used for the construction of 750 to 900 housing units. In early 2007, three of the parcels were sold to housing developers after an extensive Request for Proposals and public design review competition.

Adjacent to the Old Mint, plans for the Old Mint Plaza were approved by the Board of Supervisors providing an 18,000 square feet, 290 by 54 feet wide portion of Jessie Street extending between 5th Street

and Mint Street. This portion of the street will be closed to automobile traffic and redesigned to accommodate a wide range of uses, including art, theatre, live music, cafés, and street fairs.

For the Transbay Terminal, the team of Pelli Clark Pelli Architects and Hines was selected to develop a signature tower next to the terminal. Hines' proposal included an offer of 350 million in cash for the tower site. These funds will be used to help pay for the terminal and bring Caltrain Downtown.

Great progress has been made on planning for the redevelopment of Treasure Island. In December of 2006, the Board of Supervisors approved a development plan for Treasure Island that includes 6,000 residential units, 200,000 sq. feet of retail, three hotels, a 400 slip marina and over 300 acres of park land.

There also has been significant progress made on efforts to redevelop Phase 2 of the Hunters Point Shipyard, including potential expansion of the redevelopment project area to include Candlestick Point. In May, the Redevelopment Agency Commission and the Board of Supervisors endorsed a conceptual framework to guide the City and County of San Francisco, its Redevelopment Agency, and Lennar Communities in planning an integrated, mixed-use project at the Candlestick Point and the Hunters Point Shipyard. The combined project includes a new football stadium for the 49ers, 8,500 housing units, 2.0 million square feet of research and development uses geared toward digital arts, green technology and biotechnology, 500,000 to 700,000 square feet of retail, and 350 acres of open space. In addition, Lennar/BVHP is well underway on a construction of Phase 1 of the Hunters Point Shipyard. The 75 acre first phase of development is expected to comprise approximately 1,500 housing units, 20,000 square feet of commercial uses, 34 acres of open space and other community amenities. The first finished lots are scheduled to be delivered to homebuilders by early 2006, with finished units on the first blocks available approximately 12 months later.

Office Development Activity

A total of 1.8 million square feet of new office development is under construction, with another 3.2 million square feet entitled, per the San Francisco Business Times. Highlights:

- Two speculative office buildings broke ground in the fourth quarter of 2006: Tishman Speyer's 555 Mission Street (550,000 square feet) and Lowe Enterprises' 500 Terry Francois Boulevard (280,000 square feet) in Mission Bay.
- A new 450,000 square feet laboratory building, being developed by Shorenstein and SKS at 409-499 Illinois Street, is under construction in Mission Bay. FibroGen has a lease on 239,032 square feet of space in the building.
- 400 Howard Street (Foundry Square I) is currently under construction, with the entire 321,500 square feet building pre-leased to Barclays Global Investors. Completion is scheduled for the end of 2007 or early 2008.
- Both Tishman Speyer and Beacon Capital Partners are seeking approval to build "green" office buildings. Tishman-Speyer is proposing to build a 617,000 square feet green office tower at 222 Second Street; Beacon filed an application for a LEED-certified 27-story, 293,800 square feet office building at 535 Mission Street.

Other Development – Life Sciences

- Alexandria Real Estate Equities is speeding up its construction schedule and plans to build 2.2 million square feet of its life science complex at Mission Bay by 2011. Alexandria is now completing final construction drawings on four buildings after its success at 1700 Owens. The move comes as a response to robust demand for biotech space. The company has indicated that it is prepared to break ground on all

four buildings without anchor tenants firmly in hand, according to the San Francisco Business Times.

- The 175,000 square foot expansion of China Basin Landing at 185 Berry Street is on schedule for a December 2007 completion. The space will be flexible enough to accommodate life sciences and more traditional offices.

Hotel Development

The City added 476 rooms in 2005: the 200 room Hotel Vitale in March and the 276 room St. Regis in November. In 2006, 86 rooms were added: the 86-room Orchard Garden Hotel which opened in November 2006. In addition, there are a total of 2,810 hotel rooms are under construction, entitled, or in the planning stage in San Francisco. There are 550 hotel rooms under construction as part of the InterContinental Hotel project, a 32-story tower near Moscone West at 888 Howard Street projected to open in February 2008. In addition, another 800 rooms are entitled or planned, including:

- *144 King Street (across from AT&T Park).* Chelsea Development plans to erect a \$30 million, 10 story, 132 room boutique hotel across from the AT&T Park.
- *Third and Mission.* Farallon Capital Management controls a parcel, entitled for 500 hotel rooms.
- *Fifth and Townsend.* Hotel SoMa, a 70 room boutique hotel.
- *Presidio – Main Post.* A 100 room lodge is planned for the Anza Esplanade area of the Presidio, a narrow strip of land in the heart of the park. Two Bay Area hotel companies (Joie de Vivre and Larkspur Hospitality) are among finalists vying to develop the property.

Finally, there are 1,460 rooms in the early planning stages, including:

- *Transbay Terminal.* Part of the Transbay Redevelopment Plan includes a 60 room full service hotel.
- *First and Mission.* Solit Interests Group has proposed a 470 room hotel as part of the up-zoning around the Transbay Terminal. The hotel will be part of a 5 tower project, designed by Renzo Piano, and would also house 600 condos, and 550,000 square feet of office.
- *Pacific Telephone.* Wilson Meany Sullivan reportedly plans to convert this historic office building located at 140 New Montgomery into a high-end 70 to 80 room hotel, with another 100 residences.
- *Treasure Island.* Preliminary plans call for 400 to 500 room hotels in three separate hotel projects.

This summary is a projection only, and the eventual completion of these projects is subject to factors outside the City's control.

Transportation Facilities

San Francisco International Airport

San Francisco International Airport ("SFO" or the "Airport"), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and San Francisco Bay. According to final data for calendar year 2005 from the Airports Council International (the "ACI"), SFO is one of the largest airports in the United States in terms of passengers and is one of the nation's principal gateways for Pacific traffic. In fiscal 2005-06, the Airport served approximately 33 million passengers and handled 593.6 thousand metric tons of cargo, per ACI's estimates.

During fiscal year 2005-06, 59 airlines served the Airport. Domestic air carriers provided scheduled non-stop and one-stop service to over 90 destinations in the United States. Twenty-six airlines provided nonstop and one-stop scheduled passenger service to over 45 international destinations.

United Airlines operates one of its three major U.S. hubs at SFO. During Fiscal Year 2005-06, United Airlines (including Ted, United's low cost carrier operation and Skywest which operates as United Express) handled approximately 48% of the total enplaned passengers at the Airport and accounted for approximately 23% of the Airport's total revenues. On February 1, 2006, UAL Corp. ("UAL"), the parent company of United Airlines, and numerous of its subsidiaries including United Airlines, emerged from protection under Chapter 11 of the U.S. Bankruptcy Code. United Airlines continues flight operations at the Airport and remains current with its payments to the Airport for rents and landing fees.

The San Francisco Bay Area Rapid Transit District ("BART") extension to the Airport provides a connection between the Airport and the greater San Francisco Bay Area that is served by BART. An intermodal station in the City of Millbrae provides a direct link to Caltrain offering additional transit options and connection to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals.

The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and also over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex. The AirTrain stations are located at the north and south sides of the International Terminal, Terminals 1, 2 and 3, at the two short-term International Terminal Complex parking garages, on Lot "D" to serve the rental car facility, and on McDonnell Road to serve the West Field area of the Airport.

Table B-8 presents certain data regarding SFO for the last five fiscal years.

TABLE B-8

SAN FRANCISCO INTERNATIONAL AIRPORT Passenger, Cargo and Mail Data for Fiscal Years ending June 30, 2003 through 2007				
Fiscal year Ended <u>June 30,</u>	Passengers		Cargo Traffic	
	Enplanements and <u>Deplanements</u>	Annual Percent <u>Change</u>	Freight and Express Air <u>(Metric Tons)</u>	U.S. and Foreign Mail <u>(Metric Tons)</u>
2003	29,174,229	(5.7%)	517,419	89,536
2004	30,771,464	5.5	472,964	79,154
2005	32,648,635	6.0	512,800	74,717
2006	32,987,672	1.0	524,856	68,715
2007*	33,855,382	2.6	511,349	58,599
* Preliminary Source: San Francisco Airport Commission.				

Port of San Francisco

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

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

The Port posted an increase in net assets of \$10.3 million for the fiscal year ended June 30, 2006. Operating income totaled \$4.2 million for the year.

Port properties generated \$58.6 million in operating revenue in fiscal year 2005-06, as shown in the table below.

TABLE B-9

PORT OF SAN FRANCISCO FISCAL YEARS 2005 AND 2006 REVENUES (\$000s)				
<u>Business Line</u>	<u>FY 04-05 Audited Revenue</u>	<u>Percentage of 2005 Revenue</u>	<u>FY 05-06 Audited Revenue</u>	<u>Percentage of 2006 Revenue</u>
Commercial & Industrial Rent	\$ 34,791	60.5%	\$ 35,803	61.1%
Parking	8,600	15.0	9,122	15.6
Cargo	5,277	9.2	4,181	7.1
Fishing	1,520	2.6	1,609	2.7
Ship Repair	1,021	1.8	1,105	1.9
Harbor Services	997	1.7	1,003	1.7
Cruise	1,679	2.9	2,065	3.5
Other Maritime	1,206	2.1	1,272	2.2
Other	<u>2,428</u>	<u>4.2</u>	<u>2,428</u>	<u>4.1</u>
TOTAL	\$ 57,519	100.0%	\$ 58,588	100%
Source: Port of San Francisco Audited Financial Statements.				

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

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

Since 1997, the Port has overseen the successful completion of the following developments: AT&T Park, the home of the San Francisco Giants baseball team; a maritime office development on Pier 1; a renovation of the Port's Ferry Building; the Downtown Ferry Terminal project; a historic rehabilitation of

Piers 1½, 3, and 5; and Rincon Park, a two-acre park and public open space located along the Embarcadero Promenade.

Major development projects currently in negotiation and/or construction include a mixed use recreation and historic preservation project at Piers 27-31 and a restaurant development located at the south end of Rincon Park.

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

The following development projects are in various stages of planning: a new cruise terminal development; a new waterfront park known as Brannan Street Wharf, and a 14 acre mixed-use opportunity area located at Pier 70 in the Southern Waterfront.

Other Transportation Facilities

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

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

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

Education

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

Colleges and Universities

Within the City, the University of San Francisco and California State University, San Francisco offer full four-year degree programs of study as well as graduate degree programs. The University of California, San Francisco is a health science campus consisting of the schools of medicine, dentistry, nursing, pharmacy and graduate programs in health science. The Hastings College of the Law is affiliated with the University of California. The University of the Pacific's School of Dentistry and Golden Gate University

are also located in the City. City College of San Francisco offers two years of college-level study leading to associate degrees.

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

APPENDIX C
AGENCY'S AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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

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

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

June 30, 2006

(With Independent Auditors' Reports Thereon)

WILLIAMS, ADLEY & COMPANY, LLP

**Certified Public Accountants
and
Management Consultants**



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

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

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

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

June 30, 2006

(With Independent Auditors' Reports Thereon)

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

June 30, 2006

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

June 30, 2006

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WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Redevelopment Agency of the City and County of San Francisco (the Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Agency as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1(b) to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*; and GASB Statement No 47, *Accounting for Termination Benefits*.



WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2006 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 and the schedule of funding progress on page 55 are not required parts of the basic financial statements of the Agency, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

Williams, Adley & Company, LLP
San Francisco, California
November 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Redevelopment Agency of the City and County of San Francisco (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2006 (also referred to as "2006"). We encourage readers to consider the information presented here in conjunction with the Agency's financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars. (Immaterial differences may exist due to rounding.)

FINANCIAL HIGHLIGHTS

Overall Agency

The Agency's total spending program for fiscal year ended June 30, 2006 totaled \$142.5, which was approximately the same as in the prior fiscal year. Funds were spent by the Agency primarily on such activities as the (1) creation of low- and moderate-income housing, (2) adoption of two new project areas, known as Transbay and Bayview Hunters Point, (3) creation of a Jazz District to economically revitalize the Lower Fillmore in the Western Addition project area, (4) completion of the construction of a harbor services building to serve the needs of the Agency operated South Beach small craft harbor, and (5) construction and financing of infrastructure in the Mission Bay and Hunters Point Shipyard project areas.

The Agency's housing program expenditures for fiscal year 2006 was more than \$30.8, compared to \$74.5 in the prior year. The year-over-year reduction in housing expenditures was due to the timing of certain developments and does not reflect a change in the Agency's priorities. Affordable housing comprised over 45.3% of the Agency's total work program budget for fiscal year 2006. The fiscal year 2006 housing expenditures include \$8.5 for the federally funded Housing Opportunities for People with AIDS (HOPWA) program – an amount which has not varied much in recent years. During 2006, the Agency assisted in developing 516 affordable units for extremely low-income, very low-income, and low- and moderate-income individuals, families and senior citizens. The Agency finances its low- and moderate income housing program primarily with proceeds from the sale of tax allocation bonds.

The Agency's fiscal year 2006 non-housing expenditures included: re-surface and/or build new streets and sidewalks; construction of a harbor services building; construction of, and provide financial support to a museum; maintaining open space and parks; and debt service payments on Agency-issued tax allocation bonds.

The Agency's fiscal year 2006 revenues totaled \$131.1, with property tax increment accounting for more than half of all revenues recorded. The Agency utilizes a considerable portion of its property tax increment to secure borrowings in the capital market. Other major revenue sources in fiscal year 2006 were rental and lease income, federal grants, investment income, and other income derived from developer fees, developer reimbursements of Agency expenses, and one-time revenues associated with certain developments and/or Agency requirements.

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

In February 2006, the Agency moved its operations to 1 South Van Ness Avenue, 5th floor, saving approximately \$30,000 per month in rent. In June 2006, the Agency's harbor staff moved into the newly built harbor services building.

Governmental Activities

The Agency ended June 30, 2006 with a deficit of \$71.2 in net assets as compared to the 2005 ending deficit balance of \$59.2. The decrease in net assets for the year totaled \$12.0, compared to a net decrease of \$9.3 in net assets for 2005.

The Agency's total spending for 2006 was \$139.7 which represents a slight increase from the 2005 total of \$138.8. Charges for services decreased in 2006 to \$22.4 from \$39.2 in the prior year, primarily due to the decrease in debt service reimbursements from the City and County of San Francisco (the City) related to the Moscone lease agreement. Operating grants decreased slightly from \$14.4 in 2005 to \$13.9 in 2006. The net cost of government activities for 2006 totaled \$103.4, a considerable increase from the \$85.3 recorded in 2005. General revenues during 2006 totaled \$91.5 versus \$76.0 in 2005.

Business-Type Activities

The Agency's business-type activities ended 2006 with a net deficit of \$1.2, which is smaller than the 2005 ending deficit of \$1.8. The increase in net assets for 2006 totaled \$0.6. Business-type activity expenses totaled \$2.8 for 2006, which is a slight increase from the \$2.6 recorded for 2005. Charges for services for 2006 totaled \$3.0 versus \$2.8 in the prior year.

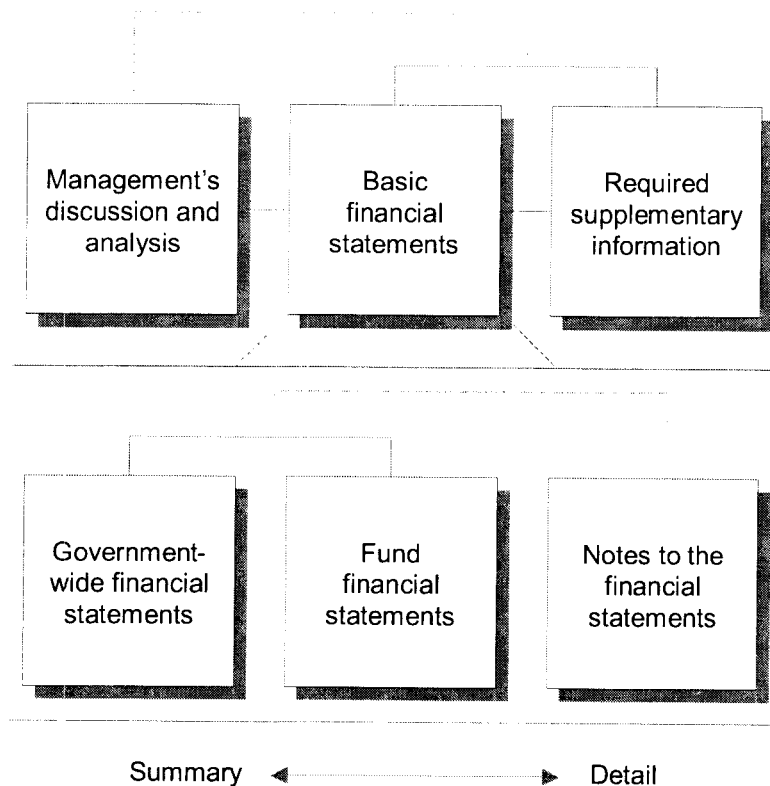
Net revenue for business activities was \$0.6 in 2006 compared to \$0.5 in 2005. The 2006 charges for services of \$3.0 were supplemented by general revenues totaling \$0.4, the latter representing an increase compared to \$0.3 recorded in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The Agency has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Net assets. The Agency’s net deficit was \$72.4 at June 30, 2006. The deficit at June 30, 2005 was \$61 (see Table A-1). This represents a decline of \$11.4 in the Agency’s overall financial position. The deficit in the government-wide statements is predominantly due to the nature of the Agency’s redevelopment activities, which is heavily dependent upon long-term debt financing. The Agency receives property tax increment revenue from the City and County of San Francisco to fund all or a portion of its operations, make payments pursuant to developer agreements, and to pay debt service payments associated with the Agency’s tax allocation revenue bonds. The amount of property tax increment received in any year is influenced by the outstanding balance of tax allocation revenue bonds, and as such, increases as additional bonds are sold. In evaluating the financial position of the Agency, the reader should be aware that the Agency manages its tax allocation debt program

prudently so that potential interruptions to cash flow securing such debt are minimized. This objective is achieved by securing debt with tax increment from a number of Agency redevelopment project areas and maintaining a minimum coverage ratio of \$1.25 in tax increment per \$1 in debt service for any given year.

The net deficit from the governmental activities is \$71.2 versus the prior year total of \$59.2. During 2006, the net assets decreased by \$12.0 versus a decrease in the prior year of \$9.2. The net asset decrease was primarily the result of increased expenses related to developing affordable housing units in the City.

A major portion of the net assets, \$67.5, reflects the Agency's investment in capital assets such as, land, building improvements and equipment, less any related outstanding debt used to acquire those assets. The Agency uses these capital assets in its mission to increase the stock of affordable housing in the City, undertake physical improvements in redevelopment project areas, build and maintain public parks and other open space, and fund other projects as may be necessary for the removal of blight. Certain other net assets are restricted for future use: \$16.0 is restricted for urban development and housing activities and \$54.8 is restricted for future debt service payments. There is a deficit in unrestricted net assets of \$211.2 in governmental activities and a deficit in total net assets of \$1.2 in business-type activities.

The harbor operation in the business-type activities was profitable during 2006 with a \$0.6 increase in net assets. The deficit net assets represent cumulative losses from prior years when the occupancy and berth rental rates were lower than the current levels.

Table A-1
Redevelopment Agency of the City and County of San Francisco
Net Assets
June 30, 2006 and 2005 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 500,518	481,927	2,700	3,442	503,218	485,369
Capital assets	252,560	252,427	14,044	14,460	266,604	266,887
Total assets	753,078	734,354	16,744	17,902	769,822	752,256
Long-term debt outstanding	793,062	763,374	17,296	18,957	810,358	782,331
Other liabilities	31,185	30,205	678	732	31,863	30,937
Total liabilities	824,247	793,579	17,974	19,689	842,221	813,268
Net assets:						
Invested in capital assets, net of related debt	69,260	69,929	(1,797)	(2,503)	67,463	67,426
Restricted for:						
Urban redevelopment and housing	15,988	13,634	—	—	15,988	13,634
Debt service	54,821	47,067	—	—	54,821	47,067
Unrestricted	(211,237)	(189,854)	566	716	(210,671)	(189,138)
Total net assets (deficit)	\$ (71,168)	(59,224)	(1,231)	(1,787)	(72,399)	(61,011)

Changes in net assets. The Agency's total revenues were \$131.1 versus \$132.6 million in the prior year (see Table A-2 and Figure A-3). The Agency's revenue base primarily consists of:

- Charges for Services
- Property Tax Increment
- Operating Grants and Contributions
- Other (includes investment earnings and land sales)

The increase in revenues was primarily due to additional funds received in the form of tax increment in connection with higher debt service requirements due and payable in 2006 and higher pass-thru payments pursuant to developer agreements.

