



107-0242017-002

Commission Agenda Item Nos.: **5 (f) & 5 (g)**
Financing Authority Agenda Item Nos.: **4 (b) & 4 (c)**
Meeting of February 21, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners
City and County of San Francisco Redevelopment Financing Authority Directors

FROM: Nadia Sesay, Interim Executive Director

SUBJECT: Confirming the issuance, under section 34177.7(a)(1)(a) and (b) of the California Health and Safety Code, of the following new money tax allocation bonds: (i) 2017 Series A Taxable Third Lien Tax Allocation Bonds to finance affordable housing obligations in an aggregate principal amount not to exceed \$112,000,000 (Affordable Housing Projects) and (ii) 2017 Series B Third Lien Tax Allocation Bonds to finance infrastructure in the Transbay Project Area in an aggregate principal amount not to exceed \$50,000,000, (Transbay Infrastructure Projects); and approving preliminary and final official statements, a continuing disclosure certificate and other related documents and actions; Affordable Housing Obligations; Transbay Infrastructure Obligation

Confirming the issuance, under sections 34177.7 (a)(1) and 34177.5(a)(1) of the California Health and Safety Code, of the following new money and refunding tax allocation bonds: 2017 Series C Taxable Subordinate Tax Allocation Bonds in an aggregate principal amount not to exceed \$55,000,000 to fund affordable housing in Mission Bay and refund existing indebtedness with respect to Mission Bay (Mission Bay New Money and Refunding Housing Projects); approving preliminary and final official statements, a continuing disclosure certificate and other related documents and actions; Mission Bay North and Mission Bay South Affordable Housing Obligations

Financing Authority: Authorizing the purchase and sale of (i) Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) in an aggregate principal amount not to exceed \$112,000,000 and (ii) Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects) in an aggregate principal amount not to exceed \$50,000,000; approving form of

Edwin M. Lee
MAYOR

Nadia Sesay
INTERIM
EXECUTIVE DIRECTOR

Mara Rosales
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bond purchase contracts and authorizing the negotiated sale of the bonds; and authorizing and approving other matters properly relating thereto; Affordable Housing Obligations; Transbay Infrastructure Obligation

Financing Authority: Authorizing the purchase and sale of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) in an aggregate principal amount not to exceed \$55,000,000; approving form of bond purchase contract and authorizing the negotiated sale of the bonds; authorizing the execution and delivery of redemption agreements relating to certain bonds previously issued by the City and County of San Francisco Financing Authority; and authorizing and approving other matters properly relating thereto; Mission Bay North and Mission Bay South Affordable Housing Obligations

EXECUTIVE SUMMARY

Staff requests the OCII Commission ("Commission") and City and County of San Francisco Financing Authority ("Financing Authority") approve the attached resolutions, which authorize documents and actions necessary to issue the 2017 Series A and 2017 Series B Taxable Third Lien Tax Allocation Revenue Bonds ("2017A" and "2017B," respectively) and the 2017 Series C Taxable Subordinate Tax Allocation Revenue Bonds, Mission Bay New Money and Refunding Housing Projects, ("2017C"), as authorized by the OCII Commission on December 6, 2016 (Resolutions 53-2016 and 54-2016) and the Oversight Board on December 12, 2016 (Resolutions 11-2016 and 12-2016), subject to the approval of the Department of Finance.

The proceeds of the \$112,000,000 2017A Bonds will primarily fund construction of affordable housing in Hunters Point Shipyard and Candlestick Point. The proceeds of the \$50,000,000 2017B Bonds will fund construction of streetscape and park infrastructure in the Transbay Project Area. Of the \$55,000,000 2017C Bonds, \$28,000,000 will provide new money to fund affordable housing in Mission Bay and \$27,000,000 will refund existing Mission Bay affordable housing bonds to take advantage of low interest rates and reduce future debt service costs. Bond proceeds will fund costs of issuance in each case.