Table A-2
Redevelopment Agency of the City and County of San Francisco
Changes in the Net Assets
Years Ended June 30, 2006 and 2005 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 22,382	39,202	2,962	2,777	25,344	41,979
Operating grants and contributions	13,912	14,363	—	—	13,912	14,363
General revenues:						
Property tax increment	65,578	53,106	249	196	65,827	53,302
Hotel taxes	5,549	5,620	—	—	5,549	5,620
Other (including investment income and land sales)	20,352	17,266	122	62	20,474	17,328
Total revenues	127,773	129,557	3,333	3,035	131,106	132,592
Expenses						
Urban redevelopment and housing	99,721	95,149	—	—	99,721	95,149
Interest on long-term debt	39,996	43,673	—	—	39,996	43,673
Harbor	—	—	2,777	2,567	2,777	2,567
Total expenses	139,717	138,822	2,777	2,567	142,494	141,389
Increase (decrease) in net assets	\$ (11,944)	(9,265)	556	468	(11,388)	(8,797)

The total cost of all programs and services was \$142.5 in 2006, compared to the prior year's total of \$141.4. The Agency's expenses cover a range of costs relating to the removal of blight within redevelopment project areas and the construction and preservation of affordable housing (see Figure A-4). The Agency's current year expense for urban redevelopment and housing was \$99.7, which represents an increase of \$4.6 from the prior year, with the increase attributed to housing. Some of the housing developments funded in 2006 were: the Plaza Apartments, the Senator Hotel, Providence Housing, Parkview Terrace, Mission Creek Senior Housing, and 420 Berry Street Housing Project.

Expenses in governmental activities totaled \$139.7 in 2006, compared to \$138.8 in the prior year. Of the 2006 total, \$99.7 (\$95.1 in the prior year) was used for redevelopment and housing purposes, and \$40 (\$43.7 in the prior year) was used to pay interest on outstanding debt. Revenues from all sources (see Table A-2) totaled \$127.8 in 2006, which resulted in a \$12.0 decrease in net assets.

The increase in net assets for business activities for 2006 was higher than the prior year as a result of an increase in charges for services and other revenues. Revenues totaled \$3.3, which was slightly higher than in the prior year. Expenses were up 0.2% for a 2006 total of \$2.7.

Figure A-3
Redevelopment Agency of the City and County of San Francisco
Sources of Revenue for Fiscal Year 2006

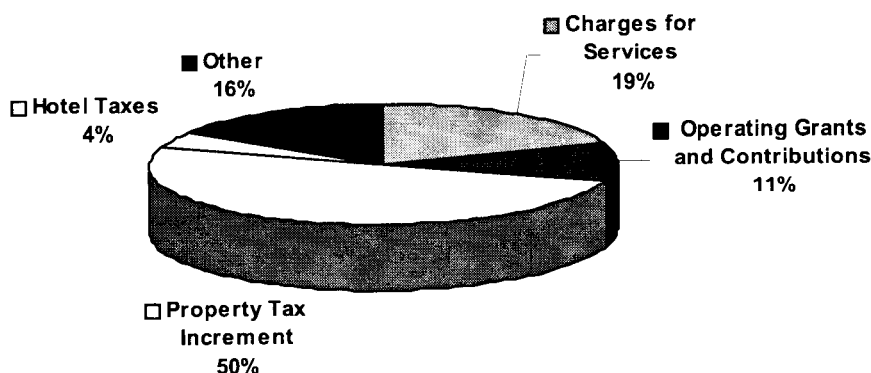
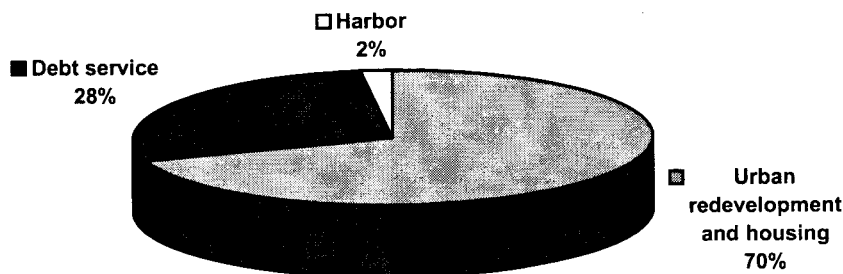


Figure A-4
Redevelopment Agency of the City and County of San Francisco
Functional Expenses for Fiscal Year 2006



Governmental Activities

The cost and net cost (total cost less fees generated by the activities and intergovernmental aid) of the Agency's redevelopment and housing program amounted to \$139.7 and \$103.4, respectively, for the year ended June 30, 2006. The net cost was funded by \$91.5 of general revenues, which included tax increment, hotel taxes, and investment earnings. The net cost of the Agency's governmental activities for 2005 amounted to \$85.3.

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

The cost of all governmental activities this year was \$139.7. However, the amount that taxpayers of the City paid through property taxes for these activities was only \$65.6. Some of the costs were paid by:

- Those who paid user fees and other charges for the programs \$22.4.
- Other governments and organizations that subsidized certain programs with grants and contributions \$13.9.

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

Financial Analysis of the Agency's Funds

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

Governmental Funds

During the year the Agency expended \$169.1 through the governmental funds including \$98.6 on urban redevelopment and housing activities through the capital projects fund and \$68.6 for principal and interest payments through the debt service fund. Expenditures for urban redevelopment and housing activities during 2006 decreased by \$34.7 from 2005 due to a decrease in land acquisition and improvement expenditures related to urban renewal. Significant expenditures during 2006 were made to develop low-income housing, fund site improvement and HOPWA.

As of June 30, 2006, the capital projects fund had assets of \$211.1 and \$183.7 in fund balances available. Of the \$183.7 of fund balances, \$157.3 is unreserved and can be used for the general purposes of the Agency. The balance of \$26.4 consists of \$16.0 of amounts invested in property held for resale and \$10.4 of notes and mortgages receivable.

The capital projects fund balance increased by \$16.3 during the year. Revenues from tax increment, property sales, grants and other sources exceeded expenditures for development activities by \$9.8. Transfers in from bond trustees and other financing sources of \$6.5 resulted in the net increase in fund balance of \$16.3.

Debt service fund payments for principal and interest decreased to \$68.6 in 2006 from \$162.8 in 2005. The decrease in payments was primarily due to decrease in payments for interest, principal and accreted interest related to the final redemption of the Moscone Convention Center Lease Revenue Bonds, Series 1988 happened in 2005.

The debt service fund had assets totaling \$279.9, of which \$97.6 is reserved for the payment of future debt service. The principal assets in the debt service fund are a lease receivable of \$182.0 from the City for Moscone Center and investments with trustees of \$97.9.

The debt service fund balance increased by \$8.8. Debt service payments exceeded revenues by \$43.0, which combined with net other financing sources and transfers out to the capital project fund of \$51.8, resulting in the \$8.8 increase.

Proprietary Fund

Revenues of the Agency's proprietary fund totaled \$3.3 and expenses totaled \$2.7 resulting in a \$0.6 increase in net assets, which is up \$0.1 from the prior year due to higher berthing fees. The proprietary fund is related to the operations of a small craft boat harbor in the Rincon Point South Beach Project Area. The harbor has 690 boat berths, which are rented out to commercial and recreational tenants. The construction of the harbor was financed with lease revenue bonds and a loan from the California Department of Boating and Waterways.

Fiduciary Fund

As the Agency completed the year, its fiduciary fund reported an asset balance of \$3.1 versus \$2.9 in the prior year. This balance is not reflected as part of the government-wide financial statement because the resources of this fund are not available to support the Agency's own programs. The fiduciary fund is used to account for resources held for the City and performance deposits received from developers. Performance deposits are held by the Agency until the developers fulfill their contractual obligations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the Agency had invested \$266.6 in a broad range of capital assets, including properties held for lease, leasehold improvements, building improvements, furniture and equipment and construction in progress (see Table A-3).

Table A-3
Redevelopment Agency of the City and County of San Francisco
Capital Assets (net of accumulated depreciation)
June 30, 2006 and 2005 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land held for lease	\$ 104,968	104,968	-	-	104,968	104,968
Leasehold improvements	-	-	13,984	13,816	13,984	13,816
Furniture and equipment-General & Harbor	273	115	60	44	333	159
Buildings and improvement-Yerba Buena Center and Harbor	132,254	125,423	-	-	132,254	125,423
Furniture and equipment-Yerba Buena Center	67	229	-	-	67	229
Construction in progress	14,998	21,692	-	600	14,998	22,292
Total	\$ 252,560	252,427	14,044	14,460	266,604	266,887

This year's major change in capital assets was to transfer the construction in progress for the Harbor Office Building to leasehold improvement. The Harbor Office Building became available for occupancy in June 2006. Detailed information regarding the Agency's capital assets is included in the notes to the financial statements.

Long-Term Debt

As of June 30, 2006, the Agency had \$803.0 in long-term debt (including accreted interest) as shown in Table A-4. Detailed information regarding the Agency's debt is included in the notes to the financial statements.

Table A-4
Redevelopment Agency of the City and County of San Francisco
Long-term Debt
June 30, 2006 and 2005 (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Lease revenue bonds	\$ 132,645	138,155	-	-	132,645	138,155
Tax allocation revenue bonds	510,903	469,671	-	-	510,903	469,671
Hotel tax revenue bonds	64,795	67,220	-	-	64,795	67,220
Accreted interest payable on bonds	74,151	77,025	-	-	74,151	77,025
State loan	-	-	8,000	8,000	8,000	8,000
Refunding bond	-	-	8,500	10,000	8,500	10,000
Advances from the City	4,024	2,838	-	-	4,024	2,838
Total	\$ 786,518	754,909	16,500	18,000	803,018	772,909

In July 2005 the Agency issued four series of tax allocation revenue bonds. The Agency issued the 2005 Series A Tax Allocation Refunding Revenue Bonds in the amount of \$20,350,000 and the 2005 Series B Taxable Tax Allocation Refunding Revenue Bonds in the amount of \$8,090,000. The former bonds were issued for the purpose of refunding in whole the 1998 Series A Tax Allocation Revenue Bonds and in part the 1998 Series C Tax Allocation Refunding Revenue Bonds. The 2005 Series B Bonds refunded in whole the 1998 Series B Tax Allocation Revenue Bonds and the 2005 Series B Tax Allocation Bonds. Together, the 2005 Series A and B bonds produced net present value savings exceeding \$2 million, or 7.2% of the par amount of bonds refunded.

The Agency also issued the 2005 Series C Taxable Tax Allocation Revenue Bonds in the amount of \$43,940,000, the proceeds of which will be used primarily to fund the construction of low-income housing, provide for economic development in the Western Addition project area, and fund a capital reserve for the Yerba Buena Gardens. Lastly, the Agency issued the 2005 Series D Tax Allocation Revenue Bonds in the amount of \$16,230,000 for the purposes of funding the construction of infrastructure in the Mission Bay North project area.

Bond Ratings

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Redevelopment Agency of the City and County of San Francisco, Finance Department, 1 South Van Ness Avenue, 5th Floor, San Francisco, California, 94103.

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

Statement of Net Assets

June 30, 2006

Assets	Governmental activities	Business-type activities	Total
Deposits and investments	\$ 167,303,430	1,742,636	169,046,066
Interest and other receivables	7,638,225	3,594	7,641,819
Internal balances	347,631	(347,631)	—
Property held for sale	15,987,721	—	15,987,721
Restricted assets:			
Investments with trustees	97,908,137	1,301,479	99,209,616
Intergovernmental receivable	1,205,890	—	1,205,890
Capital assets (net of accumulated depreciation):			
Land held for lease	104,967,554	—	104,967,554
Furniture and equipment – general	273,263	59,642	332,905
Furniture and equipment – Yerba Buena Center	66,957	—	66,957
Buildings and improvements – YBC/Harbor	132,254,206	—	132,254,206
Leasehold improvements	—	13,983,848	13,983,848
Construction in progress	14,998,000	—	14,998,000
Capital lease receivable	190,095,588	—	190,095,588
Notes and mortgages receivable (net of allowance for uncollectible amounts of \$158,166,149)	10,466,909	—	10,466,909
Other assets	9,564,864	—	9,564,864
Total assets	753,078,375	16,743,568	769,821,943
Liabilities:			
Accounts payable	7,952,709	9,659	7,962,368
Due to primary government	781,620	—	781,620
Accrued interest payable	15,895,577	357,077	16,252,654
Unearned revenue	5,025,463	8,766	5,034,229
Other	1,530,052	302,570	1,832,622
Noncurrent liabilities:			
Due within one year	39,699,309	299,413	39,998,722
Due in more than one year	753,361,879	16,996,772	770,358,651
Total liabilities	824,246,609	17,974,257	842,220,866
Net assets (deficit):			
Invested in capital assets, net of related debt	69,259,731	(1,796,965)	67,462,766
Restricted for:			
Urban redevelopment and housing	15,987,721	—	15,987,721
Debt service	54,821,117	—	54,821,117
Unrestricted	(211,236,803)	566,276	(210,670,527)
Total net assets (deficit)	\$ (71,168,234)	(1,230,689)	(72,398,923)

See accompanying notes to basic financial statements.

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

Statement of Activities

Year ended June 30, 2006

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
Urban redevelopment and housing	\$ 99,720,695	12,494,844	13,911,958	(73,313,893)	—	(73,313,893)
Unallocated interest on long-term debt	39,995,769	9,887,455	—	(30,108,314)	—	(30,108,314)
Total governmental activities	139,716,464	22,382,299	13,911,958	(103,422,207)	—	(103,422,207)
Business-type activities:						
Harbor	2,776,745	2,962,363	—	—	185,618	185,618
Total business-type activities	2,776,745	2,962,363	—	—	185,618	185,618
Total	\$ 142,493,209	25,344,662	13,911,958	(103,422,207)	185,618	(103,236,589)
General revenues:						
Property tax increment				65,577,669	248,410	65,826,079
Hotel taxes				5,548,551	—	5,548,551
Unrestricted investment earnings				10,629,673	121,792	10,751,465
Other				9,722,265	—	9,722,265
Total general revenues				91,478,158	370,202	91,848,360
Change in net assets				(11,944,049)	555,820	(11,388,229)
Net assets (deficit), beginning of year				(59,224,185)	(1,786,509)	(61,010,694)
Net assets (deficit), end of year				\$ (71,168,234)	(1,230,689)	(72,398,923)

See accompanying notes to basic financial statements.

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

Governmental Funds
Balance Sheet

June 30, 2006

Assets	Capital projects	Debt service	Total
Deposits and investments	\$ 167,303,430	—	167,303,430
Interest and other receivables	7,638,225	—	7,638,225
Intergovernmental receivable	1,205,890	—	1,205,890
Due from other funds	347,631	—	347,631
Capital lease receivables	8,145,929	181,949,659	190,095,588
Notes and mortgages receivable (net of allowance for uncollectible amounts of \$158,166,149)	10,466,909	—	10,466,909
Property held for sale	15,987,721	—	15,987,721
Investments with trustees – restricted	—	97,908,137	97,908,137
Total assets	<u>\$ 211,095,735</u>	<u>279,857,796</u>	<u>490,953,531</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,952,709	—	7,952,709
Other liabilities	1,530,052	—	1,530,052
Due to primary government	450,000	331,620	781,620
Deferred revenue	17,453,136	181,949,659	199,402,795
Total liabilities	<u>27,385,897</u>	<u>182,281,279</u>	<u>209,667,176</u>
Fund balances:			
Reserved for:			
Debt service	—	97,576,517	97,576,517
Long term notes and mortgages receivable	10,466,909	—	10,466,909
Property held for sale	15,987,721	—	15,987,721
Unreserved			
Designated	157,255,208	—	157,255,208
Total fund balances	<u>183,709,838</u>	<u>97,576,517</u>	<u>281,286,355</u>
Total liabilities and fund balances	<u>\$ 211,095,735</u>	<u>279,857,796</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital and certain long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	262,124,844
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	194,377,332
Long term-liabilities (e.g., bonds, leases and advances) are not due and payable in the current period and, therefore, are not reported in the funds.	(808,956,765)
Net assets (deficit) of governmental activities	<u>\$ (71,168,234)</u>

See accompanying notes to basic financial statements.

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

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2006

	<u>Capital projects</u>	<u>Debt service</u>	<u>Total</u>
Revenues:			
Property tax increment	\$ 65,577,669	—	65,577,669
Property sales	2,024,795	—	2,024,795
Rental/lease income	10,905,493	17,610,593	28,516,086
Investment income	8,595,739	2,442,550	11,038,289
Hotel tax	—	5,548,551	5,548,551
Grant revenue	9,860,267	—	9,860,267
Developer contributions	3,693,358	—	3,693,358
Other income	9,613,039	—	9,613,039
Total revenues	110,270,360	25,601,694	135,872,054
Expenditures:			
Current:			
Urban redevelopment and housing	98,621,016	—	98,621,016
Debt service:			
Principal retirement	—	28,581,650	28,581,650
Interest and finance charges	—	39,989,918	39,989,918
Bond issuance costs	1,866,174	—	1,866,174
Total expenditures	100,487,190	68,571,568	169,058,758
Excess (deficiency) of revenues over expenditures	9,783,170	(42,969,874)	(33,186,704)
Other financing sources (uses):			
Refunding bonds issued	—	28,440,000	28,440,000
Tax allocation bonds issued	—	60,170,000	60,170,000
Transfer of bonds proceeds	88,610,000	(88,610,000)	—
Payment to refunded bond escrow agent	—	(29,906,204)	(29,906,204)
Premium on tax allocation bonds	93,412	—	93,412
Discount on tax allocation bonds	(468,729)	—	(468,729)
Transfers in	48,296,948	91,878,855	140,175,803
Transfers out	(130,012,445)	(10,163,358)	(140,175,803)
Total other financing sources	6,519,186	51,809,293	58,328,479
Net change in fund balances	16,302,356	8,839,419	25,141,775
Fund balances, beginning of year	167,407,482	88,737,098	256,144,580
Fund balances, end of year	\$ 183,709,838	97,576,517	281,286,355

See accompanying notes to basic financial statements.

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

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

Year ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 16)
are different because:

Net change in fund balances – total governmental funds (page 18)	\$ 25,141,775
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	133,081
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The principal portion of capital lease payments that provide current financial resources in the governmental funds are not reported as income in the government-wide statement of activities.	(8,131,753)
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Governmental funds do not report the accrual of income from notes receivable because such income does not provide current financial resources. However, in the government-wide financial statements, the accruals result in income.	109,226
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The issuance of long-term debt (e.g., bonds, leases and advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(19,719,469)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(9,835,242)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	358,333
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Change in net assets of governmental activities (page 16)	\$ <u><u>(11,944,049)</u></u>
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See accompanying notes to basic financial statements.

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

Proprietary Fund
Statement of Net Assets

June 30, 2006

Assets:

Current assets:

Deposits and investments	\$ 1,742,636
Interest receivable	3,594
	<hr/>
Total current assets	1,746,230

Noncurrent assets:

Investments with trustees – restricted	1,301,479
Capital assets (net of accumulated depreciation):	
Equipment	59,642
Leasehold improvements	13,983,848
	<hr/>
Total noncurrent assets	15,344,969
	<hr/>
Total assets	17,091,199

Liabilities:

Current liabilities:

Accounts payable	9,659
Due to other funds	347,631
Accrued vacation and sick leave pay	154,251
Other liabilities	302,570
Deferred revenue	8,766
Accreted interest payable	145,162
Accrued interest payable	357,077
	<hr/>
Total current liabilities	1,325,116

Noncurrent liabilities:

Accreted interest payable	496,772
Refunding bonds payable	8,500,000
Loan payable	8,000,000
	<hr/>
Total noncurrent liabilities	16,996,772
	<hr/>
Total liabilities	18,321,888

Net assets (deficit):

Invested in capital assets, net of related debt	(1,796,965)
Unrestricted	566,276
	<hr/>
Total net assets (deficit)	\$ (1,230,689)

See accompanying notes to basic financial statements.

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

Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2006

Operating revenues:	
Rent	\$ 2,917,327
Other	45,036
Total operating revenues	<u>2,962,363</u>
Operating expenses:	
Personnel	748,223
Rent	175,021
Insurance	101,854
Light, heat and power	234,040
Materials and supplies	23,045
Repairs and maintenance	223,662
Depreciation and amortization	442,223
General and administrative	59,340
Other	1,093
Total operating expenses	<u>2,008,501</u>
Operating income	<u>953,862</u>
Nonoperating revenues (expenses):	
Investment earnings	121,792
Interest expense	(768,244)
Property tax increment	248,410
Net nonoperating expenses	<u>(398,042)</u>
Change in net assets	555,820
Total net assets (deficit), beginning of year	<u>(1,786,509)</u>
Total net assets (deficit), end of year	<u>\$ (1,230,689)</u>

See accompanying notes to basic financial statements.

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

Proprietary Fund
Statement of Cash Flows
Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 65,235
Cash received from tenants for rent	2,917,327
Cash paid to suppliers for goods and services	<u>(1,405,999)</u>
Net cash provided by operating activities	<u>1,576,563</u>
 Cash flows from capital and related financing activities:	
Property tax increment	248,410
Acquisition of capital assets	(25,888)
Principal paid on long-term debt	(1,659,648)
Interest paid on long-term debt	<u>(768,244)</u>
Net cash used by capital and related financing activities	<u>(2,205,370)</u>
 Cash flows from investing activities:	
Proceeds from maturities of investments with trustees	532,642
Purchase of investments	(1,150,149)
Interest income received	<u>121,792</u>
Net cash used by investing activities	<u>(495,715)</u>
Net increase in cash and cash equivalents	(1,124,522)
Cash and cash equivalents, beginning of year	<u>1,717,009</u>
Cash and cash equivalents, end of year	<u><u>\$ 592,487</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 953,862
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	442,223
Changes in operating assets and liabilities:	
Decrease in interest receivables	4,169
Decrease in tenant receivables	16,030
Decrease in accounts payable	(64,552)
Increase in due to other funds	214,915
Decrease in accrued vacation and sick leave	(5,812)
Increase in other liabilities	15,580
Decrease in deferred revenue	(13,609)
Increase in accreted interest payable	5,051
Increase in accrued interest payable	8,706
Net cash provided by operating activities	<u><u>\$ 1,576,563</u></u>
 Reconciliation of cash and cash equivalents to the balance sheet:	
Deposits and investment (unrestricted)	\$ 1,742,636
Less deposits and investments not meeting the definition of cash equivalents	<u>(1,150,149)</u>
Cash and cash equivalents at end of year on statement of cash flows	<u><u>\$ 592,487</u></u>

See accompanying notes to basic financial statements.