The Commission Resolutions make findings, confirm actions taken in Resolutions 53-2016 and 54-2016, approve in form key transaction documents, and authorize OCII staff to take all actions necessary to complete the transactions. The Financing Authority Resolutions approve the purchase and sale of bonds, authorize the redemption agreements, and authorize OCII staff to take all actions necessary to complete the transactions. These actions comprise the final Commission and Financing Authority actions necessary to issue bond series 2017A, 2017B, and 2017C.

Staff recommends the Commission approve Resolutions 9-2017 and 10-2017, which are the final Commission actions necessary for OCII to issue bond series 2017A, 2017B, and 2017C. Staff recommends the Financing Authority approve Resolutions 1-2017 and 2-2017, which are the final Financing Authority actions necessary for OCII to issue bond series 2017A, 2017B, and 2017C.

DISCUSSION

The attached resolutions, Commission Resolutions 9-2017 and 10-2017 and Financing Authority Resolutions 1-2017 and 2-2017 are the final Commission and Financing Authority actions necessary for OCII to issue 2017A, 2017B, and 2017C Bonds. These issuances were initially authorized by the OCII Commission on December 6, 2016 by Resolutions 53-2016 (Attachment A, without Exhibits) and 54-2016 (Attachment B, without Exhibits), by the Oversight Board on December 12, 2016 (Resolutions 11-2016 and 12-2016, Attachments E & F, respectively), and are subject to approval by the Department of Finance.

The attached Commission Memorandum from December 6, 2016 (Attachment C) contains further transaction details.

PROPOSED ACTION

The issuance of 2017A, 2017B, and 2017C requires action by both the Commission and the Financing Authority.

Proposed OCII Commission Actions

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| Resolution #09-2017 | Confirms the approvals and authorizations of Resolution 53-2016, approves the Preliminary and Final Official Statement, a continuing disclosure certificate, (Attachment H) and other related documents and actions necessary to issue 2017A and 2017B. |
| Resolution #10-2017 | Confirms the approvals and authorizations of Resolution 54-2016, approves the Preliminary and Final Official Statement, a continuing disclosure certificate, (Attachment I) and other related documents and all actions necessary to issue 2017C. |

Proposed Finance Authority Actions

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| Resolution #01-2017 | Authorizes the purchase and negotiated sale of 2017A and 2017B, approves the Bond Purchase Contracts, authorizes the negotiated sale of the bonds and other matters related to the issuance of 2017A and 2017B. |
| Resolution #02-2017 | Authorizes the purchase and negotiated sale of 2017C, approves the Bond Purchase Contract, authorizes Redemption Agreements and other matters related to the issuance of 2017C. |

The Financing Authority was created by a joint exercise of powers agreement between the City and County of San Francisco and the former San Francisco Redevelopment Agency (SFRDA) on July 11, 1989. At its inception, the Financing Authority was governed by a Board of Directors that consisted of the members of the SFRDA Commission. Its primary purpose was to facilitate financings for the SFRDA. Under AB26, the Successor Agency stepped into the role of the SFRDA. Consequently, the members of the Commission now act as the Board of

Directors of the Financing Authority and the primary role of the Financing Authority is to facilitate financings for the Successor Agency.

Financing Authority action is required to issue 2017A, 2017B and 2017C bonds. Resolutions #01-2017 and #02-2017 approve the purchase of the bonds from the Successor Agency and concurrent sale of the bonds to the Underwriters. They also approve in form and authorize the execution of issuance related documents that govern the sale and further direct staff to take any action necessary and advisable to complete the transactions. In addition, as the Financing Authority issued the bonds to be refunded by 2017C, Resolution 02-2017 also approves certain documents, and authorizes actions necessary to complete the refunding transactions. Attachment G is a sample redemption agreement. The redemption agreement defines the financial terms under which 2017C will refund 2006A, 2009E, and 2011E, depending on market conditions. Bond counsel will prepare final redemption agreements based on the outcome of the 2017 bond sale.

OCII debt policy states that a bond refunding should produce a minimum net present value savings of at least 3% of the par value of the refunded bonds, absent any significant non-economic factors. The Series 2017C refunding bonds will comply with OCII debt policy.

Next Steps

Staff will work with the financing team to price the bonds in February, for a March closing.

Enabling Law

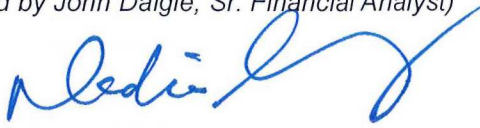
The Redevelopment Dissolution Law, as amended by Senate Bill No. 107 (stats. 2015, chapter 3251), provides that the Successor Agency has the authority, with approval of its oversight board and the California Department of Finance, to issue bonds to fund: the construction of affordable housing in Hunters Point Shipyard, Phase 2, Candlestick Point, Mission Bay North and Mission Bay South and Transbay) (Section 34177.7(a)(1)(A) of the Code); and to fund the infrastructure required by the Transbay Redevelopment Project Implementation Agreement dated as of January 20, 2005 between the Former Agency, as succeeded by the Successor Agency, and the Transbay Joint Powers Authority, as hereafter may be amended (the "Transbay Infrastructure Obligation") (Section 34177.7(a)(1)(B) of the Code). 2017A and 2017B are being issued under the authority of SB107. Redevelopment Dissolution Law also grants Successor Agencies the authority to issue bonds, subject to review and approval by the Oversight Board and the Department of Finance, for the purpose of creating savings in the use of tax increment to service debt, to smooth debt service spikes, and to fulfill enforceable obligations including irrevocable pledge of property tax increment and requiring the issuance of bonds secured by this pledge. California Health and Safety Code Section 34177.5(a)(1). 2017C is being issued under the authority of SB107 to generate new money to fund affordable housing in Mission Bay South and under Redevelopment Dissolution Law to create savings in the use of tax increment to service debt.

California Environmental Quality Act

Authorization of the sale and issuance of the 2017 bonds is a Successor Agency fiscal activity that does not constitute a "Project," as defined by the California Environmental Quality Act ("CEQA") in CEQA Guidelines

Section 15378(b)(4) and will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA.

(Originated by John Daigle, Sr. Financial Analyst)



Nadia Sesay
Interim Executive Director

- Attachment A: OCII Commission Resolution 53-2016 (without Exhibits)
- Attachment B: OCII Commission Resolution 54-2016 (without Exhibits)
- Attachment C: Commission Memorandum, December 6, 2016
- Attachment D: Oversight Board Resolution No. 11-2016
- Attachment E: Oversight Board Resolution No. 12-2016
- Attachment F: Oversight Board Memo, December 12, 2016
- Attachment G: Sample Redemption Agreement Series 2017C
- Attachment H: Preliminary Official Statement Series 2017A&B
- Attachment I: Preliminary Official Statement Series 2017C

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 53-2016

Adopted December 6, 2016

AUTHORIZING THE ISSUANCE OF NEW MONEY TAX ALLOCATION BONDS, AS PERMITTED IN SECTION 34177.7(a)(1)(A) AND (B) OF THE CALIFORNIA HEALTH AND SAFETY CODE, TO FINANCE (I) AFFORDABLE HOUSING OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$112,000,000 AND (II) INFRASTRUCTURE IN THE TRANSBAY PROJECT AREA IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000, APPROVING AND DIRECTING THE EXECUTION OF AN INDENTURE OF TRUST AND BOND PURCHASE CONTRACTS, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS; AFFORDABLE HOUSING OBLIGATIONS; TRANSBAY INFRASTRUCTURE OBLIGATIONS

WHEREAS, Under California Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, No. 5194861, all redevelopment agencies in the State of California (the "State"), including the Redevelopment Agency of the City and County of San Francisco (the "Former Redevelopment Agency"), were dissolved by operation of law as of February 1, 2012, and their non-affordable housing assets and obligations were transferred to certain designated successor agencies; and,

WHEREAS, In June of 2012, the California legislature adopted Assembly Bill 1484 ("AB 1484") amending certain provisions of AB 26 and clarifying that successor agencies are separate public entities (Section 34173 (g) of the California Health and Safety Code (the "Code")), and have the authority, with approval of the oversight board and the California Department of Finance, to issue bonds for certain purposes (Section 34177.5(a) of the Code), and the Governor of the State signed the bill on June 27, 2012 and it became effective on June 27, 2012; and,