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

Agency Fund
Statement of Fiduciary Net Assets

June 30, 2006

Assets

Deposits and investments	\$ 2,581,138
Notes and mortgages receivable	445,569
Investment with trustees – restricted	<u>35,867</u>
Total assets	<u><u>\$ 3,062,574</u></u>

Liabilities

Due to the City and County of San Francisco	\$ 481,436
Due to Community Facility District	992,462
Developers' performance deposits	<u>1,588,676</u>
Total liabilities	<u><u>\$ 3,062,574</u></u>

See accompanying notes to basic financial statements.

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

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

(a) General

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

Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. Additionally, the Agency has completed a feasibility study on the Mid Market Survey Area and the redevelopment plan has been submitted to the Board of Supervisors for review. A feasibility study has just started on Visitacion Valley Survey Area designated by the Board of Supervisors. The Agency acts as the lead agency for the City in administering the Housing Opportunities for Persons with AIDS (HOPWA) program, which is a program funded by a grant from the United States Department of Housing and Urban Development.

On October 14, 1997, the Board of Supervisors adopted ordinances approving the Federal Office Building Redevelopment Plan, and amending the Golden Gateway and South of Market Redevelopment Plans to create a three-way fiscal merger. The Agency is not currently pursuing redevelopment activities in the Golden Gateway project area. However, the merger allows the Agency to use the tax increment generated from the Golden Gateway project area to pay past indebtedness, fund the acquisition of the federal office building site and the Agency's affordable housing program, and finance activities in the South of Market project area. On December 6, 2005, the Board of Supervisors adopted a modified plan for the South of Market project area that increases the area to 69 acres.

In October and November 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, Tax Allocation Agreements, and related ordinances and resolutions. The two project areas total 303 acres. In June 2005, the Board of Supervisors approved ordinance to adopt the Transbay project area as a new redevelopment area which consists of 40 acres and is located south of the San Francisco financial district. The project area is bounded by Mission Street in the north, Main Street in the east, Folsom Street in the south and Second Street in the west. The future development of a new transit terminal and a concept plan which includes high-density, transit-oriented residential development are the highlights of this project.

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

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

Notes to Financial Statements

June 30, 2006

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

The Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. PIDC is reported as a blended component unit of the Agency due to the majority of its governing body being comprised of Agency management. On November 12, 2004, a limited partnership, Plaza Apartments Associates, L.P. (the Partnership) was formed by PIDC and Wincopin Circle, LLLP. PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. Wincopin Circle, LLLP transferred its interest in the Partnership to the Housing Outreach Fund XI Limited Partnership, effective December 24, 2004. The Partnership completed construction of a 106-unit affordable housing project in the South of Market project area in December 2005. As of June 30, 2006, 100% of the units were leased. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

(b) Implementation of New Accounting Principles

(i) Governmental Accounting Standards Board Statement No. 42

The Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries.

(ii) Governmental Accounting Standards Board Statement No. 46

The Agency adopted the provisions of GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement amends GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to 1) clarify the meaning of the phrase *legally enforceable* as it applies to restrictions imposed on net asset use by enabling legislation and 2) specify the accounting and financial reporting requirements for those restricted net assets.

(iii) Governmental Accounting Standards Board Statement No. 47

The Agency adopted the provisions of GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits. This statement provides guidance for measuring, recognizing, and reporting liabilities and expense/expenditures related to all termination benefits, including voluntary termination benefits, without limitation as to the period of time during which the benefits are offered, and involuntary termination benefits.

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

Notes to Financial Statements

June 30, 2006

(c) Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

Notes to Financial Statements

June 30, 2006

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

The Agency reports the following major governmental funds:

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

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

The Agency reports the following major proprietary fund:

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

Additionally, the Agency reports the following fund:

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

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

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

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

Notes to Financial Statements

June 30, 2006

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

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

(e) *Budgetary Data*

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

(f) *Deposits and Investments*

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

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2006 and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity of less than one year at the date of purchase are valued at the amortized cost, which approximates fair value as of June 30, 2006.

(g) *Property Held for Sale*

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

A primary function of the redevelopment process is to prepare land for specific private development. The Agency does not maintain cost records by parcel, as there is no relationship between costs incurred and the final disposition value, which is significantly affected by various use restrictions. For financial statement presentation, this property is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Note 5(a) reflects the activity in this account for the year ended June 30, 2006.

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

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

Notes to Financial Statements

June 30, 2006

(h) Restricted Investments

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

(i) Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Capital assets over individual cost of more than \$300 under the *enterprise fund* are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	10
Office Furniture	10
Computer Equipment	10
Office Equipment	10

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

Notes to Financial Statements

June 30, 2006

(j) *Notes and Mortgages Receivable*

During the process of selling land to developers and issuing mortgage revenue bonds, the Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. In the governmental fund financial statements, the Agency defers all revenues and interest on the above-described arrangements until the cash is collected. In the government-wide financial statements, the Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible.

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

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

(k) *Compensated Absences*

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds, only amounts due and payable as of June 30, 2006, are accrued as a liability in the fund.

(l) *Deferred Revenue*

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

(m) *Property Tax Increment Revenues*

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

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

Notes to Financial Statements

June 30, 2006

(n) *George R. Moscone Convention Center*

The City is responsible for the construction management, operation, maintenance, repair and expansion of the George R. Moscone Convention Center, which has been partially financed with lease revenue bonds issued by the Agency. Accordingly, proceeds of the bonds are held in an agency fund and considered due to the City, which records construction activity in its own capital projects fund. The bonds are special limited obligations of the Agency and payable solely from the lease payments from the City.

(o) *Long-Term Obligations*

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

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

(p) *Fund Equity*

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

(q) *Income Taxes*

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

(r) *Interfund Transfers*

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

(s) *Cash Flows*

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

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

Notes to Financial Statements

June 30, 2006

(t) Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital and certain long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$262,124,844 difference are as follows:

Capital assets, net	\$ 252,559,980
Other assets (unamortized bond issuance costs)	<u>9,564,864</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u>262,124,844</u>

Another element of that reconciliation explains that “long-term liabilities (e.g., bonds, leases and advances) are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the (\$808,956,765) difference are as follows:

Bonds payable	\$ (786,383,779)
Accrued interest payable	(15,895,577)
Advances from primary government	(4,024,423)
Compensated absences	<u>(2,652,986)</u>
Net adjustment to decrease fund balance – total governmental funds to arrive at net assets – governmental activities	\$ <u>(808,956,765)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$133,081 difference are as follows:

Capital outlay	\$ 4,406,464
Depreciation expense	<u>(4,273,383)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 133,081</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases and advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of the (\$19,719,469) difference are as follows:

Debt issued or incurred:	
Proceeds from bonds	\$ (88,610,000)
Proceeds from advances	(1,186,289)
Premium on bonds issuance	(93,412)
Discount on bonds issuance	463,729
Bond issuance costs	1,866,174
Refunding loss	1,314,754
Bonds Payments:	
Principal repayments (including any amounts paid to refunded bond escrow agent)	55,313,304
Accreted interest payments	11,577,243
Amortized refunding loss	(314,225)
Amortized issuance costs	(714,105)
Amortized issuance premium	696,268
Amortized issuance discount	<u>(37,910)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (19,719,469)</u>

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Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of the (\$9,835,242) difference are as follows:

Compensated absences	\$ (111,943)
Accrued interest	<u>(9,723,299)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets governmental activities	\$ <u>(9,835,242)</u>

(3) Deposits and Investments

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

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

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

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

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

- The maximum maturity of commercial paper 180 days. Investment in commercial paper will comprise not more than 30% of the Agency’s portfolio if average maturity is no more than 31 days or 15% if average maturity is more than 31 days.
- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency’s portfolio. As of June 30, 2006, the Agency did not own any corporate notes.

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

Concentration of Credit Risk, Investments: Refers to the risk of loss attributed to the magnitude of investment in a single issuer. The Agency does not have a formal investment policy that limits investments in a single issuer. As of June 30, 2006, no investment in a single issuer (except investments issued or explicitly guaranteed by the U.S. government) equaled or exceeded 5% of the Agency's total investments.

Custodial Credit Risk, Investments: Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Agency does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2006, \$1,301,447 of the Agency's investments held by the proprietary fund are exposed to custodial credit risk because they are uninsured, not registered in the name of the Agency, and held by the counterparty's trust department or agent but not in the Agency's name. Such investments are held pursuant to an Indenture of Trust associated with a bond issue for the benefit of bond holders.

The following is a summary of Cash, Deposits, and Investments as of June 30, 2006:

	Investment Maturities in Years			Total Fair Value	Credit Rating	Portfolio Allocation
	Less than 1	1-5	More than 10			
Cash and cash deposits:						
Cash on hand				\$ 600	NA	
Cash in bank				15,657,415	NA	
Total cash and cash deposits				15,658,015		5.8%
Investments held by fiscal agent:						
U.S. Government Agency Securities:						
Coupon notes	\$ 39,368,674	13,430,781	—	52,799,455	AAA	19.5%
Discount notes	10,388,290	—	—	10,388,290	AAA	3.8%
Commercial paper	10,328,002	—	—	10,328,002	A-1/P-1+	3.8%
Repurchase agreements	—	1,301,477	—	1,301,477	Not Rated	0.5%
Local Agency Investment Fund	49,382,519	—	—	49,382,519	Not Rated	18.2%
Money market funds	92,640,189	—	—	92,640,189	AAA,m	34.2%
Guaranteed investment contracts	—	987,500	19,809,826	20,797,326	AA or Higher	7.7%
Bankers acceptances	10,042,104	—	—	10,042,104	Not Rated	3.7%
Certificates of deposit	7,535,310	—	—	7,535,310	NA	2.8%
Total investments	\$ 219,685,088	15,719,758	19,809,826	255,214,672		94.2%
Total cash, investments & restricted assets				\$ 270,872,687		100.0%

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

The Agency's deposits as of June 30, 2006 are as follows:

	<u>Balance per books</u>	<u>Balance per bank</u>
Federally insured deposits	\$ 271,502	271,502
Collateralized deposits	<u>15,385,913</u>	<u>16,939,752</u>
	15,657,415	17,211,254
Cash on hand	<u>600</u>	<u>—</u>
Total cash and cash deposits	\$ <u>15,658,015</u>	<u>17,211,254</u>

Total Agency deposits and investments as of June 30, 2006 are as follows:

	<u>Deposits and investments</u>	<u>Investments with trustees – restricted</u>	<u>Total</u>
Governmental activities:			
Capital Projects Fund	\$ 167,303,430	—	167,303,430
Debt Service Fund	<u>—</u>	<u>97,908,137</u>	<u>97,908,137</u>
	167,303,430	97,908,137	265,211,567
Business-type activities:			
Proprietary Fund	1,742,636	1,301,479	3,044,115
Agency Fund	<u>2,581,138</u>	<u>35,867</u>	<u>2,617,005</u>
Total deposits and investments	\$ <u>171,627,204</u>	<u>99,245,483</u>	<u>270,872,687</u>

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

Interest and other receivables as of June 30, 2006 are as follows:

Property tax increment	\$	3,055,042
Interest		1,378,989
Developers' contributions		2,498,230
Tenants		66,013
Other		<u>639,951</u>
Total interest and receivables	\$	<u>7,638,225</u>

(5) Property Held for Sale and Capital Assets

(a) Property Held for Sale

A summary of changes in property held for sale follows:

	<u>July 1, 2005</u>	<u>Purchases</u>	<u>Sales</u>	<u>June 30, 2006</u>
Property held for sale	\$ <u>13,634,286</u>	<u>2,788,879</u>	<u>(435,444)</u>	<u>15,987,721</u>

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(b) Capital Assets – Governmental Activities

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

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2006</u>
Capital assets not being depreciated:				
Land held for lease	\$ 104,967,554	—	—	104,967,554
Construction in progress	<u>21,692,361</u>	<u>2,628,331</u>	<u>(9,322,692)</u>	<u>14,998,000</u>
Total capital assets not being depreciated	<u>126,659,915</u>	<u>2,628,331</u>	<u>(9,322,692)</u>	<u>119,965,554</u>
Capital assets being depreciated:				
Furniture and equipment – general	2,044,925	213,933	—	2,258,858
Furniture and equipment – Yerba Buena Center	5,535,724	—	—	5,535,724
Buildings and improvements – Yerba Buena Center	161,438,429	1,564,200	—	163,002,629
Buildings and Improvements – Harbor	<u>—</u>	<u>9,322,692</u>	<u>—</u>	<u>9,322,692</u>
Total capital assets being depreciated	<u>169,019,078</u>	<u>11,100,825</u>	<u>—</u>	<u>180,119,903</u>
Less accumulated depreciation for:				
Furniture and equipment – general	(1,929,920)	(55,675)	—	(1,985,595)
Furniture and equipment – Yerba Buena Center	(5,306,572)	(162,195)	—	(5,468,767)
Buildings and improvements – Yerba Buena Center	<u>(36,015,602)</u>	<u>(4,055,513)</u>	<u>—</u>	<u>(40,071,115)</u>
Total accumulated depreciation	<u>(43,252,094)</u>	<u>(4,273,383)</u>	<u>—</u>	<u>(47,525,477)</u>
Total capital assets being depreciated, net	<u>125,766,984</u>	<u>6,827,442</u>	<u>—</u>	<u>132,594,426</u>
Governmental activities capital assets, net	<u>\$ 252,426,899</u>	<u>9,455,773</u>	<u>(9,322,692)</u>	<u>252,559,980</u>

The deletions/transfers are comprised of \$9,322,692 transferred from construction in progress to the building and improvements of Harbor building.

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

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

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>June 30, 2006</u>
Capital assets not being depreciated:				
Construction in progress	\$ 600,000	—	(600,000)	—
Capital assets being depreciated:				
Leasehold improvements	21,602,011	600,000	—	22,202,011
Equipment	247,385	25,888	—	273,273
Total capital assets being	21,849,396	625,888	—	22,475,284
Less accumulated depreciation for:				
Leasehold improvements	(7,786,124)	(432,039)	—	(8,218,163)
Equipment	(203,447)	(10,184)	—	(213,631)
Total accumulated depreciation	(7,989,571)	(442,223)	—	(8,431,794)
Business-type activities capital assets, net	\$ 14,459,825	183,665	(600,000)	14,043,490

The deletions/transfers are comprised of \$600,000 transferred from construction in progress to the building and improvements of Harbor building.

(d) Depreciation Expense

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

Governmental activities – Urban redevelopment and housing	\$ 4,273,383
Business-type activities – South Beach Yacht Harbor	\$ 442,223

(6) Interfund Receivables, Payables and Transfers

(a) Due to/from other funds

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

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(b) *Interfund Transfers*

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

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(7) Long-Term Obligations

The following is a summary of long-term obligations as of June 30, 2006 (in thousands):

(a) Governmental Activities

	Due to	Remaining interest rates	July 1, 2005	Additions	Current maturities, retirements and defeasances	June 30, 2006	Due within one year
Agency bonds:							
Revenue bonds:							
Moscone Convention Center Lease, Series 1992 (1)	2018	6.95% to 7.05%	\$ 37,035	—	(5,185)	31,850	4,811
Moscone Convention Center Lease, Series 2002 (1)	2018	2.00% to 5.25%	67,555	—	(325)	67,230	335
Moscone Convention Center Lease, Series 2004 (1)	2025	3% to 5.375%	33,565	—	—	33,565	—
Hotel Tax Revenue Bonds, Series 1994 (3)	2025	6.3% to 6.94%	13,030	—	(1,970)	11,060	2,020
Hotel Tax Revenue Bonds, Series 1998 (3)	2025	4.4% to 5.2%	54,190	—	(455)	53,735	475
Authority bonds and notes:							
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1989 (2), (4)	2019	6.70%	1,575	—	(813)	762	762
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1990 (2)	2020	6.95% to 7.05%	1,587	—	(314)	1,273	293
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1991 (2)	2021	6.55% to 6.75%	2,584	—	(449)	2,135	420
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1993B and C (2)	2021	4.75% to 5.75%	7,914	—	—	7,914	—
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1994 (2), (4)	2009	8.0% to 8.30%	5,350	—	(905)	4,445	980
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1996A (2), (4)	2018	5.3%	975	—	(475)	500	500
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998A, B and C (2), (4)	2025	4.75 to 5.4%	32,942	—	(23,392)	9,550	—
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (2)	2024	4.20% to 5.2%	19,224	—	(345)	18,879	360
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1999A (2)	2020	3.9% to 5.00%	51,510	—	(1,065)	50,445	1,095

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	Due to	Remaining interest rates	July 1, 2005	Additions	Current maturities, retirements and defeasances	June 30, 2006	Due within one year
Tax Allocation Revenue Bonds, San Francisco	2022	3.9% to 5.00%	15,450	—	(585)	14,865	605
Redevelopment and Refunding Notes Series 1999B (2)							
Tax Allocation Revenue Bonds, San Francisco	2018	4.7% to 5.60%	10,520	—	(250)	10,270	260
Redevelopment Projects Series 2000A (2)							
Taxable Tax Allocation Revenue Bonds, San Francisco	2012	—	5,475	—	(5,475)	—	—
Redevelopment Projects Series 2000B (2)							
Tax Allocation Revenue Bonds, San Francisco	2018	4.25% to 5.00%	35,335	—	(1,905)	33,430	1,975
Redevelopment Projects Series 2001A (2)							
Tax Allocation Revenue Bonds, San Francisco	2018	2.98% to 5.41%	139,675	—	(7,315)	132,360	6,415
Redevelopment Projects Series 2003A, B, C (2)							
Tax Allocation Revenue Bonds, San Francisco	2031	3% to 5.85%	139,555	—	(4,090)	135,465	6,235
Redevelopment Projects Series 2004A, B, C, D (2)							
Tax Allocation Revenue Bonds, San Francisco	2025	3.25% to 5.2%	—	88,610	—	88,610	250
Redevelopment Project Series 2005A, B, C, D (2)							
Total Bonds Payable			675,046	88,610	(55,313)	708,343	27,791
Less deferred amounts:							
Issuance premiums			9,207	93	(696)	8,604	—
Issuance discounts			(241)	(468)	38	(671)	—
Refunding loss			(3,042)	(1,315)	314	(4,043)	—
Accreted interest payable on bonds *			680,970	86,920	(55,657)	712,233	27,791
Advances from the City			77,025	8,703	(11,577)	74,151	10,809
Compensated absences			2,838	1,186	—	4,024	—
Total			2,541	112	—	2,653	1,100
			\$ 763,374	96,921	(67,234)	793,061	39,700

* Amount represents interest accretion on Capital Appreciation Bonds and Growth and Income Securities (GAIN) Bonds.

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

- (1) Capital lease payments from the City and existing debt service funds.
- (2) Property tax increment revenues from the Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South and Mission Bay North project areas.
- (3) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.
- (4) U.S. Government obligations held in escrow trust accounts are used to partially defease Tax Allocation Bonds issued in 1989, 1994, 1995, 1996 and 1998.

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

Tax Allocation Revenue Bonds Series 2005 A, B, & C

On July 20, 2005, the Authority issued \$20,350,000 in Tax Allocation Refunding Revenue Bonds 2005 Series A (2005 Series A Refunding Bonds); \$8,090,000 in Taxable Tax Allocation Refunding Revenue Bonds Series 2005 Series B (2005 Series B Refunding Bonds); and \$43,940,000 in Taxable Tax Allocation Revenue Bonds Series 2005 C (2005 Series C Bonds). These bonds are secured by a pledge of the Agency's share of certain property tax revenue derived from related project areas.

Series 2005 A

The net proceeds of the 2005 Series A Refunding Bonds were used to refund all the outstanding bonds of the Tax Allocation Revenue Bonds Series 1998 A bonds (1998 Series A Bonds), in the amount of \$16,712,515; and a portion of the Tax Allocation Revenue Bonds Series 1998 C bonds (1998 Series C Bonds), in the amount of \$3,365,000.

The net proceeds of \$20,843,915 (including original issue discount of \$15,707, and after (1) depositing \$1,689,050 in a reserve fund and \$26,029 in an interest fund; and (2) payment of \$415,213 in underwriting fees, and issuance costs) from the 2005 Series A Refunding Bonds, together with certain other moneys of the Agency were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called and redeemed. As a result, the refunded bonds described above are considered defeased and the liability for the refunded bonds has been removed from the accompanying statement of net assets. Defeased 1998 Series A Bonds in the amount of \$4,101,655 remain outstanding as of June 30, 2006.

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Although the advance refunding resulted in the recognition of a deferred accounting loss of \$766,400, the Agency in effect reduced its aggregate debt service payments by approximately \$2,668,587 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,304,731. The 2005 Series A Refunding Bonds mature through August 1, 2025 with interest rates ranging from 3.25% to 4.2%.

Series 2005 B

The net proceeds of the 2005 Series B Refunding Bonds were used to refund all the outstanding bonds of the Tax Allocation Revenue Bonds Series 1998 B bonds (1998 Series B Bonds), in the amount of \$3,770,000 and the Taxable Tax Allocation Revenue Bonds Series 2000 B bonds (2000 Series B Bonds), in the amount of \$4,950,000.

The net proceeds of \$9,268,354 (including original issue discount of \$52,396, and after (1) depositing \$39,103 in an interest fund; and (2) payment of \$195,108 in underwriting fees, and issuance costs) from the 2005 Series B Refunding Bonds, together with certain other moneys of the Agency were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called and redeemed. As a result, the refunded bonds described above are considered defeased and the liability for the refunded bonds has been removed from the accompanying statement of net assets. The defeased 2005 Series B Bonds remain outstanding as of June 30, 2006.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$548,354, the Agency in effect reduced its aggregate debt service payments by approximately \$607,084 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$777,005. The 2000 Series B Refunding Bonds mature through August 1, 2015 with interest rates ranging from 4% to 4.5%.

Series 2005 C

The net proceeds of \$42,564,000 (including original issue discount of \$400,626, and after (1) depositing \$10,559 in an interest fund and (2) payment of \$964,815 in underwriting fees, and issuance costs) from the 2005 Series C Bonds will be used to finance the construction, rehabilitation, and preservation of low-income housing and for general redevelopment purposes. The 2005 Series C Bonds mature through August 1, 2035, with interest rates ranging from 4.1% to 5.2%.

Tax Allocation Revenue Bonds Series 2005 D

On July 21, 2005, the Authority issued \$16,230,000 in Tax Allocation Revenue Bonds 2005 Series D (2005 Series D Bonds). These bonds are secured by a pledge of the Agency's share of certain property tax revenue derived from related project areas.

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The net proceeds of \$15,000,000 (including original issue premium of \$93,412; and after (1) depositing \$1,024,250 in a reserve fund and \$8,124 in an interest fund ; and (2) payment of \$291,038 in underwriting fees, and issuance costs) from the 2005 Series D Bonds will be used to finance public infrastructure improvements and other redevelopment activities in the Mission Bay North Project Area. These bonds mature through August 1, 2035, with interest rates ranging from 3.85% to 5%.

Advances from the City

The City advanced \$1,186,289 in tax increment revenue to the Agency during the year ended June 30, 2006 for debt services payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B & C.

(b) Business-Type Activities

	<u>Due serially to</u>	<u>Remaining interest rates</u>	<u>July 1, 2005</u>	<u>Additions</u>	<u>Current maturities</u>	<u>June 30, 2006</u>	<u>Due within one year</u>
California Department of Boating and Waterways Loan (i)	2037	4.5%	\$ 8,000	—	—	8,000	—
Variable Rate Demand Refunding Bond 1986 Issue A (convertible to fixed rate at Agency's Option) (ii)	2017	Variable(3.98% at 6/30/06)	<u>10,000</u>	<u>—</u>	<u>(1,500)</u>	<u>8,500</u>	<u>—</u>
			<u>18,000</u>	<u>—</u>	<u>(1,500)</u>	<u>16,500</u>	<u>—</u>
Accreted interest payable			797	—	(155)	642	145
Accrued vacation and sick leave pay			<u>160</u>	<u>—</u>	<u>(6)</u>	<u>154</u>	<u>154</u>
Total			\$ <u>18,957</u>	<u>—</u>	<u>(1,661)</u>	<u>17,296</u>	<u>299</u>

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Debt service payments for obligations of business-type activities are made from the following sources:

- (i) South Beach Harbor Project revenues (subordinated to Refunding Bonds).
- (ii) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues.

In 1992, the bank holding the letter of credit and the Agency approved a restructuring of the debt involving a sublease of the South Beach Harbor (the Harbor) by the Agency to the Authority, who then leased the Harbor back to the Agency. The debt restructuring was performed in order for the Agency to be in compliance with certain debt coverage covenants of the South Beach Harbor Variable Rate Demand Refunding Bond 1986 Issue A indenture. The annual sublease and leaseback payments to be made are calculated as the difference between the net revenues of the Harbor and 130% of the debt service on the bonds for the preceding fiscal year. As a result of the Agency's compliance with certain debt coverage covenants, there were no annual lease payments required to be recorded in the Agency's proprietary fund as of June 30, 2006.

The interest rate for the South Beach Harbor Variable Rate Demand Refunding Bond 1986 Issue A is reset weekly by a remarketing agent. The rate varies depending on financial market conditions.

(c) Summary

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2006 are as follows:

Governmental activities								
June 30,	Tax Allocation Revenue Bonds		Lease Revenue Bonds		Hotel Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 20,150	26,245	5,146	12,728	2,495	3,310	27,791	42,283
2008	27,198	23,615	5,544	13,027	2,575	3,157	35,317	39,799
2009	26,367	24,177	5,350	13,289	2,645	2,998	34,362	40,464
2010	26,736	23,149	5,152	13,565	2,730	2,856	34,618	39,570
2011	28,414	22,017	5,019	13,776	2,770	2,726	36,203	38,519
2012 –								
2016	168,051	77,782	39,119	55,653	14,675	11,500	221,845	144,935
2017 –								
2021	148,077	27,520	55,500	8,138	17,440	7,559	221,017	43,217
2022 –								
2026	39,865	42,212	11,815	1,256	19,465	2,927	71,145	46,395
2027 –								
2031	16,155	4,798	—	—	—	—	16,155	4,798
2032 –								
2036	9,890	1,312	—	—	—	—	9,890	1,312
	\$ 510,903	272,827	132,645	131,432	64,795	37,033	708,343	441,292

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

Notes to Financial Statements

June 30, 2006

June 30,	Business-type activities					
	California Department of Boating and Waterway Loan		Refunding Bond 1986A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ —	535	—	338	—	873
2008	7	529	—	338	7	867
2009	7	529	—	338	7	867
2010	69	467	—	338	69	805
2011	107	429	475	338	582	767
2012 – 2016	953	1,727	6,450	1,118	7,403	2,845
2017 – 2021	1,243	1,435	1,575	63	2,818	1,498
2022 – 2026	1,550	1,131	—	—	1,550	1,131
2027 – 2031	1,932	747	—	—	1,932	747
2032 – 2036	2,108	272	—	—	2,108	272
2037 – 2041	24	1	—	—	24	1
	<u>\$ 8,000</u>	<u>7,802</u>	<u>8,500</u>	<u>2,871</u>	<u>16,500</u>	<u>10,673</u>

It is not practical to determine the specific year for payment of the liability for accreted interest payable on bonds and accrued compensated absences. The liability for compensated absences is generally liquidated by the capital projects fund.

(d) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Agency has evaluated each general obligation bond issue subject to the arbitrage rebate requirements and has recorded no rebatable arbitrage liability as of June 30, 2006.

(8) Retirement Plan

Plan Description – The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of the PERS' annual financial report may be obtained from their Executive Office: 400 Q Street, Sacramento, CA 95814.

**REDEVELOPMENT AGENCY OF
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Notes to Financial Statements

June 30, 2006

Funding Method – Participants are required to contribute 7% of their monthly salaries over \$133.33 to PERS. As of November 4, 2005, the Agency began paying 2% of the employee share, and will pay the entire 7% as of July 1, 2006. The Agency is required to make employer contributions of an amount determined by an actuarially determined rate. The 2005-2006 fiscal year employer contribution rate was 11.917% of annual covered payroll. The contribution requirements of the plan members and the Agency are established and may be amended by PERS.

Annual Pension Cost – The Agency’s annual pension cost for PERS was equal to the Agency’s required and actual contributions which was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) overall payroll growth of 3.25% compounded annually, and (c) an inflation rate of 3.0%. The actuarial value of the PERS assets was determined using techniques that smooth the effects of short-term market value fluctuations.

Three-year historical trend information is as follows:

<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/04	\$ —	—	—
6/30/05	\$ 554,737	100%	—
6/30/06	\$ 1,300,826	100%	—

Deferred Compensation Plan – The Agency offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, established on May 23, 1979, is available to all employees and permits them to defer a portion of their salary until future years. Employee contributions may range from as little as \$20 per month to the lesser of \$15,000 or 33 1/3% of annual gross income. Employees age 50+ may elect to make additional “Catch-Up” contributions of \$5,000 for year 2006. Employees may take advantage of “Pre-Retirement Catch-Up” provision for the 3 years prior to retirement and contribute the maximum limit of \$30,000 for year 2006. No employer contribution to the plan is required. The deferred compensation withdrawal is not available to employees until termination, retirement, death, or unforeseeable emergency. Hartford Variable Annuity Life Insurance Company is the administrator of the plan.

The Agency has no administrative involvement and does not perform the investing function. The Agency has no fiduciary accountability for the plan, and, accordingly, the plan assets and related liabilities to plan participants are not included in the financial statements.

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

Notes to Financial Statements

June 30, 2006

(9) Fund Balance – Capital Projects Fund

Due to the nature of its funding and activities, substantially all of the Agency's fund balance must be used for specific capital projects, future debt service or future housing obligations. The following describes unreserved fund balance designations for the Agency's Capital Projects Fund:

Economic development and public improvements	\$ 62,743,076
Low income housing development	78,999,638
Operation of cultural facilities and public gardens (Yerba Buena Gardens)	8,079,749
Section 8 standby payment agreements	4,779,752
Compensated absences	<u>2,652,993</u>
Total unreserved fund balance	\$ <u>157,255,208</u>

The above fund balance designations represent that portion of unreserved fund balance that is not available for appropriation based on management's plans for future use of the funds.

(10) Mortgage Revenue Bonds

In order to facilitate construction and rehabilitation in the City and County of San Francisco, various construction loan notes, promissory notes, community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately \$664 million as of June 30, 2006 have been issued by the Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

(11) Commitments and Contingent Liabilities

(a) Low and Moderate Income Housing Requirements of the Agency

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established the Low and Moderate Income Housing Fund to account for this commitment and has budgeted \$371 million for such expenditures since its inception. The Agency has expended \$278 million for low- and moderate-income housing since its inception.

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

Notes to Financial Statements

June 30, 2006

(b) *Redevelopment Plan Requirements*

Effective January 1, 1995, the California State Legislature passed Assembly Bill 1290 (AB 1290). This legislation imposes several requirements on redevelopment agencies and permits the establishment of time limits for the issuance of debt, plan termination, and the collection of tax increment. The Agency amended its redevelopment plan during the year ended June 30, 1995 to be in accordance with these requirements.

As part of AB 1290, the Agency is required to report any excess surplus to the Federal Department of Housing and Community Development. An excess surplus exists for a fiscal year if the unencumbered balance at year-end in the Agency's Low and Moderate Housing Fund exceeds the greater of \$1 million or the aggregate amount of tax increment deposited into this fund during the preceding four fiscal years. If any excess surplus is not spent or encumbered within three years it must be transferred to the County housing authority. The Agency did not have any surplus housing funds for the year ended June 30, 2006 based on calculations by Agency management.

(c) *Insurance, Claims and Litigation*

The Agency is a member of the Bay Cities Joint Powers Insurance Authority, which provides coverage for its general liability, automobile liability and public officials' errors and omissions risks with combined single limits of \$20,000,000 per occurrence and a deductible of \$50,000 self-insurance retention per occurrence. Workers' compensation insurance is provided by the State Compensation Insurance Fund up to statutorily determined limits.

Claims relating to the construction of the George R. Moscone Convention Center, if any, are indemnified by the City in an agreement between the Agency and the City.

The Agency has been named as defendant in several legal actions, which are covered by its insurance policies. In the opinion of the Agency's management and legal counsel, the outcome of these actions will not have a material adverse effect on the financial position of the Agency. The amount of settlements for each of the past three fiscal years has not exceeded insurance coverage.

(d) *Federal Grants*

The Agency participates in federal grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs have not yet been completed. Accordingly, the Agency's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. Management believes that disallowances, if any, would not have a material effect on the financial statements.

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

Notes to Financial Statements

June 30, 2006

(e) Operating Leases

The Agency has entered into two operating leases for its office sites, one lease for the South of Market Project Area Committee office, and a Master Lease Option Agreement (through the City) with the San Francisco Port Commission, which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2006, the Agency has exercised several of the lease options. Total future minimum operating lease payments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 1,621,467	175,022	1,796,489
2008	1,622,107	175,022	1,797,129
2009	1,600,159	175,022	1,775,181
2010	1,600,159	175,022	1,775,181
2011	1,600,159	175,022	1,775,181
2012 – 2016	8,000,795	875,113	8,875,908
2017 – 2021	4,591,410	875,113	5,466,523
2022 – 2026	3,243,515	875,113	4,118,628
2027 – 2031	3,243,515	875,113	4,118,628
2032 – 2036	3,243,515	875,113	4,118,628
2037 – 2041	3,243,515	875,113	4,118,628
2042 – 2046	3,243,515	875,113	4,118,628
2047 – 2050	2,594,812	743,845	3,338,657
	<u>\$ 39,448,643</u>	<u>7,744,746</u>	<u>47,193,389</u>

Rent payments in the Capital Projects Fund totaling \$2,097,551 are included in the caption urban redevelopment and housing on the accompanying government-wide and governmental fund financial statements for the year ended June 30, 2006.

(f) Capital Projects

The Agency has commitments under contracts of approximately \$32.9 million as of June 30, 2006.

(g) Standby Payment Agreements

The Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development (HUD) guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is \$47.8 million. As of June 30, 2006, management has designated \$4,779,752 for standby payment agreements. It is management's intent to designate 10% of the estimated maximum obligation.

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

Notes to Financial Statements

June 30, 2006

(12) Rental Income

(a) Noncancelable Operating Leases – Governmental Activities

The Agency has entered into eighteen noncancelable operating leases within the Yerba Buena Center, Western Addition Area Two, Hunters Point, South of Market, and Mission Bay North project areas. The initial terms of the leases will expire in years ranging from 2006 to 2097. The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2006:

	<u>Governmental activities</u>
Year ending June 30:	
2007	\$ 4,398,924
2008	4,430,028
2009	4,464,366
2010	4,514,640
2011	4,540,641
2012 – 2016	21,745,296
2017 – 2021	21,973,267
2022 – 2026	21,340,940
2027 – 2031	23,018,185
2032 – 2036	23,409,725
2037 – 2041	20,520,412
2042 – 2046	21,817,596
2047 – 2051	3,908,637
2052 – 2056	475,000
2057 – 2061	410,000
2062 – 2066	400,000
2067 – 2071	272,016
2072 – 2076	238,222
2077 – 2081	150,000
2082 – 2086	150,000
2087 – 2091	150,000
2092 – 2096	150,000
2097 – 2101	37,500
	<u>\$ 182,515,395</u>

For the year ended June 30, 2006, operating lease rental income from noncancelable operating leases was \$8,303,598, as reported in the basic financial statements.

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

Notes to Financial Statements

June 30, 2006

(b) Noncancelable Operating Leases – Business-type Activities

The Agency has entered into three noncancelable operating subleases at Pier 40, in the South Beach Harbor project area. The initial terms of the leases will expire in years ranging from 2013 to 2023. The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2006:

	Business –type activities
Year ending June 30:	
2007	\$ 118,317
2008	118,317
2009	118,317
2010	118,317
2011	118,317
2012 – 2016	327,595
2017 – 2021	217,276
2022 – 2023	65,183
	<hr/>
	\$ 1,201,639

(c) Capital Lease

The Agency has entered into a capital lease with the City for use of land and facility space pertaining to the George R. Moscone Convention Center. The lease repayment terms, which extend through July 1, 2024, mirror the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the George R. Moscone Convention Center. The lease payments are recognized as rental income and the principal and interest payments on the lease revenue bonds are recognized as debt service expenditures in the accompanying governmental fund financial statements. For purposes of the government-wide financial statements, the capital lease is recorded as a receivable and the corresponding lease revenue bonds are recorded as liabilities of the Agency. The principal portion of the lease payments is recorded as a reduction of the capital lease receivable, and the principal payments on the lease revenue bonds are recorded as a reduction of the debt. The interest portion of the lease is recognized as rental income, and the interest payments on the lease revenue bonds are recognized as interest expense.

The lease agreement for the George R. Moscone Convention Center provides for deferred base rental payments commencing in May 1996 at a rate of \$870,000 per year until the termination date of the lease, July 1, 2024. Deferred base rental represents a portion of the fair rental value of the project, which has been deferred by the agreement, to a date when monies are anticipated to be available.

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

Notes to Financial Statements

June 30, 2006

Amounts to be provided from capital leases are as follows:

Year ending June 30:	
2007	\$ 17,874,254
2008	18,571,004
2009	18,639,479
2010	18,716,781
2011	18,794,186
2012 – 2016	94,772,366
2017 – 2021	63,638,111
2022 – 2025	<u>13,070,928</u>
Total minimum lease payments	264,077,109
Less amounts representing interest	<u>(73,981,521)</u>
Present value of maximum lease payments	\$ <u>190,095,588</u>

For the year ended June 30, 2006, rental income was \$17,610,593 as reported in the basic financial statements.

(13) Accumulated Deficit – Proprietary Fund

As of June 30, 2006, the Proprietary Fund had an accumulated deficit of \$1,230,689. A reduction in this deficit is planned over the next several years as the Agency supplements funds primarily from tax increment revenues to pay debt service on proprietary obligations.

(14) Subsequent Events

On August 24, 2006, the Authority issued \$50,731,331 in 2006 Series A Taxable Tax Allocation Revenue Bonds (2006 Series A Bonds) and \$34,510,000 in 2006 Series B Tax Allocation Revenue Bonds (2006 Series B Bonds). The proceeds from the 2006 Series A Bonds will be used primarily to fund the construction of affordable housing, renovate a pier in the Rincon Point-South Beach project area, and provide financial assistance to a museum located in the Yerba Buena Center project area. The proceeds from the 2006 Series B Bonds will be used to fund the construction of streets, sidewalks, sewer/sewage facilities and open space in the Mission Bay North project area.

The Agency loaned Community Housing Partnership (CHP), a California non-profit public benefit corporation, a construction bridge loan of \$4,098,893 for the rehabilitation of the Senator housing project. The loan funds were disbursed from November 2004 through February 2006. The loan was considered uncollectible as of June 30, 2006 because the permanent financing was dependent on receiving other sources of funding. On September 18, 2006, the principal amount of \$4,098,893 was paid when CHP received its permanent financing. The related accrued interest of \$440,495 was added to an existing permanent loan. As of June 30, 2006, the amount outstanding for the permanent loan to CHP is \$1,347,527.

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

Required Supplementary Information

California Public Employees' Retirement System –
Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) entry age	Overfunded/ Underfunded AAL OAAL (UAAL)	Funded ratio	Covered payroll	OAAL (UAAL) as a % of covered payroll
6/30/2002	\$ 69,620,231	\$ 62,918,436	\$ 6,701,795	110.7%	\$ 9,645,819	69.48%
6/30/2003	\$ 68,879,819	\$ 69,592,356	\$ (712,537)	99.0%	\$ 10,482,745	(6.80%)
6/30/2004	\$ 70,831,774	\$ 72,058,287	\$ (1,226,513)	98.3%	\$ 10,043,792	(12.21%)

See accompanying independent auditors' report and note 8 in the financial statements for actuarial assumptions and other information related to the schedule of funding progress.