WHEREAS, Subsequent to the adoption of AB 1484, on October 2, 2012 the Board of Supervisors of the City (the "Board of Supervisors") adopted Ordinance No. 215-12 (the "Implementing Ordinance"), which was signed by the Mayor on October 4, 2012, and which, among other matters: (a) acknowledged and confirmed that, as of the effective date of AB 1484, the Successor Agency (as defined herein) is a separate legal entity from the City, (b) acknowledged and confirmed that the Successor Agency holds, subject to the applicable rights and restrictions set forth in AB 26 as amended by AB 1484, and as it may be further amended from time to time (collectively referred to in the Implementing Ordinance as the "Redevelopment Dissolution Law"), title to all assets, and all rights, obligations and liabilities of the Former Redevelopment Agency, (c) declared that the name of the Successor Agency is the "Successor Agency to the Redevelopment Agency of

the City and County of San Francisco,” (d) established the Successor Agency Commission (the “Successor Agency Commission”) and delegated to the Successor Agency Commission the authority (excluding authority as to the “Housing Assets,” as defined in the Implementing Ordinance, but not excluding authority as to the “Retained Housing Obligations”) to act in place of the Former Redevelopment Agency Commission to, among other matters: (i) implement, modify, enforce and complete the Former Redevelopment Agency’s enforceable obligations, except with respect to certain enforceable obligations for specified affordable housing purposes, (ii) approve all contracts and actions related to the assets transferred to or returned by the Successor Agency, consistent with applicable enforceable obligations, and (iii) take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that the Successor Agency Commission deems appropriate consistent with the Redevelopment Dissolution Law to comply with such obligations, including, without limitation, authorizing additional obligations in furtherance of enforceable obligations, and approving the issuance of bonds to carry out the enforceable obligations, subject to any approval of the oversight board of the Successor Agency established pursuant to the provisions of the Redevelopment Dissolution Law (the “Oversight Board”), (e) authorized the Mayor to appoint the five members of the Successor Agency Commission, and (f) provided for an Executive Director of, and legal counsel to, the Successor Agency; and,

WHEREAS, The Successor Agency is also known as the Office of Community Investment and Infrastructure (“OCII”) and its commission is known as the Commission on Community Investment and Infrastructure; and,

WHEREAS, In September of 2015, the California legislature adopted Senate Bill No. 107 (Stats. 2015, ch. 325, § 9, *codified at* Cal. Health & Safety Code § 34177.7) (“SB 107”) further amending the Redevelopment Dissolution Law and providing that the Successor Agency has the authority, with approval of its oversight board and the California Department of Finance, to issue bonds for certain purposes, including the funding of affordable housing required by (i) the Disposition and Development Agreement Hunters Point Shipyard Phase 1 dated as of December 2, 2003 between Lennar/BVHP, LLC, a California limited liability company doing business as Lennar/BVHP Partners, as succeeded by HPS Development Co., L.P., and the Former Agency, as succeeded by the Successor Agency, as heretofore amended and as hereafter may be amended, (ii) the Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated for reference purposes only as of June 3, 2010, between CP Development Co. LP, and the Former Agency, as succeeded by the Successor Agency, as heretofore amended and as hereafter may be amended, (iii) the Mission Bay North Owner Participation Agreement executed November 16, 1998, as heretofore amended and as hereafter may be amended, (iv), the Mission Bay South Owner Participation Agreement executed November 16, 1998, as heretofore amended and as hereafter may be amended, and (v) the Transbay Implementation Plan (as defined below) (Section 34177.7(a)(1)(A) of the Code) ((i) – (v) are collectively referred to herein as the “Affordable Housing Obligations”), and the Governor of the State signed the bill on September 22, 2015 and it became effective immediately; and,