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

Capital Projects Fund
Combining Schedule of Accounts

June 30, 2006

Assets	City-wide Housing	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Yerba Buena Center	Hunters Point Shipyard	Mission Bay North	Mission Bay South	Transbay	Golden Gateway/So. of Market/ Fed. Office Bldg.	General Redevelopment	Total
Deposits and investments	\$ 32,008,292	938,757	140,055	2,376,658	2,084,326	15,982,105	1,779,390	409,407	7,562	202,762	4,852,696	108,910,541	167,303,430
Interest and other receivables	113,355	228,593	—	100,000	75	331,702	358,333	—	—	—	—	4,465,379	7,638,225
Intergovernmental receivable	847,557	—	—	—	—	—	—	—	—	—	—	347,631	1,205,890
Due from other funds	—	—	—	—	—	—	—	—	—	—	—	—	347,631
Capital lease receivables	—	—	—	—	—	—	—	—	—	—	—	—	8,145,929
Notes and mortgages receivable, net	286,381	526,055	—	—	3,290,111	8,145,929	—	3,777,572	—	—	—	1,005,067	10,466,909
Property held for sale	13,352,348	—	—	—	2,109,316	2,107,778	—	—	—	—	—	—	15,987,721
Interproject (payables) receivables	41,689,768	3,765,196	959,251	(21,975,955)	26,005,658	(51,043,079)	(12,679,717)	748,634	(843,915)	—	(31,810,687)	45,184,846	13,987,721
Total assets	\$ 88,297,701	5,458,601	1,099,306	(19,499,297)	33,489,486	(24,465,564)	(10,541,994)	4,935,613	(836,353)	202,762	(26,957,990)	159,913,464	211,095,735
Liabilities and Fund Balance													
Liabilities:													
Accounts payable	\$ 3,957,856	7,182	—	3,300	—	63,372	1,254,009	—	—	—	4,244	2,662,746	7,952,709
Other liabilities	—	—	—	—	91,200	210,596	92,840	510,000	625,416	—	—	—	1,530,052
Due to primary government	—	—	—	—	—	450,000	—	—	—	—	—	—	450,000
Deferred revenue	4,498,875	151,668	—	—	1,668,505	9,698,961	358,333	—	—	—	—	1,076,794	17,453,136
Total liabilities	8,456,731	158,850	—	3,300	1,759,705	10,422,929	1,705,182	510,000	625,416	—	4,244	3,739,540	27,385,897
Fund balance:													
Reserved for:													
Long term notes and mortgages receivable	286,381	—	—	—	3,290,111	2,107,778	—	3,777,572	—	—	—	1,005,067	10,466,909
Property held for sale	13,352,348	526,055	—	—	2,109,316	1	—	—	—	—	1	—	15,987,721
Unreserved:													
Designated (Undesignated)	66,202,241	4,773,696	1,099,306	(19,502,597)	26,330,354	(36,996,272)	(12,247,176)	648,041	(1,461,769)	202,762	(26,962,235)	155,168,857	157,255,208
Total fund balance	79,840,970	5,299,751	1,099,306	(19,502,597)	31,729,781	(34,888,493)	(12,247,176)	4,425,613	(1,461,769)	202,762	(26,962,234)	156,173,924	183,709,838
Total liabilities and fund balance	\$ 88,297,701	5,458,601	1,099,306	(19,499,297)	33,489,486	(24,465,564)	(10,541,994)	4,935,613	(836,353)	202,762	(26,957,990)	159,913,464	211,095,735

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

Capital Projects Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Account
Year ended June 30, 2006

	City-wide Housing	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Verba Buena Center	Hunters Point Shipyard	Mission Bay North	Mission Bay South	Transbay	Golden Gateway/Su. of Market/ Fed. Office Bldg.	General Redevelopment	Elimination of Intrafund Transfers	Total
Revenues:														
Property tax increment	\$ -	562,208	552,128	11,547,484	11,037,312	20,030,808	-	5,514,532	615,108	-	15,718,089	-	-	65,577,669
Property sales	-	1,140,450	-	-	504,344	380,001	-	-	-	-	-	-	-	2,024,795
Rental lease income	1,622,736	-	-	566,479	-	8,522,464	13,814	-	-	-	-	180,000	-	10,905,493
Investment income	2,651,411	228,020	12,639	552,109	716,454	1,363,510	14,040	236,977	7,344	-	1,267,357	1,545,878	-	8,595,739
Grant revenue	8,683,600	-	-	-	205,000	-	971,667	-	-	-	-	-	-	9,860,267
Developer contributions	2,000,000	-	-	100,000	-	-	1,153,956	439,402	-	-	-	-	-	3,693,358
Other income	1,161,423	-	-	49,100	641,789	1,712,069	-	5,000,000	-	202,762	344,023	501,873	-	9,613,039
Total revenues	16,119,170	1,930,678	564,767	12,815,172	13,104,899	32,008,852	2,153,477	11,190,911	622,452	202,762	17,329,469	2,227,751	-	110,270,360
Expenditures:														
Current:														
Urban redevelopment and housing	30,802,584	2,148,302	124,808	7,517,301	10,262,864	18,401,705	4,120,392	13,109,459	967,510	-	8,023,559	3,142,532	-	98,621,016
Debt service:	-	68,924	69,035	72,203	369,990	490,258	-	269,063	-	-	526,701	-	-	1,866,174
Bond issuance costs	30,802,584	2,217,226	193,843	7,589,504	10,632,854	18,891,963	4,120,392	13,378,522	967,510	-	8,550,260	3,142,532	-	100,387,190
Total expenditures	(14,683,414)	(286,548)	370,924	5,225,668	2,472,045	13,116,889	(1,966,915)	(2,187,611)	(345,058)	202,762	8,779,209	(914,781)	-	9,783,170
Other financing sources (uses):														
Transfer of bond proceeds	-	3,105,000	3,110,000	3,330,000	17,010,000	21,565,000	-	16,230,000	-	-	24,260,000	-	-	88,610,000
Premium on tax allocations bonds	-	-	-	(2,570)	-	(196,620)	-	93,412	-	-	-	-	-	93,412
Discount on tax allocation bonds	29,000,000	(28,310)	(28,356)	(2,570)	(688,840)	(196,620)	-	-	-	-	(124,033)	-	-	(468,729)
Transfers in	-	-	-	-	283,665	3,945,561	-	5,233,239	-	-	-	42,768,483	(32,934,000)	48,296,948
Transfers out	-	(3,393,125)	(6,513,561)	(10,495,316)	(26,535,888)	(51,269,138)	-	(17,040,337)	-	-	(43,765,080)	(3,934,000)	32,934,000	(130,072,445)
Total other financing sources (uses)	29,000,000	(3,164,435)	(3,431,917)	(7,167,886)	(9,331,063)	(25,955,197)	-	4,516,314	-	-	(19,629,113)	38,834,483	-	6,519,186
Net change in fund balance	14,316,586	(602,983)	(3,060,993)	(1,942,218)	(6,859,018)	(12,838,308)	(1,966,915)	2,328,703	(345,058)	202,762	(10,849,904)	37,919,702	-	16,302,356
Fund balance, beginning of year	65,524,384	5,902,734	4,160,299	(17,560,379)	38,588,799	(22,050,185)	(10,280,261)	2,096,910	(1,116,711)	-	(16,112,330)	118,254,222	-	167,407,482
Fund balance, end of year	79,840,970	5,299,751	1,099,306	(19,502,597)	31,729,781	(34,888,493)	(12,247,176)	4,425,613	(1,461,769)	202,762	(26,962,234)	156,173,924	-	183,709,838

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

Debt Service Fund
Combining Schedule of Accounts

June 30, 2006

	Golden Gateway/South of Market	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Yerba Buena Center	Mission Bay North	Total
Assets								
Capital lease receivables	\$ —	—	—	—	—	181,949,659	—	181,949,659
Investments with trustees – restricted	29,990,240	305,885	65,463	14,526,331	1,799,764	34,527,384	16,693,070	97,908,137
Total assets	\$ 29,990,240	305,885	65,463	14,526,331	1,799,764	216,477,043	16,693,070	279,857,796
Liabilities and Fund Balance								
Due to primary government	\$ —	—	—	—	—	331,620	—	331,620
Deferred revenue	—	—	—	—	—	181,949,659	—	181,949,659
Total liabilities	—	—	—	—	—	182,281,279	—	182,281,279
Fund balance – reserved for debt service	29,990,240	305,885	65,463	14,526,331	1,799,764	34,195,764	16,693,070	97,576,517
Total liabilities and fund balance	\$ 29,990,240	305,885	65,463	14,526,331	1,799,764	216,477,043	16,693,070	279,857,796

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

Debt Service Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Account
Year ended June 30, 2006

	Golden Gateway/South of Market	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Yerba Buena Center	Mission Bay	Elimination of Intrafund Transfers	Total
Revenues:									
Rental/lease income	—	—	—	—	—	17,610,593	—	—	17,610,593
Investment income	469,442	11,193	20,180	272,893	244,527	1,374,999	49,316	—	2,442,550
Hotel tax	—	—	—	—	—	5,548,551	—	—	5,548,551
Total revenues	469,442	11,193	20,180	272,893	244,527	24,534,143	49,316	—	25,601,694
Expenditures:									
Debt service:									
Principal retirement	7,001,742	112,220	149,986	2,885,536	4,478,480	13,953,686	—	—	28,581,650
Interest and finance charges	6,714,477	290,684	702,299	4,183,123	4,622,306	23,079,326	397,703	—	39,989,918
Total expenditures	13,716,219	402,904	852,285	7,068,659	9,100,786	37,033,012	397,703	—	68,571,568
Excess of expenditures over revenues	(13,246,777)	(391,711)	(832,105)	(6,795,766)	(8,856,259)	(12,498,869)	(348,387)	—	(42,969,874)
Other financing sources (uses):									
Refunding bonds issued	14,940,000	—	—	3,330,000	10,170,000	—	—	—	28,440,000
Tax allocation bonds issued	9,320,000	3,105,000	3,110,000	—	6,840,000	21,565,000	16,230,000	—	60,170,000
Transfer of bond proceeds	(24,260,000)	(3,105,000)	(3,110,000)	(3,330,000)	(17,010,000)	(21,565,000)	(16,230,000)	—	(88,610,000)
Payment to refunded bonds escrow agent	(16,793,662)	—	—	(3,460,192)	(9,652,350)	—	—	—	(29,906,204)
Transfers in	22,478,966	535,987	966,302	13,111,666	14,122,816	26,155,680	17,364,799	(2,857,361)	91,878,855
Transfers out	(3,073,583)	(73,286)	(132,126)	(1,786,718)	(1,600,997)	(6,030,667)	(323,342)	2,857,361	(10,163,358)
Total other financing sources (uses)	2,611,721	462,701	834,176	7,864,756	2,869,469	20,125,013	17,041,457	—	51,809,293
Net change in fund balance	(10,635,056)	70,990	2,071	1,068,990	(5,986,790)	7,626,144	16,693,070	—	8,839,419
Fund balance, beginning of year	40,625,296	234,895	63,392	13,457,341	7,786,554	26,569,620	—	—	88,737,098
Fund balance, end of year	29,990,240	305,885	65,463	14,526,331	1,799,764	34,195,764	16,693,070	—	97,576,517

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

Proprietary Fund
Combining Schedule of Revenues and Expenses by Account
Year ended June 30, 2006

	South Beach Harbor operations	South Beach Harbor bond proceeds activity	Total
Operating revenues:			
Rent	\$ 2,917,327	—	2,917,327
Other	45,036	—	45,036
Total operating revenues	<u>2,962,363</u>	<u>—</u>	<u>2,962,363</u>
Operating expenses:			
Personnel	748,223	—	748,223
Rent	175,021	—	175,021
Insurance	101,854	—	101,854
Light, heat and power	234,040	—	234,040
Materials and supplies	23,045	—	23,045
Repairs & maintenance	223,662	—	223,662
Depreciation and amortization	442,223	—	442,223
General and administrative	59,340	—	59,340
Other	1,093	—	1,093
Total operating expenses	<u>2,008,501</u>	<u>—</u>	<u>2,008,501</u>
Operating income	<u>953,862</u>	<u>—</u>	<u>953,862</u>
Nonoperating revenues (expenses):			
Investment earnings	56,752	65,040	121,792
Interest expense	(475,736)	(292,508)	(768,244)
Property tax increment	248,410	—	248,410
Net nonoperating expenses	<u>(170,574)</u>	<u>(227,468)</u>	<u>(398,042)</u>
Change in net assets	<u>\$ 783,288</u>	<u>(227,468)</u>	<u>555,820</u>

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

Agency Fund
Combining Schedule of Fiduciary Net Assets by Account
June 30, 2006

Assets	Hunters Point	India Basin	Rincon Point South Beach	Western Addition	Mission Bay North	Yerba Buena Center	General Redevelopment	Total
Deposits and investments	\$ 405,132	20,585	116,912	815,204	101,000	129,843	992,462	2,581,138
Notes and mortgages receivable	—	—	—	—	—	—	445,569	445,569
Investment with trustees – restricted	—	—	—	—	—	35,867	—	35,867
Total assets	\$ 405,132	20,585	116,912	815,204	101,000	165,710	1,438,031	3,062,574
Liabilities								
Due to the City and County of San Francisco	\$ —	—	—	—	—	35,867	445,569	481,436
Due to Community Facility District	—	—	—	—	—	—	992,462	992,462
Developers' performance deposits	405,132	20,585	116,912	815,204	101,000	129,843	—	1,588,676
Total liabilities	\$ 405,132	20,585	116,912	815,204	101,000	165,710	1,438,031	3,062,574

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Department/Program	Federal Catalog No.	Federal expenditures
U.S. Department of Commerce		
Economic Adjustment Assistance	11.307	\$ 1,330,000
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	540,432
Housing Opportunities for Persons with AIDS	14.241	8,523,420
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	357,660
Environmental Protection Agency		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	200,000
Total expenditures of federal awards		\$ <u>10,951,512</u>

See notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

(1) Basis of Accounting – Federal Financial Assistance Programs

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting which is described in note 1(d) of the accompanying basic financial statements.

(2) Housing Opportunities for Persons with AIDS (HOPWA)

The objective of the HOPWA grant is to provide states and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with acquired immunodeficiency syndrome (AIDS) or related diseases, and their families. The program authorized entitlement grants and competitive awarded grants for housing assistance and services.

(3) Community Development Block Grants/Entitlement Grants (CDBG)

The objective of the CDBG grant is the development of viable urban communities, decent housing and a suitable living environment, and expansion of economic opportunities. The economic opportunities are expanded through achieving one or more of the three broad national objectives: (1) benefiting low- and moderate-income persons; (2) aiding in the prevention or elimination of slums or blight; and (3) meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community wherein other financial resources are not available to meet such needs.

During the year ended June 30, 2006, the Agency received no direct CDBG funds. Program expenditures totaled \$540,432 and represent expenditures of program income.

(4) Economic Adjustment Assistance

The Economic Adjustment Assistance grant is administrated under the Department of Commerce. The objective of this grant is to provide a wide range of technical, planning and infrastructure assistance in regions experiencing adverse economic changes. This program is designed to respond flexibly to pressing economic recovery issues.

(5) Community Development Block Grants/Brownfields Economic Development Initiative

The Community Development Block Grants/Brownfields Economic Development Initiative grant is administrated under the U.S. Department of Housing and Urban Development (HUD). This congressional grant is authorized each year in the annual HUD appropriation. Congress authorizes a specific level of funding to a designated grantee to undertake a particular activity cited in the appropriation.

(6) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule have been reconciled to the accompanying basic financial statements and the amounts reported in the related federal financial reports.

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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

(7) Subrecipients

Program expenditures of \$8,348,159 for the HOPWA grant and \$282,527 for the CDBG grant were provided to subrecipients.



WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Redevelopment Agency of the City and County of San Francisco (the Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 22, 2006. Our report on the basic financial statements was modified to indicate the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*; and GASB Statement No. 47, *Accounting for Termination Benefits*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed an instance of noncompliance that is required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies*, which is described in the accompanying schedule of state compliance findings as 06-01.



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

We noted certain matters that we reported to the management of the Agency in a separate letter dated November 22, 2006.

This report is intended solely for the information and use of the Agency Commission, management, federal awarding agencies, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company, LLP

San Francisco, California
November 22, 2006



WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

**Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Redevelopment Agency of the City and County of San Francisco (the Agency), a component unit of the City and County of San Francisco, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Agency Commission, management, federal awarding agencies, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company, LLP

San Francisco, California
November 22, 2006

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: Unqualified opinion
- (b) Reportable conditions in internal control disclosed by the audit of the basic financial statements:
None reported

Material weaknesses: No
- (c) Noncompliance which is material to the basic financial statements: No
- (d) Reportable conditions in internal control over major programs: None reported

Material weaknesses: No
- (e) The type of report issued on compliance for major programs: Unqualified opinion
- (f) Audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: No
- (g) Major programs:

<u>CFDA#</u>	<u>Name of Federal Program</u>
11.307	Economic Adjustment Assistance
14.218	Community Development Block Grants/Entitlement Grants
14.241	Housing Opportunities for Persons with AIDS
14.246	Community Development Block Grants/Brownfields Economic Development Initiative

- (h) Dollar threshold used to distinguish between Types A and B programs: \$328,545
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: Yes

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: None

(3) Findings and Questioned Costs Related to Federal Awards: None

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

Schedule of State Compliance Findings

Year ended June 30, 2006

**Finding No. 06-1: State Redevelopment Agency Compliance Requirements – Affordable Housing
(Monitoring Available Levels of Affordable Housing to Low- or Moderate-Income Households)**

Criteria:

Pursuant to California Health and Safety Code Section 33418, the Agency is required to maintain a system to monitor the levels of affordable housing made available to low- or moderate-income persons and families. As part of the monitoring, the Agency must require property owners or managers of low- or moderate-income housing to submit an annual report to the Agency. For each rental unit, this report must include the rental rate and income and family size of occupants. The income information shall be supplied by the tenant in a certified statement on a form provided by the Agency. The Agency is also required to report the obtained information to the department of Housing and Community Development or the Controller.

Observation:

During our testing, we noted that the Agency did not have reports on file containing the income for one of four multi-family rental properties selected for testing.

Recommendation:

We recommend that the Agency establish policies and procedures to ensure that monitoring of affordable housing is performed annually and related documentation is maintained.

Management Response:

The Deputy Executive Director for Housing has been directed to modify the policies and procedures related to annual monitoring of the Agency's low- and moderate-income housing to ensure that the annual monitoring will conform with Health and Safety Code 33418.

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of selected provisions of the 2007 Series A Indenture, the 2007 Series A Loan Agreements, the 2007 Series B Indenture and the 2007 Series B Loan Agreements. This summary is not intended to be definitive, and reference is made to the full text of such documents for the complete terms thereof.

The summary of the 2007 Series A Indenture and the 2007 Series B Indenture applies to each such Indenture, except where otherwise noted. The summary of the 2007 Series A Loan Agreements and the 2007 Series B Loan Agreements applies to each such Loan Agreement, except where otherwise noted.

DEFINITIONS

Capitalized terms used in this summary shall have the definitions given below. Capitalized terms used but not defined in this summary shall have the definitions previously given in this Official Statement.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Agency" means the Redevelopment Agency of the City and County of San Francisco, a public body corporate and politic organized under the laws of the State, and any successor thereto.

"Agreement" means that certain Joint Exercise of Powers Agreement, dated as of July 11, 1989, by and between the City and the Agency, together with any amendments thereof and supplements thereto.

"Allocable Tax Revenues" means:

(i) with respect to all of the Several Project Areas other than the Mission Bay North Project Area and the Transbay Redevelopment Project Area, all taxes annually allocable without regard to the Plan Limit following the Closing Date to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Loan and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area; but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to

payments due under the Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law.

(ii) with respect to the Mission Bay North Project Area, an amount equal to 20% of all taxes annually allocable without regard to the Plan Limit following the Closing Date, to the Agency with respect to the Mission Bay North Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan.

(iii) with respect to the Transbay Redevelopment Project Area, all taxes annually allocable without regard to the Plan Limit following the Closing Date to the Agency with respect to the Transbay Redevelopment Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Loan and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to such Project Area; but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund, and also excluding (i) all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due under the Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law and (ii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan.

"Authority" means the City and County of San Francisco Redevelopment Financing Authority, a joint powers authority duly organized and existing under the Agreement and the laws of the State, including the Act.

"Board" means the Board of Directors of the Authority.

"Bond Law" means Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State.

"Bond Year" means each twelve (12) month period extending from August 2 in one calendar year to August 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on August 1, 2008.

"Bonds" means the Series A Bonds and the Series B Bonds, as the context requires.

"Business Day" means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, or any other city or cities where the Trust Office of the Trustee is located are required or authorized by law to close or a day on which the Federal Reserve System is closed.

"Certificate of the Agency" means a certificate in writing signed by the Executive Director, Deputy Executive Director, Finance and Administration or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Certificate of the Authority" means a certificate in writing signed by the Executive Director, Treasurer or Secretary of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose.

"City" or "City and County" means the City and County of San Francisco, a chartered city and municipal corporation organized and existing under the Constitution and laws of the State.

"Closing Date" means the date of original issuance of the Series A Bonds and the Series B Bonds, as applicable.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Loans pursuant to the Loan Agreements, compensation, fees and expenses (including, but not limited to fees and expenses for legal counsel) of the Authority, the Agency and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses and recording costs, rating agency fees, bond insurance premiums, costs of preparation and reproduction of documents and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the applicable Indenture.

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal amount of all Outstanding Bonds, coming due and payable by their terms in such period; and

(b) The interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"Defeasance Obligations" means

(a) Cash;

(b) Federal Securities;

(c) Interest and principal strips of Federal Securities that have been stripped by the United States Treasury, CATS, TIGRS, and other similar obligations.

(d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(e) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and

(f) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Indenture.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described as such in the applicable Indenture or Loan Agreement, as the context requires.

"Fair Market Value" means, with respect to the 2007 Series B Bonds, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) 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 direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee, including interest strips of the Resolution Funding Corporation for which separation of principal and interest is made by a Federal Reserve Bank in book-entry form.

"Financial Guaranty Agreement" means a Financial Guaranty Agreement relating to a Surety Bond between the Agency and the Insurer.

"Fiscal Year" means any twelve (12) month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve (12) month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means the 2007 Series A Indenture or the 2007 Series B Indenture, as the context requires, as such documents are originally executed or as they may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

"Independent Certified Public Accountant" or "Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the Agency, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority, the City or the Agency;

(b) does not have any substantial interest, direct or indirect, in the Authority, the City or the Agency; and

(c) is not connected with the Authority, the City or the Agency as an officer or employee of the Authority, the City or the Agency but who may be regularly retained to make annual or other audits of the books of or reports to the Authority, the City or the Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

(a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects;

(b) is in fact independent and not under the domination of the Agency;

(c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity Debt; and

(d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Insurance Policy" means the financial guaranty insurance policy issued by the Insurer guaranteeing the scheduled payment of principal and interest on the Series A Bonds or the Series B Bonds, as applicable, when due.

"Insurer" means the provider of financial guaranty insurance with respect to the Bonds, MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or any successor thereto or assignee thereof.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the applicable Indenture

"Interest Payment Date" means February 1 and August 1 (or the next Business Day, if such date is not a Business Day), in each year, beginning February 1, 2008, and continuing thereafter so long as any Bonds remain Outstanding.

"Investment Earnings" means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the applicable Loan Agreement.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Tax Code), obligation, annuity or investment-type property, excluding, however, obligations the interest on which is excludable from gross income for federal income tax purposes under Section 103 of the Tax Code.

"Loan Agreement," "2007 Series A Loan Agreements" and "2007 Series B Loan Agreements" have the following respective meanings:

With respect to the Series A Bonds, "2007 Series A Loan Agreements" means, collectively, the following Loan Agreements relating to the Series A Bonds: (a) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to the Bayview Hunters Point Redevelopment Project Area - Project Area B; (b) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency to the Agency with respect to the Mission Bay North Project Area; (c) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency to the Agency with respect to the Rincon Point - South Beach Redevelopment Project Area; (d) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency to the Agency with respect to the South of Market Redevelopment Project Area; (e) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency to the Agency with respect to the Transbay Redevelopment Project Area; and (f) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency to the Agency with respect to the Yerba Buena Center Approved Redevelopment Project Area D-1. With respect to the Series A Bonds, "Loan Agreement" means any one of the 2007 Series A Loan Agreements.

With respect to the Series B Bonds, "2007 Series B Loan Agreements" means, collectively, the following Loan Agreements: (a) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to the Merged Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area/South of Market Redevelopment Project Area/Federal Office Building Redevelopment Project Area; (b) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, and the Trustee and the Agency relating to the loan to the Agency with respect to the Hunters Point Redevelopment Project Area (now known as the Bayview

Hunters Point Redevelopment Project Area – Project Area A); (c) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, and the Trustee and the Agency relating to the loan to the Agency with respect to the India Basin Industrial Park Redevelopment Project Area; (d) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, and the Trustee and the Agency relating to the loan to the Agency with respect to the Rincon Point - South Beach Redevelopment Project Area; (e) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to the Western Addition Redevelopment Project Area A-2; and (f) the Loan Agreement, dated as of October 15, 2007, by and among the Authority, the Trustee and the Agency relating to the loan to the Agency with respect to the Yerba Buena Center Approved Redevelopment Project Area D-1. With respect to the Series B Bonds, "Loan Agreement" means any one of the 2007 Series B Loan Agreements.

"Loan" means a loan made by the Authority to the Agency under and pursuant to either one of the 2007 Series A Loan Agreements or the 2007 Series B Loan Agreements.

"Loan Fund" means the fund by that name established and held by the Trustee pursuant to the applicable Indenture.

"Low and Moderate Income Housing Fund" means the fund of the Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest amount for the current or any future Bond Year payable on the applicable Loan or any Parity Debt in such Bond Year. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded payments with respect to the applicable Loan or any Parity Debt to the extent that amounts due with respect to the applicable Loan or such Parity Debt are prepaid or otherwise discharged in accordance with the applicable Loan Agreement or the relevant Parity Debt Instrument or to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Agency unless the amount of Allocable Tax Revenues for the most recent Fiscal Year (as evidenced in a written document from an appropriate official of the City and County), at least equals one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service which would result if any such moneys on deposit in such escrow fund were to be released and deposited in the applicable Redevelopment Fund or the Low and Moderate Income Housing Fund.

"Nominee" means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the applicable Indenture.

"Nonpurpose Investment" means any Investment Property which is acquired with the Proceeds and is not acquired in order to carry out the governmental purpose of the Bonds.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the applicable Indenture relating to disqualified Bonds) all Bonds theretofore executed, issued and delivered by the Authority under the applicable Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the provisions of the applicable Indenture relating to the discharge thereof, but not including Bonds paid by the Insurer; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the applicable Indenture or any Supplemental Indenture.

Bonds the principal of or interest on which has been paid by the Insurer pursuant to the Insurance Policy shall remain Outstanding for all purposes, as provided in the Indenture.

"Owner" or "Bond Owner," when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any other indebtedness of the Agency relating to the applicable Project Area meeting the requirements of the applicable Loan Agreement.

"Parity Debt Instrument" means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt.

"Participant" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as a securities depository.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to determine the legality of any investments) but only, with respect to the Series B Bonds, to the extent the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of Ginnie Mae (formerly known as the Government National Mortgage Association); (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed

securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of Sallie Mae (formerly known as the Student Loan Marketing Association); (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF;

(g) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements acceptable to the Insurer;

(h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;

(k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

(l) other forms of investments (including repurchase agreements) approved in writing by the Insurer.

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Plan Limit" means the limitation contained in a Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.2 of the Redevelopment Law.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the applicable Indenture.

"Prior Bonds" shall mean the following bonds issued by the Authority: \$22,299,217.46 initial aggregate principal amount of 1989 Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$22,995,819.10 initial aggregate amount of 1990 Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$24,913,005.40 initial aggregate principal amount of 1991 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$57,934,118.50 initial aggregate principal amount of 1993 Series B Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects); \$25,700,000 initial aggregate principal amount of 1993 Series C Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$20,123,128.45 initial aggregate principal amount of 1994 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$9,875,000 initial aggregate principal amount of 1994 Series B Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$11,920,000 initial aggregate principal amount of 1995 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$12,585,000 initial aggregate principal amount of 1996 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$28,375,000 initial aggregate principal amount of 1996 Series B Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$11,825,000 initial aggregate principal amount of 1996 Series C Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$16,575,000 initial aggregate principal amount of 1997 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$21,711,654.60 initial aggregate principal amount of 1998 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$7,625,000 initial aggregate principal amount of 1998 Series B Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$12,915,026.40 initial aggregate principal amount of 1998 Series C Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); and \$21,034,002 initial aggregate principal amount of 1998 Series D Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$53,200,000 initial aggregate principal amount of 1999 Series A Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$17,565,000 initial aggregate principal amount of 1999 Series B Tax Allocation Revenue Refunding Bonds (San Francisco Redevelopment Projects); \$11,200,000 initial aggregate principal amount of 2000 Series A Tax Allocation Revenue Funds (San Francisco Redevelopment Projects); \$6,990,000 initial aggregate principal amount of 2000 Series B Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$40,135,000 initial aggregate principal amount of 2001 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$78,025,000 initial aggregate principal amount of 2003 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$51,280,000 initial aggregate principal amount of 2003 Series B Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$15,130,000 initial aggregate principal amount of 2003 Series C Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$82,960,000 initial aggregate principal amount of 2004 Series A Tax Allocation Refunding and Capital Improvement Revenue Bonds (San Francisco Redevelopment Projects); \$4,435,000 initial aggregate principal amount of 2004 Series B Taxable Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects); \$7,790,000 initial aggregate principal amount of 2004 Series C Tax Allocation Revenue Bonds (Rincon Point - South Beach Redevelopment

Project); \$45,865,000 initial aggregate principal amount of 2004 Series D Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$20,350,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series A Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects); \$8,090,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series B Taxable Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects); \$43,940,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series C Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); \$16,230,000 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2005 Series D Tax Allocation Revenue Bonds (Mission Bay North Redevelopment Project); \$50,731,330.80 initial aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); and \$34,150,000 initial aggregate principal amount of City and County of San Francisco Financing Authority 2006 Series B Tax Allocation Revenue Bonds (Mission Bay North Redevelopment Project Infrastructure).

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding use by a governmental unit and use by any person as a member of the general public.

"Proceeds" means the face amount of the Bonds plus accrued interest and original issue premium, if any, less original issue discount, if any, and includes other amounts which will be held under the Indenture and the applicable Loan Agreements.

"Project Area" means one of the Several Project Areas.

"Proportionate Share" means the proportion of the proceeds of the Bonds allocable to each Loan, as set forth in the applicable Loan Agreement.

"Qualified Credit Instrument" means, subject to certain conditions set forth in the Loan Agreements, any of the following:

(a) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a "municipal bond insurer") if the claims paying ability of the issuer thereof shall be rated "AAA" and "Aaa" by Standard and Poor's Ratings Services and Moody's Investors Service, respectively;

(b) A surety bond or insurance policy issued to the Trustee by an entity other than a municipal bond insurer if the claims paying ability of the issuer thereof shall be rated "Aa" and "AA" or better by Moody's Investors Service and Standard and Poor's Ratings Services; or

(c) An unconditional irrevocable letter of credit issued to the Trustee by a bank, if the issuer thereof is rated at least "AA-" by Standard and Poor's Ratings Services and "Aa3" by Moody's Investors Service.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month (whether or not such day is a Business Day) immediately preceding such Interest Payment Date.

"Redevelopment Fund" means the redevelopment fund established under the applicable Loan Agreement.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

"Redevelopment Plan" means the redevelopment plan, as amended, for each of the project areas relating to the applicable Loan, as set forth in the definition of "Loan Agreement," above.

"Redevelopment Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

"Registration Books" means the records maintained by the Trustee pursuant to the applicable Indenture for the registration and transfer of ownership of the Bonds.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Loan Agreement to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Representation Letter" means the Representation letter to the Authority relating to the Depository's book-entry only system.

"Request of the Agency" means a request in writing signed by the Executive Director, Deputy Executive Director, Finance and Administration, or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Request of the Authority" means a request in writing signed by the Executive Director, Treasurer or Secretary of the Authority (or the written designate of either) or by any other officer of the Authority duly authorized by the Board for that purpose.

"Reserve Account" means the accounts of the same name established and held under each Loan Agreement by the Trustee.

"Reserve Requirement" means with respect to the applicable Loan or any Parity Debt, as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of such Loan or Parity Debt, as applicable, or, if the original issue discount exceeds 2% of such original principal amount, then ten percent (10%) of the original principal amount of, less original issue discount on, such Loan or Parity Debt, (ii) Maximum Annual Debt Service with respect to such Loan or Parity Debt, as applicable, or (iii) 125% of average annual debt service on such

Loan or Parity Debt, as applicable; provided that (a) for purposes of such calculation, proceeds of the Loan or Parity Debt which are held in an escrow fund described in the definition of Maximum Annual Debt Service shall not be included as part of the Loan or Parity Debt until such time as moneys are released from such escrow fund, (b) such calculation shall be made by the Agency and (c) the Agency may meet all of a portion of the Reserve Requirement by depositing a Qualified Credit Instrument meeting the requirements of the applicable Loan Agreement. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear a fixed interest rate of 9.2% per annum.

"Revenue Fund" means the fund by that name established pursuant to the applicable Indenture.

"Revenues" means (a) all amounts payable by the Agency to the Authority pursuant to the applicable Loan Agreements other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and, (ii) in the case of the Series B Bonds, amounts payable to the United States of America pursuant to the rebate provisions of the 2007 Series B Loan Agreements; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the applicable Indenture; and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the applicable Indenture.

"Securities Depository" means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Series A Bonds" or "2007 Series A Bonds" means the City and County of San Francisco Redevelopment Financing Authority 2007 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects), authorized by and at any time Outstanding pursuant to the Bond Law and the 2007 Series A Indenture.

"Series B Bonds" or "2007 Series B Bonds" means the City and County of San Francisco Redevelopment Financing Authority 2007 Series B Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects), authorized by and at any time Outstanding pursuant to the Bond Law and the 2007 Series B Indenture.

"Several Project Areas" means:

(i) with respect to the Series A Bonds and the 2007 Series A Loan Agreements, collectively, the Bayview Hunters Point Redevelopment Project Area - Project Area B, the Mission Bay North Project Area, the Rincon Point - South Beach Redevelopment Project Area, the South of Market Redevelopment Project Area, the Transbay Redevelopment Project Area and the Yerba Buena Center Approved Redevelopment Project Area D-1.

(ii) with respect to the Series B Bonds and the 2007 Series B Loan Agreements, collectively, the Merged Embarcadero-Lower Market (Golden Gateway) Redevelopment Project Area/South of Market Redevelopment Project Area/Federal Office Building Redevelopment Project Area, the Hunters Point Redevelopment Project

Area (now known as the Bayview Hunters Point Redevelopment Project Area – Project Area A), the India Basin Industrial Park Redevelopment Project Area, the Rincon Point - South Beach Redevelopment Project Area, the Western Addition Redevelopment Project Area A-2 and the Yerba Buena Center Approved Redevelopment Project Area D-1.

"Special Fund" means the fund of the same name established and held by the Agency pursuant to the applicable Loan Agreement.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency pursuant to the applicable Loan Agreement, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the applicable Loan Agreement for the security of the Loan.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the applicable Indenture.

"Surety Bond" means, as applicable, each debt service surety bond issued by the Insurer with respect to a 2007 Series A Loan Agreement (other than the 2007 Series A Loan Agreements with respect to the Bayview Hunters Point Redevelopment Project Area – Project Area B and the Transbay Redevelopment Project Area).

"Tax Code" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations with respect to such provision.

"Tax Regulations" means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Tax Code.

"Tax Revenues" means:

(i) with respect to all of the Several Project Areas other than the Mission Bay North Project Area and the Transbay Redevelopment Project Area, all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, , including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Loan and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area; but excluding all other amounts of such taxes required to be

deposited into the Low and Moderate Income Housing Fund and Investment Earnings, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due under the Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law.

(ii) with respect to the Mission Bay North Project Area, all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, and required to be deposited in the Low and Moderate Income Housing Fund of the Agency, provided that such amount shall never be less than 20% of the taxes allocated and paid to the Agency under the Redevelopment Plan.

(iii) with respect to the Transbay Redevelopment Project Area, all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Transbay Redevelopment Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Loan and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and Investment Earnings, and also excluding (i) all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due under the Loan Agreement pursuant to Section 33607.5(e) of the Redevelopment Law and (ii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan.

"Trust Office" means the corporate trust office of the Trustee as specified in the Indenture.

"Trustee" means The Bank of New York Trust Company, N.A., in its capacity as trustee, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

"2007 Series A Indenture" means the Indenture dated as of October 15, 2007 between the Authority and the Trustee, pursuant to which the 2007 Series A Bonds are being issued.

"2007 Series B Indenture" means the Indenture dated as of October 15, 2007 between the Authority and the Trustee, pursuant to which the 2007 Series B Bonds are being issued.

SUMMARY OF 2007 SERIES A INDENTURE AND 2007 SERIES B INDENTURE

Establishment of Funds and Accounts; Flow of Funds

Loan Fund. The Trustee shall establish and maintain a separate fund to be known as the "Loan Fund" into which shall be deposited a portion of the proceeds of sale of the Bonds pursuant to the applicable Indenture. The Trustee shall disburse all amounts in the Loan Fund on the Closing Date pursuant to the provisions of the applicable Loan Agreements and thereupon shall close the Loan Fund.

Costs of Issuance Fund. Each Indenture establishes a fund to be held by the Trustee known as the "Costs of Issuance Fund" into which shall be transferred a portion of the proceeds of the Loans initially deposited in the Loan Fund pursuant to each of the applicable Loan Agreements. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority. On the date which is ninety (90) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund upon direction of the Authority to the Interest Account or to the Agency, to be deposited by the Agency pro rata, based on the Proportionate Shares of the respective Loans, in the Redevelopment Funds established pursuant to each of the applicable Loan Agreements. The Authority may at any time prior to the transfer by the Trustee to the Agency of the remaining funds in the Costs of Issuance Fund, file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Interest Account or the Agency for deposit to the applicable Redevelopment Funds all remaining amounts in the respective Proportionate Shares set forth in the applicable Loan Agreements, and the Trustee shall comply with such request.

Revenue Fund; Receipt, Deposit and Application of Revenues. All Revenues described in clause (a) of the definition thereof shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which, together with the Interest Account and the Principal Account therein, the Trustee shall establish, maintain and hold in trust under each Indenture.

Three (3) Business Days prior to each Interest Payment Date (or on or prior to such Interest Payment Date if the Trustee has determined it has sufficient amounts on deposit in the Revenue Fund to fully fund the Interest Account and Principal Account on such Interest Payment Date), the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. Three (3) Business Days prior to each Interest Payment Date (or on or prior to such Interest Payment Date if the Trustee has determined it has sufficient amounts on deposit in the Revenue Fund to fully fund the Interest Account and Principal Account on such Interest Payment Date), the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the

Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purposes of the Agency.

(b) Principal Account. Three (3) Business Days prior to each Interest Payment Date on which the principal shall be payable (or on or prior to such Interest Payment Date if the Trustee has determined it has sufficient amounts on deposit in the Revenue Fund to fully fund the Interest Account and Principal Account on such Interest Payment Date), the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal of the Bonds coming due and payable on such Interest Payment Date pursuant to the Indenture, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premiums) required to be redeemed on such Interest Payment Date pursuant to the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal at maturity of the Bonds at the respective maturities thereof, or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof pursuant to the Indenture. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Agency to be used for any lawful purposes of the Agency.

On the last day of each Bond Year, the Trustee shall withdraw any amounts remaining on deposit in the Revenue Fund and transfer such amounts to the Agency to be used for any lawful purposes of the Agency.

Investment of Funds

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by either the Authority or the Agency. In the absence of any such directions from the Authority or the Agency, the Trustee shall invest any such moneys in certain Permitted Investments described in clause (d) of the definition thereof. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

Except as described under the caption "SUMMARY OF 2007 SERIES A LOAN AGREEMENTS AND 2007 SERIES B LOAN AGREEMENTS – Investment of Moneys; Valuation of Investments," all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture as directed by either the Authority or the Agency. The Trustee may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment.

Covenants of the Authority

Punctual Payments. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and the Indenture, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchaser of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall be subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this provision shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Loan Agreements and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statement. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of the Bonds, the Revenues, the Loan Agreements and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the Agency during regular business hours with reasonable prior notice.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part.

Loan Agreements; Amendments Thereof. The Trustee, as assignee of the Authority's rights, subject to the provisions of the Indenture, shall promptly use reasonable efforts to collect

all amounts due from the Agency pursuant to the Loan Agreements and, subject to the provisions of the Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the Agency thereunder.

The Authority, the Trustee and the Agency may at any time amend or modify any of the Loan Agreements pursuant to the provisions thereof, (a) but only if the Trustee first obtains the written consent of the Insurer and the Owners of a majority in aggregate principal amount of Bonds Outstanding to such amendment or modification, or (b) without the written consent of any of the Bond Owners, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency contained in the Loan Agreements, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Agency so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) with the prior written consent of the Insurer, to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Loan Agreements, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) with respect to the 2007 Series B Loan Agreements only, to amend any provision thereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not materially adversely affect the exclusion from gross income of interest on any of the Series B Bonds under the Tax Code, in the opinion of counsel with recognized expertise in the area of tax-exempt financings.

The Authority shall notify each rating agency rating the Bonds at the time of such amendment or modification at least fifteen (15) days in advance of the effective date of such amendment or modification, by giving written notice with a copy of the proposed amendment or modification included.

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

The following tax covenants relate only to the Series B Bonds:

No Arbitrage. The Authority shall not take, nor permit nor suffer to be taken by the Trustee, the Agency or otherwise, any action with respect to the proceeds of the Series B Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Series B Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

Rebate of Excess Investment Earnings to Federal Government. The Authority covenants to rebate excess investment earnings to the federal government in accordance with applicable requirements of section 148(f) of the Tax Code.

Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Series B Bonds are not so used as to cause the Series B Bonds to satisfy the private business tests of section 141(b) of the Tax Code.

Private Loan Financing Limitation. With respect to the Series B Bonds only, the Authority shall assure that the proceeds of the Series B Bonds are not so used as to cause the Series B Bonds to satisfy the private loan financing test of section 141(c) of the Tax Code.

Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series B Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

Compliance with the Tax Code. The Authority covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Tax Code or amendments thereto in order to maintain the exclusion from federal gross income, pursuant to Section 103 of the Tax Code, of the interest on the Series B Bonds paid by the Authority and received by the Owners.

Amendment of Indenture

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided that under any circumstances such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) with respect to the 2007 Series B Indenture only, to amend any provision of the 2007 Series B Indenture relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Series B Bonds under the Tax Code, in the opinion of nationally recognized bond counsel.

Notwithstanding the forgoing, so long as the Insurance Policy is in effect, the Authority shall obtain the prior written consent of the Insurer with respect to any amendment or modification pursuant to (b) above.

Except as described above, the Indenture and the rights and obligations of the Authority and of the Insurer and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Insurer and of the Owners of a majority of the Bonds Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal and interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of the Bonds Outstanding required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Events of Default and Remedies

Events of Default. The following events constitute Events of Default under the Indenture:

(a) Default by the Authority in the due and punctual payment of the principal amount or redemption premium (if any) of any Bond pursuant to the Indenture, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default by the Authority in the due and punctual payment of any installment of interest on any Bond pursuant to the Indenture.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding; provided that such default shall not constitute an Event of Default under the Indenture if the Authority shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies. Upon the occurrence of an Event of Default, the Trustee may, subject to certain provisions of the Indenture, pursue any available remedy at law or in equity to enforce the payment of the principal, interest and premium, if any, on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture.

If an Event of Default shall have occurred and be continuing, and if the Trustee has been indemnified as provided in the Indenture, the Trustee shall, upon the request of the Owners of at

least 25% in aggregate principal amount of the Bonds Outstanding, be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy conferred upon or reserved to the Trustee or the Bond Owners by the terms of the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the Indenture shall be applied by the Trustee in the following order, upon presentation of the several Bonds and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid;

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of principal of, and interest on, the Bonds then due and unpaid, with interest on overdue installments of principal and interest, to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) second, to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and

(c) third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Bonds Outstanding, it shall have full power, in the exercise of its discretion for the best interest of the Owners of the Bonds with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Bonds

Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. Nothing in the Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as provided in the Indenture, out of the Revenues and other moneys therein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or the provisions of the Indenture relating to default and remedies may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Rights and Remedies of Bond Owners. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds Outstanding shall have made a written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being intended that no one or more Owners of Bonds shall have any right in any manner whatsoever, by its or their action, to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any

provision of the Indenture shall be instituted, held and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

The Insurer Deemed Sole Owner; Payments to the Insurer. So long as the Insurer shall be in compliance with its payment obligations under the Insurance Policy, the Insurer shall be deemed to be the sole owner of the Bonds for purposes of all provisions relating to an Event of Default with respect to the Bonds, and the Trustee shall take no action except with the consent, or at the direction, of the Insurer. The Insurer shall be included as a party in interest in any proceedings relating to the Bonds and as a party entitled to (i) notify the Trustee of the occurrence of an Event Default and (2) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor.

The Authority shall, to the extent permitted by law, pay or reimburse, or cause the Agency to pay or reimburse, the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the pursuit of any remedies under the Indenture or the enforcement of the Indenture or otherwise afforded by law or equity other than resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

Payments required to be made to the Insurer shall be payable solely from Revenues and other amounts pledged under the Indenture or from amounts received from the Agency and shall be paid (i) prior to an Event of Default after required deposits to the Revenue Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Bonds, on a priority immediately following payments to the Trustee for expenses.

Discharge of Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

- (i) by paying or causing to be paid the principal of and interest and premium (if any) on, such Bonds, as and when the same become due and payable;
- (ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the Loan

Agreements, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(iii) by irrevocably depositing with the Trustee or any other fiduciary, in trust in an escrow, non-callable Defeasance Obligations in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture and the applicable Loan Agreements, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and any redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid and all expenses and costs of the Trustee. Any funds thereafter held by the Trustee which are not required for said purposes, shall be paid over to the Authority.

Notwithstanding the foregoing, in the event that the principal of or interest on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the obligations of the Authority and the Trustee hereunder shall remain in full force and effect, and the Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid.

Provisions Relating to the Insurance Policy and the Insurer

Rights of Insurer; Consent or Approval of the Insurer. The following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. In this regard, the Insurer is a third party beneficiary of the Indenture. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bond Owners. With respect to amendments of the Indenture, the Bond Owner's consent shall not be required in addition to consent of the Insurer where the Insurer was granted such right of consent.

The Insurer shall be deemed to be the sole owner of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture. The Trustee shall take no action except with the consent, or at the direction, of the Insurer. Additionally, the Insurer shall have the right to direct all remedies if an Event of Default occurs hereunder. No contract shall be entered into or action taken by which the rights of the Insurer or the security or sources of payment for the Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Insurer.

The rights of the Insurer to direct or consent to Agency, Trustee or Bondholder actions under the Indenture shall be suspended during any period in which the Insurer is in default in its

payment obligations under the Insurance Policy (except to the extent of amounts previously paid by the Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Insurance Policy is no longer in effect or the Insurer asserts that the Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

The Insurer shall be deemed to be the Owner of all Bonds insured under the Insurance Policy for the following purposes and provided that the Insurer is not in default under the terms of the Insurance Policy, during the following times hereunder: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of the Indenture where the consent of the Bondowners is required; (b) at all times with respect to the initiation by the Bondowners of any action to be taken under the Indenture by the Trustee at the request of such Bondowners, which under the Indenture requires the written approval or consent of or permits initiation by the owners of a specified principal amount of Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes.

The Authority will not enter into any agreement and will not consent to or participate in any arrangement under which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds, without the prior written consent of the Insurer.

Payment Procedure with Respect to the Insurance Policy. The following provisions apply to claims upon the Insurance Policy with respect to the Bonds and apply to payments by and to the Insurer:

In the event that, on the second Business Day, and again on the Business Day prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any Bond Owner has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bond Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Bonds as follows:

- (i) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Bond Owners in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest

to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Bond Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Bond Owners; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Bond Owner in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Bond Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Bond Owners.

Payments with respect to claims for interest on or principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Agency with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bond, and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Agency and the Trustee hereby agree for the benefit of the Insurer that,

(i) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Bond Owners to receive the amount of such principal or interest from the Agency, with interest thereon as provided and solely from the sources stated in the Indenture and the Bonds; and

(ii) They will accordingly pay to the Insurer the amount of such principal and interest recovered under subparagraph (ii) of the first paragraph of the Insurance Policy, which principal and interest shall be deemed past due and not to have been paid) with interest thereon as provided in the Indenture and the Bond, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to Bond Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal.

**SUMMARY OF
2007 SERIES A LOAN AGREEMENTS AND 2007 SERIES B LOAN AGREEMENTS**

Terms of Loan; Payment of Principal and Interest

Pursuant to the Agreements, the Authority agrees to make the Loans to the Agency on the Closing Date. The principal of and interest on each Loan is payable in installment payments to be made no later than January 20 and June 30 (or if the applicable January 20 or June 30 is not a Business Day, then on the next preceding Business Day) in each of the years and in the amounts, calculated at the rates per annum, corresponding to the principal and interest then coming due with respect to the Outstanding Bonds. Payments on the Loans are payable by the Agency to the Trustee, as assignee of the Authority under the Indenture, in immediately available funds.

Prepayment of Loans

The Loans are subject to optional prepayment in whole, or in part, on any date (subject to certain restrictions) on which the Bonds are subject to optional redemption, from any available source of funds of the Agency, at a prepayment price corresponding to the redemption price of the Bonds to be redeemed from such prepayments. In lieu of depositing cash with the Trustee for all or part of any Loan payment relating to any maturity of the Bonds, the Agency has the option to tender to the Trustee for cancellation any amount of Bonds of such maturity purchased by the Agency at public or private sale as and when and at such prices as the Agency may in its discretion determine.

Reserve Accounts

Each Loan Agreement establishes a separate Reserve Account to be held by the Trustee in trust for the benefit of the Authority and the Owners of the Bonds. The amount on deposit in any Reserve Account relating to any Loan shall be maintained at the related Reserve Requirement at all times so long as such Loan remains unpaid. If any such Reserve Account falls below the applicable Reserve Requirement, the Trustee is required to notify the Agency promptly. In the event that the Agency fails to deposit with the Trustee the full amount of principal and interest on any Loan on or before the third Business Day preceding any Interest Payment Date, as required under the applicable Loan Agreement, on such Interest Payment Date the Trustee will withdraw the amount of such deficiency from the related Reserve Account and transfer such amount to the Interest Account and the Principal Account, in such order. The Agency has reserved the right to deposit or substitute at any time one or more Qualified Credit Instruments in lieu of cash or any Qualified Credit Instrument then on deposit in or held by the applicable Reserve Account. Amounts on deposit in the Reserve Account relating to a Loan and any related Qualified Credit Instrument are not pledged or available to make payments with respect to any obligations other than such Loan, except as otherwise expressly permitted under the applicable Loan Agreement.

In the event that the amount on deposit in a Reserve Account on the third Business Day preceding any Interest Payment Date (other than the final Interest Payment Date) exceeds the Reserve Requirement (including in any such calculation the then principal amount of any applicable Qualified Credit Instrument including any reinstatement of the principal thereof), the Trustee shall withdraw from such Reserve Account and transfer to the Interest Account held by the Trustee under the Indenture the amount of Investment Earnings and any other amounts on deposit in the Reserve Account which are in excess of the applicable Reserve Requirement. At

the request of the Agency filed with the Trustee, all amounts then in a Reserve Account shall either (a) be credited, on the third Business Day preceding the final Interest Payment Date, to the deposit then required to be made by the Agency pursuant to the applicable Loan Agreement, or (b) transferred, on the final Interest Payment Date, to the Agency to be used for any lawful purpose relating to the applicable Project Area. Notwithstanding the foregoing, no amounts shall be withdrawn from the Reserve Account and transferred to the Agency during any period in which an Event of Default shall have occurred and be continuing under a Loan Agreement.

The Reserve Accounts for the 2007 Series A Loan Agreements (other than the Reserve Accounts for the 2007 Series A Loan Agreements with respect to the Bayview Hunters Point Redevelopment Project Area – Project Area B and the Transbay Redevelopment Project Area) will each be funded by a Surety Bond.

Parity Debt

The Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt, subject to the following specific conditions which are made conditions precedent to the issuance and delivery of such Parity Debt issued under the applicable Loan Agreement:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the applicable Loan Agreement.

(b) The Tax Revenues received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Area as evidenced in a written document from an appropriate official of the City and County, exclusive of State subventions and taxes levied to pay outstanding bonded indebtedness, shall be at least equal to 100 percent (100%) of Maximum Annual Debt Service on the Loan and Parity Debt which will be Outstanding immediately following the issuance of such Parity Debt and Allocable Tax Revenues for the then current Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the City and County shall be at least equal to 125 percent (125%) of Maximum Annual Debt Service on the Loan and Parity Debt which will be Outstanding immediately following the issuance of such Parity Debt.

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

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

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

Subordinate Debt

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the applicable Loan Agreement and the proceedings for the issuance of any Parity Debt;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues, then the aggregate amount of principal of and interest to accrue on the Loan, any Parity Debt and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit following the issuance of such Subordinate Debt; and

(c) The Agency shall deliver to the Trustee a written certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt described in (a) and (b) above have been satisfied.

Pledge and Deposit of Tax Revenues

Subject to the Agency's obligations with respect to its Variable Rate Demand Refunding Bonds, 1986 Issue A. with respect to the Rincon Point - South Beach Redevelopment Project Area, the Loan and Parity Debt with respect to any Project Area are equally secured by a pledge of and lien on all of the Tax Revenues with respect to such Project Area, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The payment obligations of the Agency pursuant to any Qualified Credit Instrument shall be secured for the benefit of the provider thereof by a pledge and lien on all of the Tax Revenues with respect to the related Project Area, which pledge and lien shall be subordinate to the pledge and lien securing the Loan and any Parity Debt. The Loan shall be additionally secured for the benefit of the Authority and the Owners of the Bonds by a first pledge of and lien upon all of the moneys in the Reserve Account, excluding Investment Earnings. Subject to the Agency's obligations with respect to its Variable Rate Demand Refunding Bonds, 1986 Issue A, the Tax Revenues are hereby allocated in their entirety to the payment of the principal of and interest on the Loan and all Parity Debt. Except as provided below, except for the Tax Revenues and the Reserve Account, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on any Loan.

If at any time the amount of indebtedness outstanding with respect to any Project Area (including the Loan, all Parity Debt and Subordinate Debt which has previously been issued and all Parity Debt and Subordinate Debt which may hereafter be issued), including the interest to be paid thereon, equals or exceeds 95% of the Plan Limit, the Agency shall, upon receipt of all Tax Revenues which are in excess of the amounts needed to pay debt service on all such indebtedness in the Bond Year in which they are received (the "Excess Tax Revenues"), deposit such Excess Tax Revenues in a special escrow account of the Agency to be established at such time, and shall use such Excess Tax Revenues only for the payment of debt service on the Loan and any Parity Debt.

In order to determine whether, pursuant to the preceding paragraph, the Agency is required to deposit Excess Tax Revenues into a special escrow account, the Deputy Executive

Director, Finance and Administration shall, on or about September 1 of each year, perform the calculation described in the preceding paragraph. The Agency shall, as soon as practicable thereafter, notify Moody's Investors Service and Standard & Pool's Ratings Services of the results of such calculation.

Each Loan Agreement establishes a Special Fund to be held by the Agency. The Agency shall deposit all of the Tax Revenues received in any Bond Year ratably in the Special Fund and in any applicable Special Fund created by any Parity Debt Instrument promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee pursuant to the applicable provision of such Loan Agreement relating to payment amounts of such Bond Year; and (except as may be otherwise provided in any Parity Debt Instrument, and provided that the Agency is not in arrears with respect to any other amounts payable under such Loan Agreement) any Tax Revenues received during such Bond Year in excess of such amounts shall be released from the pledge and lien under the applicable Loan Agreement and may be used for any lawful purpose of the Agency. Prior to the payment in full of the principal of and interest and prepayment premium (if any) on the Loan and all Parity Debt and the payment in full of all other amounts payable under the applicable Loan Agreement and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as provided in such Loan Agreement and in any Parity Debt Instrument, and such moneys shall be used and applied as set forth in the applicable Loan Agreement and in any Parity Debt Instrument.

In the event that there are insufficient Tax Revenues to make all payments required into the Special Fund and into all applicable Special Funds created by Parity Debt Instruments, the Agency shall allocate Tax Revenues among the Special Fund and the applicable Special Funds created by Parity Debt Instruments on a proportionate basis based on the relative amount of Tax Revenues that would have been required to make all such deposits in full.

The Agency shall withdraw from the Special Fund and transfer to the Trustee the following amounts at the following times and in the following order of priority:

(a) Interest and Principal Deposits. No later than each January 20 and June 30 of each year, commencing January 20, 2008, the Agency shall withdraw from such Special Fund and transfer to the Trustee all payment amounts on the Loan becoming due and payable on the applicable Interest Payment Date.

(b) Reserve Account Deposits. In the event that the amount on deposit in the Reserve Account relating to a Loan Agreement is less than the Reserve Requirement, the Trustee shall immediately notify the Agency and the Agency shall immediately withdraw from the Special Fund and transfer to the Trustee for deposit in the Reserve Account an amount of money necessary to maintain the Reserve Requirement in the Reserve Account; provided that amounts required to be transferred to the Reserve Account shall, if necessary, first be used to reinstate the principal amount of any Qualified Credit Instrument and shall then be used to replenish any cash portion of the Reserve Requirement.

(c) Surplus. Except as may be otherwise provided in any documents authorizing the issuance of any Parity Debt, the Agency shall not be obligated to deposit in a Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in such Special Fund, exceeds the amounts required to be

deposited with the Trustee in such Bond Year. Any amounts remaining in a Special Fund on any August 2 shall be withdrawn by the Agency and used for any lawful purposes provided that interest, profits and other income from investment of moneys in the Reserve Account which is in excess of the Reserve Requirement shall first be applied, to the extent necessary, to restore the Reserve Requirement with respect to Other Loan Agreements, as described below under the caption "Other Covenants of the Agency - Limitation on Superior Debt; Subordinate Debt; Junior Pledge in Favor of the Loan Agreement."

Investment of Moneys; Valuation of Investments

All moneys in each Redevelopment Fund and Special Fund shall be invested by the Agency solely in Permitted Investments, maturing no later than the respective dates on which such moneys are estimated by the Agency to be required for application to the Redevelopment Project or required to be deposited with the Trustee pursuant to the applicable Loan Agreement, as applicable. All moneys in each Reserve Account shall be invested by the Trustee solely in Permitted Investments pursuant to the direction of the Agency given to the Trustee (and promptly confirmed in writing by the Agency) in advance of the making of such investments. In the absence of any such direction from the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof. Subject to the following sentence, Permitted Investments of moneys in the Reserve Account shall have a maturity of no greater than five (5) years. If a Permitted Investment may be liquidated or "put" at a price equal to the yield to maturity of such Permitted Investment with or to the provider thereof or such other entity rated at least "Aa3" by Moody's Investors Service and "AA-" by Standard & Poor's Ratings Services at least semiannually in connection with the Interest Payment Dates on the Bonds, then such Permitted Investment may, notwithstanding any other maturity limitation set forth in the applicable Loan Agreement or in the definition of Permitted Investments in the Indenture, have a maturity of more than five years. The Agency shall not enter into any such liquidation or "put" agreement if such liquidation or "put" agreement would result in the ratings then in effect on the Bonds being lowered.

During the period beginning on the date of issuance of the Bonds and ending on the date on which all amounts in the Redevelopment Fund have been expended, Investment Earnings on moneys in the Redevelopment Fund shall be deposited into the Redevelopment Fund and, thereafter, such Investment Earnings shall be transferred by the Agency Treasurer to the Special Fund and used to pay debt service on the Bonds.

Moneys on deposit in the Low and Moderate Income Housing Fund shall be invested in either Permitted Investments or any other legal investments of the Agency. Investment Earnings on moneys in the Low and Moderate Income Housing Fund shall be deposited into the Low and Moderate Income Housing Fund.

Provided that the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement, Investment Earnings on amounts on deposit in the Reserve Account shall be transferred by the Trustee from the Reserve Account to the Interest Account held by the Trustee under the Indenture and used to pay debt service on the Bonds.

Investment Earnings on amounts on deposit in the Special Fund shall be deposited in a segregated account in the Agency's general fund or other such fund into which Agency administrative funds are deposited, such deposits to be made by the Agency Treasurer from time to time when Investment Earnings are available; but in any event, Investment Earnings on

amounts on deposit in the Special Fund during any Fiscal Year shall be so deposited promptly following the last day of such Fiscal Year; provided that:

(i) at the time of any such deposit, the amount required to maintain the Reserve Requirement shall be on deposit in the Reserve Account; and

(ii) at the time of any such deposit, debt service payable on the Bonds during such Fiscal Year shall have been paid or provided for.

Permitted Investments acquired as an investment of moneys in any fund or account held under a Loan Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be calculated at the market value thereof excluding accrued interest. Permitted Investments on deposit in the Reserve Account shall be valued by the Trustee at least annually. In making any valuation of Permitted Investments, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

Other Covenants of the Agency

Limitation on Superior Debt; Subordinate Debt; Junior Pledge in Favor in Certain Other Loan Agreements; Junior Pledge in Favor of the Loan Agreement. So long as a Loan remains unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues securing such Loan, which lien is superior to or on a parity with the lien established for the security of such Loan, excepting only Parity Debt. The Agency may issue Subordinate Debt as described above.

The Agency has determined in Resolution No. 123-89, adopted on June 13, 1989 and hereby confirms such determination (and the Board of Supervisors of the City and County has determined in its Resolution No. 498-89, adopted June 26, 1989 and its Resolution No. 398-07, adopted July 17, 2007) that the low and moderate income housing components of the redevelopment projects financed or refinanced pursuant to the "Other Loan Agreements" referred to below are of benefit to each Project Area and that Tax Revenues (other than Tax Revenues relating to the Mission Bay North Project Area) shall be applied to meet any deficiency which may exist in the amounts required to be transferred to the applicable trustee from one or more of the Other Reserve Accounts, as hereinafter defined, such reserve accounts having been established by the loan agreements entered into in connection with the issuance of the Prior Bonds, and by the loan agreements being entered into in connection with the Series A Bonds and the Series B Bonds (collectively, the "Other Loan Agreements"), relating respectively to project areas of the Agency other than such Project Area (collectively, the "Other Project Areas") (such reserve accounts collectively being referred to herein as the "Other Reserve Accounts"):

(i) In the event there shall, at any time or from time to time, be insufficient moneys in one or more of the Other Reserve Accounts to transfer to the applicable trustee when due the full amount required to be transferred to the applicable trustee in accordance with the applicable provisions of the Other Loan Agreements, the Agency, subject, however, to certain limitations set forth in each Loan Agreement, shall cause Tax Revenues from such Project Area (other than Tax Revenues relating to the Mission Bay North Project Area) relating to the Fiscal Year in which such shortfall occurs in the

amount of such insufficiency to be paid to the applicable trustee; provided however, that the obligation with respect to such Project Area to pay any such insufficiency shall be a pro rata share of the total insufficiency, calculated as an amount determined by multiplying a fraction, the numerator of which is the amount of the excess Allocable Tax Revenues of such Project Area and the denominator of which is the total excess Allocable Tax Revenues available for such Project Area and the Other Project Areas that do not have insufficiencies, by the amount of such insufficiency, and, provided further, that the aggregate obligation of such Project Area and the Other Project Areas to pay such insufficiencies shall not exceed the aggregate of the amount of moneys deposited in the Low and Moderate Income Housing Fund of the Agency pursuant to the applicable Loan Agreement and the Other Loan Agreements (plus applicable reserves and financing costs, including, without limitation, interest paid on such amounts);

(ii) Upon receipt of a notice regarding any such insufficiency in the Other Reserve Accounts, the Agency shall promptly transfer to the applicable trustee an amount of Tax Revenues relating to such Project Area (other than Tax Revenues relating to the Mission Bay North Project Area) equal to the portion of such insufficiency apportioned to such Project Area;

(iii) If there shall then not be sufficient Tax Revenues from any of the Project Areas (other than Tax Revenues relating to the Mission Bay North Project Area) to transfer an amount equal to the portion of such insufficiency apportioned to such Project Area, the Agency shall have an obligation to continue making transfers of Tax Revenues relating to such Project Area (other than Tax Revenues relating to the Mission Bay North Project Area) to the applicable trustee until an amount equal to such portion has been transferred to the applicable trustee;

(iv) Such obligation to pay Tax Revenues (other than Tax Revenues relating to the Mission Bay North Project Area) shall be an indebtedness of the Agency within the meaning of Section 33445 of the Redevelopment Law;

(v) Such obligation to pay Tax Revenues (other than Tax Revenues relating to the Mission Bay North Project Area) shall be, in all respects, junior and subordinate to the obligation of the Agency to apply Tax Revenues (other than Tax Revenues relating to the Mission Bay North Project Area) to the payment of the applicable Loan and any Parity Debt, in accordance with the further provisions of the applicable Loan Agreement, but such obligation to pay Tax Revenues relating to the applicable Project Area (other than Tax Revenues relating to the Mission Bay North Project Area) shall be superior to all other future obligations payable from such Tax Revenues (other than Tax Revenues relating to the Mission Bay North Project Area); and

(vi) In the event there shall, at any time or from time to time, be insufficient moneys in any Reserve Account to transfer to the Trustee when due the full amount required to be so transferred to the Trustee in accordance with the applicable provisions of the applicable Loan Agreement and such insufficiency shall be paid pursuant to one or more of the Other Loan Agreements, the Agency shall cause the first available surplus Tax Revenues relating to the applicable Project Area (other than Tax Revenues relating to the Mission Bay North Project Area) in the amount of such insufficiency to be returned to the applicable special funds of the Other Loan Agreements.

The Agency has determined that approximately 66% of the proceeds of the Loans and of the other loans made from the proceeds of the Prior Bonds, the Series A Bonds and the Series B Bonds have been deposited in the Low and Moderate Income Housing Fund (including applicable reserves and financing and interest costs). As a result, the Agency shall have available Tax Revenues from the Project Area (other than the Mission Bay North Project Area) and Tax Revenues (as defined in the Other Loan Agreements but excluding Tax Revenues from the Mission Bay North Project Area) from the Other Project Areas in an amount not less than \$735,500,000 for the junior pledge set forth in the Loan Agreements (other than the 2007 Series A Loan Agreement relating to the Mission Bay North Project Area).

If appropriate determinations have been made by the Agency and the Board of Supervisors of the City and County that any portion of a redevelopment project to be financed with the proceeds of any indebtedness of the Agency with respect to the Other Project Areas is of benefit to any Project Area, then the Agency may provide in the applicable indebtedness instrument that provisions of like force and effect to the provisions described herein apply with respect to any reserve account established for such indebtedness and such provisions of such indebtedness instrument shall be deemed to be on a parity with the provisions described herein.

Additionally, if and to the extent the Trustee is obligated to make a draw on any Reserve Account or a reserve account relating to a loan for a Project Area made from the proceeds of the Prior Bonds due to an insufficiency of Tax Revenues to make payments on the related Loan or any of the related loans made from the proceeds of the Prior Bonds, the Agency shall transfer tax revenues attributable to Other Project Areas (other than the Mission Bay North Project Area) to the Trustee to replenish such Reserve Account to the extent and as permitted by the Other Loan Agreements; provided, however, that the amount to be transferred from each of such Other Project Areas shall be a pro rata share of the total insufficiency, calculated as an amount determined by multiplying a fraction, the numerator of which is the amount of the excess allocable tax revenues of such Other Project Area and the denominator of which is the total excess allocable tax revenues available for all of the Other Project Areas (other than the Mission Bay North Project Area) that do not have insufficiencies, by the amount of such insufficiency. If there shall then not be sufficient tax revenues from any of the Other Project Areas (other than the Mission Bay North Project Area) to transfer an amount equal to the portion of such insufficiency apportioned to such Other Project Area, the Agency shall have an obligation to continue making transfers of tax revenues from such Other Project Area to the Trustee until an amount equal to such portion has been transferred to the Trustee. The obligation of the Agency to transfer such tax revenues from the Other Project Areas shall be subordinate to the obligation of the Agency to use such tax revenues to make payments due directly with respect to the Other Loan Agreements pursuant to Article II thereof, but shall be on a parity with the obligation of the Agency to use such tax revenues to make payments due on a subordinate basis with respect to the Other Loan Agreements pursuant to Section 4.02 thereof.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Projects, the Tax Revenues, the Special Funds, the Redevelopment Funds, the Low and Moderate Income Housing Fund and the Reserve Accounts and the Revenue Funds and the accounts therein established by the Indenture. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Authority, the Trustee (who shall have no duty to inspect) and the Owners of any Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and filed with the Trustee annually, within one hundred and eighty (180) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Funds and the Redevelopment Funds, the Low and Moderate Income Housing Fund, the Reserve Accounts and the Revenue Funds and the accounts therein, and the financial condition of each Project Area, including the balances in all such Funds and Accounts relating to each such Project Area, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to any Bond Owner.

Protection of Security and Rights. The Agency will preserve and protect the security of the Loans and the rights of the Trustee and the Bond Owners with respect to the Loans. From and after the Closing Date, the Loans shall be incontestable by the Agency. Further, the Agency agrees to comply with those provisions of the Indenture relating to the Insurer and the Insurance Policy to the extent such provisions relate to the Agency.

Taxation of Leased Property. All amounts derived by the Agency pursuant to Section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Loan Agreements, and shall be paid to the Agency for deposit in the respective Special Funds.

Disposition of Property. The Agency will not participate in the disposition of any land or real property in a Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the related Redevelopment Plan in effect on the date of the Loan Agreements) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in such Project Area unless such disposition is permitted as hereinafter described. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Loan or the rights of the Authority, the Owners and the Trustee will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition.

Maintenance of Tax Revenues. (a) The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the City and County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency shall not enter into any agreement with the City and County or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Loans. Nothing in any Loan Agreement is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Loans and all Parity Debt.

(b) The Agency shall not approve any amendment to a Redevelopment Plan which would, in and of itself, cause the amount of Allocable Tax Revenues in any succeeding Fiscal year to fall below 125% of Maximum Annual Debt Service on the Loan and any Parity Debt.

Amendment of a Loan Agreement. A Loan Agreement may only be amended as provided in the applicable Indenture.

Events of Default and Remedies

The following events shall constitute Events of Default under a Loan Agreement:

(a) Failure by the Agency to pay the principal of or interest or prepayment premiums (if any) on the applicable Loan or any Parity Debt when and as the same shall become due and payable.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in the applicable Loan Agreement, other than as referred to in the preceding clause (a), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice (other than a failure to pay the fees and expenses of the Trustee) can be corrected, but not within such thirty (30)-day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (30)-day period and diligently pursued until such failure is corrected.

(c) The Agency commences a voluntary bankruptcy action under Title 11 of the United States Code or any substitute or successor statute.

Subject to the right of the Insurer to control remedies after the occurrence of an Event of Default, if an Event of Default has occurred and is continuing, the Trustee shall, at the written direction of the Owners of a majority in aggregate principal amount of the Bonds Outstanding, (a) declare the principal of the related Loan, together with the accrued interest on all unpaid installment payments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the applicable Loan Agreement to the contrary notwithstanding, and (b) subject to receipt of indemnity satisfactory to the Trustee, exercise any other remedies available to the Trustee in law or at equity. Immediately upon becoming actually aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all payments on the related Loan matured prior to such declaration, with interest on such overdue payments at the rate then borne by the related Outstanding Bonds, and the reasonable expenses of the Trustee (including but not limited to attorneys fees), and any and all other defaults known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds Outstanding may, by written notice to the Trustee and the Agency rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of any Loan Agreement shall be applied by the Trustee in the following order:

First, to the payment of any outstanding fees and expenses of the Trustee and of the fees, costs and expenses of the Trustee in carrying out the provisions of such Loan Agreement relating to remedies, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of all payments on such Loan then due and unpaid, with interest on overdue payments to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the order by which the overdue payments first became delinquent; and

Third, to the payment of all amounts then due and payable to or on behalf of the provider of the Qualified Credit Instrument by the Agency under the terms of the Qualified Credit Instrument.

No Waiver. Nothing in any provision of any Loan Agreement shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the applicable Tax Revenues and other amounts pledged thereunder, the payments and prepayment premiums (if any) on the applicable Loan to the Trustee, as therein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the applicable Loan Agreement.

A waiver of any default under a Loan Agreement by the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Trustee by the Redevelopment Law or by the Loan Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, the Agency and the Trustee shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Discharge of Loan Agreement

If the Agency shall pay and discharge all or a portion of the entire indebtedness on any Loan in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the payments on all or a portion of such Loan, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, cash in an amount which, together with the available amounts then on deposit in any of the funds and accounts established pursuant to the related Indenture or the applicable

Loan Agreement, is fully sufficient to pay all or a portion of the payments on such Loan; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the related Indenture or pursuant to the applicable Loan Agreement, be fully sufficient to pay and discharge all or a portion of the indebtedness on such Loan (including all prepayments and prepayment premiums) at or before maturity;

then, at the election of the Agency in connection with the prepayment in full of the Loan, but only if all other amounts then due and payable thereunder, including any amounts owed to the provider of a Qualified Credit Instrument, shall have been paid or provision for their payment made, and the Bonds corresponding to the Loan or the portion thereof being discharged have been discharged as provided in the related Indenture, the pledge of and lien upon the applicable Tax Revenues and other funds provided for in the applicable Loan Agreement and all other obligations of the Trustee, the Authority and the Agency under such Loan Agreement with respect to that portion of the Loan so prepaid and discharged shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Trustee, from the amounts so deposited with the Trustee or such other fiduciary, all sums due with respect to the Loan and all expenses and costs of the Trustee and the provider of any Qualified Credit Instrument. Notice of such election shall be filed with the Authority, and the Trustee.

Additional Provisions Relating to Insurance Policy and Insurer

The Insurer is providing an Insurance Policy guaranteeing the scheduled payment of principal and interest on the Bonds when due. Notwithstanding any other provision of the Loan Agreements, as long as the Insurance Policy shall be in full force and effect and the Insurer is not in default of its obligations thereunder, the Authority and the Agency agree to comply with the following provisions:

The Insurer shall control the acceleration of payments of principal and interest on the applicable Loan following an Event of Default. The Insurer shall pursue, or cause to be pursued, legal and contractual remedies for an Event of Default under the applicable Loan Agreement.

The Agency shall pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any document related to any Loan Agreement or the applicable Indenture (the "Related Documents"); (ii) the pursuit of any remedies under the Indentures or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indentures or any other Related Document whether or not executed or completed, (iv) the violation by the Authority or the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Indentures or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any

amendment, waiver or consent proposed in respect of the Indentures or any other Related Document.

The Agency shall notify the Insurer of the incurrence or issuance of any Parity Debt.

The Agency will not enter into any agreement and will not consent to or participate in any arrangement under which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds, without the prior written consent of the Insurer.

The Agency agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Agency's obligations, or the preservation or defense of any rights of the Insurer, under the Indentures or the Loan Agreements and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Indentures or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

Provisions Relating to the Surety Bond

As long as a Surety Bond shall be in full force and effect with respect to a Loan Agreement, or amounts are owed under the Financial Guaranty Agreement with respect to such Loan Agreement, the Agency and the Trustee agrees to comply with the following provisions:

In the event and to the extent that moneys on deposit in the applicable Special Fund, plus all cash on deposit in and credited to the applicable Reserve Account in excess of the moneys of the Surety Bond allocated to such Loan Agreement, are insufficient to pay the amount of principal and interest coming due on the applicable Loan Agreement, then upon the later of (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached to the Surety Bond as Attachment I (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under such Loan Agreement has not been made to the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, New York, New York, or its successor, sufficient for the payment to the Trustee of amounts which are then due to the Trustee under such Loan Agreement (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the applicable Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the applicable Reserve Account, in addition to the amount available under the applicable Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such fund instrument (the "Additional Funding Instrument"), draws on the applicable Surety Bond and the applicable Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

The Trustee shall, after submitting to Insurer the Demand for Payment as provided above, make available to Insurer all records relating to the Funds and Accounts maintained under the applicable Loan Agreement and the applicable Indenture.

The Trustee shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the applicable Reserve Account to the extent of moneys received pursuant to such Demand.

The applicable Reserve Account shall be replenished in the following priority: (i) principal and interest on the applicable Surety Bond and on the applicable Additional Funding Instrument shall be paid from first available applicable Tax Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the applicable Reserve Account to the required level, after taking into account the amounts available under the applicable Surety Bond and the applicable Additional Funding Instrument, shall be deposited from next available applicable Tax Revenues.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Redevelopment Agency of the City and County of San Francisco (the “Agency”) in connection with the issuance by the City and County of San Francisco Redevelopment Financing Authority (the “Authority”) of its \$_____ aggregate principal amount of City and County of San Francisco Redevelopment Financing Authority [2007 Series A Taxable Tax Allocation/2007 Series B Tax Allocation Refunding] Revenue Bonds (San Francisco Redevelopment Projects) (the “Bonds”). The Bonds are being issued pursuant to Resolution No. [1-2007][2-2007] of the Authority and Resolution No. [44-2007][45-2007] of the Agency, each adopted on May 15, 2007, [and Resolution No. 4-2007 of the Authority and Resolution No. 108-2007 of the Agency, each adopted on October 2, 2007,] and an Indenture of Trust (the “Indenture”) dated as of October 15, 2007, between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”). The Bonds are payable from and secured by certain amounts payable by the Agency to the Authority pursuant to various loan agreements obligating the Agency to pay amounts which are calculated to be sufficient to pay debt service on each Series of Bonds when due. The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture and Loan Agreements described in the Official Statement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“CPO” means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission.

“Dissemination Agent” means the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information regarding the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” means each National Repository and each State Repository.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall provide, or shall cause the Dissemination Agent to provide, to each Repository (or, in lieu of providing to each Repository, provide to the CPO) an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate by not later than six months after the end of the Agency’s fiscal year in each year commencing not later than January 1, 2008. Not later than fifteen (15) Business Days prior to each such January 1, the Agency shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding each of the Project Areas described in the Official Statement (collectively, the “Project Areas”) may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency’s or any of the Project Area’s fiscal year changes, the Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the Dissemination Agent may file such notice with the CPO.

(d) Unless the Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine the name and address of each National Repository and each State Repository, if any, each year prior to the date for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the Agency, file a certificate with the Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed

pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Assessed valuations and tax revenues for the fiscal year to which the Annual Report pertains, by means of an update to the "Property Taxable Values, Tax Revenues and Delinquency Rates" tables for the Project Areas shown in the Official Statement for the Bonds;

2. Description of any Parity Debt (date, amount, term, rating, insurance) issued by the Agency in the fiscal year to which the Annual Report pertains and amount of all Agency debt outstanding payable with tax increment revenue from the Project Areas as of the end of the fiscal year to which the Annual Report pertains;

3. Estimated annual debt service coverage for obligations of the Agency by means of an update to the "Estimated Annual Debt Service Coverage by Project Area" table for the Project Areas shown in the Official Statement for the Bonds;

4. Assessment appeals, of which the Agency is aware after reasonable inquiry, of property holdings in each Project Area which, if successful, could reduce the tax increment revenue in such Project Area by ten percent (10%) or more;

5. Top ten property tax assesses in each Project Area for the fiscal year to which the Annual Report pertains, taxable value and percentage of total taxable value for such Project Area.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Unscheduled Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

(b) Promptly after obtaining actual knowledge of the occurrence of any of the Listed Events at the principal corporate trust office of the Trustee in San Francisco, California, the Trustee (who shall have no obligation to determine the materiality thereof) shall contact the Agency at its notice address in the Indenture, inform it of the event, and request that the Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Certificate, “actual knowledge” means actual knowledge at the Trust Office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture.

(c) Whenever the Agency obtains knowledge of the occurrence of any Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency shall determine as soon as possible if such event would constitute material information for Bond Owners within the meaning of the federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall, or by written direction cause the Dissemination Agent (if not the Agency) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Bond Owners of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Bond Owners. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the Agency or the Dissemination Agent may file such notice of a Listed Event with the CPO.

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material, the Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture and notice of any other Listed Event is only required following the actual occurrence of the Listed Event.

(g) The Dissemination Agent may rely conclusively on an opinion of counsel that the Agency’s instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

Section 7. Dissemination Agent. From time to time, the Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty days prior written notice to the Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of or nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee in Article 6 of the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2007

REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: _____
Executive Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency of the City and County of San Francisco

Name of Issue: City and County of San Francisco Redevelopment Financing Authority [2007 Series A Taxable Tax Allocation/2007 Series B Tax Allocation Refunding] Revenue Bonds (San Francisco Redevelopment Projects)

Date of Issuance: _____, 2007

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the Redevelopment Agency of the City and County of San Francisco (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section ____ of the Several Loan Agreements (as such term is defined in the Indenture of Trust, dated as of October 15, 2007, by and between the City and County of San Francisco Redevelopment Financing Authority and The Bank of New York Trust Company, N.A., as trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: _____
Title: _____

cc: Trustee

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APPENDIX F
FORMS OF BOND COUNSEL FINAL OPINIONS

November __, 2007

City and County of San Francisco
Redevelopment Financing Authority
1 South Van Ness Avenue
San Francisco, California 94103

Redevelopment Agency of the
City and County of San Francisco
1 South Van Ness Avenue
San Francisco, California 94103

\$118,285,000
City and County of San Francisco Redevelopment Financing Authority
2007 Series A Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City and County of San Francisco Redevelopment Financing Authority (the "Authority") with respect to \$118,285,000 aggregate principal amount of the Authority's 2007 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) (the "Bonds").

In that connection, we have examined certain proceedings of the Authority with respect to the authorization and issuance of the Bonds, including but not limited to Resolution No. 1-2007 adopted by the Authority on May 15, 2007, and Resolution No. 4-2007 adopted by the Authority on October 2, 2007 (collectively, the "Authority Resolution"), Resolution No. 44-2007 adopted by the Redevelopment Agency of the City and County of San Francisco (the "Agency") on May 15, 2007, and Resolution No. 108-2007 adopted by the Authority on October 2, 2007 (collectively, the "Agency Resolution"), an Indenture of Trust, dated as of October 15, 2007 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the Several Loan Agreements (as defined in the Indenture) (each, a "Loan Agreement"), and such opinions, certificates and other documents as we deemed necessary or appropriate to render this opinion. As to questions of fact material to our opinion, we have relied upon said certified proceedings and other certifications of public officials furnished to us without undertaking to verify the accuracy or truthfulness of the same by independent investigation.

The Bonds are being issued pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the

"Act"), the Authority Resolution and the Indenture. The Bonds are being issued by the Authority to make loans to the Agency in order to assist the Agency in refinancing its redevelopment activities.

The opinions expressed herein are based on an analysis of the Act and other existing statutes and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted, and by events occurring, after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or omitted or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with full power to adopt the Authority Resolution and to enter into the Indenture and the Several Loan Agreements, to perform the agreements on its part contained therein, and to issue the Bonds. The Agency is a redevelopment agency duly organized and validly existing under the laws of the State of California with full power to adopt the Agency Resolution and to enter into the Several Loan Agreements, and to perform the agreements on its part contained therein.

2. The Indenture has been duly approved by the Authority and constitutes the valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

3. The Several Loan Agreements have been duly approved by the Authority and the Agency and constitute the valid and binding obligations of the Authority and the Agency enforceable against the Authority and the Agency in accordance with their respective terms. The Several Loan Agreements each create a valid pledge of the Tax Revenues (as such term is defined in each such Loan Agreement) in accordance with the respective terms thereof.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform owners of the Bonds that any U.S. federal tax advice contained in this opinion is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Several Loan Agreements may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Respectfully submitted,

A Professional Law Corporation

November __, 2007

City and County of San Francisco
Redevelopment Financing Authority
1 South Van Ness Avenue
San Francisco, California 94103

Redevelopment Agency of the
City and County of San Francisco
1 South Van Ness Avenue
San Francisco, California 94103

\$94,115,000
City and County of San Francisco Redevelopment Financing Authority
2007 Series B Tax Allocation Refunding Revenue Bonds
(San Francisco Redevelopment Projects)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City and County of San Francisco Redevelopment Financing Authority (the "Authority") with respect to \$94,115,000 aggregate principal amount of the Authority's 2007 Series B Tax Allocation Refunding Revenue Bonds (San Francisco Redevelopment Projects) (the "Bonds").

In that connection, we have examined certain proceedings of the Authority with respect to the authorization and issuance of the Bonds, including but not limited to Resolution No. 2-2007 adopted by the Authority on May 15, 2007 (the "Authority Resolution"), Resolution No. 45-2007 adopted by the Redevelopment Agency of the City and County of San Francisco (the "Agency") on May 15, 2007 (the "Agency Resolution"), an Indenture of Trust, dated as of October 15, 2007 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the Several Loan Agreements (as defined in the Indenture) (each, a "Loan Agreement"), and such opinions, certificates and other documents as we deemed necessary or appropriate to render this opinion. As to questions of fact material to our opinion, we have relied upon said certified proceedings and other certifications of public officials furnished to us without undertaking to verify the accuracy or truthfulness of the same by independent investigation.

The Bonds are being issued pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), the Authority Resolution and the Indenture. The Bonds are being issued by the Authority to make loans to the Agency in order to assist the Agency in refinancing its redevelopment activities.

The opinions expressed herein are based on an analysis of the Act and other existing statutes and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted, and by events occurring, after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or omitted or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with full power to adopt the Authority Resolution and to enter into the Indenture and the Several Loan Agreements, to perform the agreements on its part contained therein, and to issue the Bonds. The Agency is a redevelopment agency duly organized and validly existing under the laws of the State of California with full power to adopt the Agency Resolution and to enter into the Several Loan Agreements, and to perform the agreements on its part contained therein.

2. The Indenture has been duly approved by the Authority and constitutes the valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

3. The Several Loan Agreements have been duly approved by the Authority and the Agency and constitute the valid and binding obligations of the Authority and the Agency enforceable against the Authority and the Agency in accordance with their respective terms. The Several Loan Agreements each create a valid pledge of the Tax Revenues (as such term is defined in each such Loan Agreement) in accordance with the respective terms thereof.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Several Loan Agreements may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Respectfully submitted,

A Professional Law Corporation

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and neither the Agency nor the Authority takes any responsibility for the completeness or accuracy thereof. Accordingly, the DTC Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix G with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. The Agency and the Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "FICC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their

purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indentures and the Loan Agreements. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a Series of Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds, and premiums, if any, and purchase prices, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of fund and corresponding detail information from the issuer or the paying agent or the bond 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 or its nominee, the issuer, the paying agent or the trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, redemption prices and premiums, if any, and purchase prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer, the paying agent or the trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC,

and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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APPENDIX H
SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

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

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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