- WHEREAS, SB 107 also provides that the Successor Agency has the authority, with approval of its oversight board and the California Department of Finance, to issue bonds to finance the infrastructure required by the Transbay Redevelopment Project Implementation Agreement dated as of January 20, 2005 between the Former Agency, as succeeded by the Successor Agency, and the Transbay Joint Powers Authority, as hereafter may be amended (the "Transbay Infrastructure Obligation") (Section 34177.7(a)(1)(B) of the Code); and,
- WHEREAS, In order to finance the Affordable Housing Obligations under the authority of Section 34177.7(a)(1)(A) of the Code, the Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to issue its bonds (the "2017 Series A Taxable Bonds") captioned "2017 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects)"; and,
- WHEREAS, In order to finance the Transbay Infrastructure Obligation under the authority of Section 34177.7(a)(1)(B) of the Code, the Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to issue its bonds (the "2017 Series B Bonds" and, together with the 2017 Series A Taxable Bonds, the "2017 Bonds") captioned "2017 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects)"; and,
- WHEREAS, The 2017 Bonds will, subject to adoption of a resolution of the Board of Supervisors (the "BOS Resolution") with respect to the 2017 Series A Taxable Bonds, be payable from "Pledged Tax Revenues" (as defined in the Indenture) on a basis subordinate to the Successor Agency's repayment obligations under the \$67,955,000 initial aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) and the \$75,945,000 initial aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (collectively, the "2014 Bonds") and any debt issued on a parity with the 2014 Bonds; and,
- WHEREAS, The sale of the 2017 Bonds will comply with the provisions of the Successor Agency's debt policy (the "Debt Policy"), adopted by Resolution 72-2014 of the Successor Agency Commission on August 19, 2014, unless such compliance is waived in accordance with the Debt Policy; and,
- WHEREAS, Public Financial Management, Inc. and Kitahata and Company (collectively, the "Financial Advisor") has prepared an analysis which is reflected in the staff report attached to this Resolution, which addresses matters described in Section 34177.7(h) of the Code with respect to the 2017 Bonds; and,
- WHEREAS, The Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to sell the 2017 Bonds to Stifel, Nicolaus & Company, Inc., Backstrom, McCarley Berry & Co., LLC and Stinson Securities, LLC (collectively, the "2017 Series A Underwriters") pursuant to the

attached Bond Purchase Contract relating to the 2017 Bonds (the “2017 Purchase Contract”) among the Successor Agency, the City and County of San Francisco Redevelopment Financing Authority (the “Authority”) and the 2017 Series A Underwriters; and,

WHEREAS, The Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to also sell the 2017 Series B Bonds to Stifel, Nicolaus & Company, Incorporated, Backstrom, McCarley Berry & Co., LLC and Stinson Securities, LLC (collectively, the “2017 Series B Underwriters”) pursuant to the attached Bond Purchase Contract relating to the 2017 Series B Bonds (the “2017 Series B Purchase Contract”) among the Successor Agency, the Authority and the 2017 Series B Underwriters; and,

WHEREAS, The following documents and instruments are attached to the Resolution: an Indenture of Trust (the “Indenture”) between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”), providing for the issuance of the 2017 Bonds; the 2017 Series A Purchase Contract; and the 2017 Series B Purchase Contract; and,

WHEREAS, The Successor Agency is now requesting that the Oversight Board direct the Successor Agency to undertake the proceedings necessary to issue the 2017 Bonds and to approve the issuance of the 2017 Bonds pursuant to this Resolution and the Indenture; and,

WHEREAS, The Successor Agency further requests that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the proceedings necessary to issue the 2017 Bonds and the issuance of the 2017 Bonds; and,

WHEREAS, Following approval by the Oversight Board of the issuance of the 2017 Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of the Financial Advisor, bond counsel to the Successor Agency (“Bond Counsel”), disclosure counsel to the Successor Agency (“Disclosure Counsel”), and the fiscal consultant to the Successor Agency (the “Fiscal Consultant”), cause to be prepared a form of Official Statement describing the 2017 Bonds and containing material information relating to the Successor Agency and the 2017 Bonds, the preliminary form of which will be submitted to the Successor Agency's Commission (but not the Oversight Board) for approval for distribution by the Underwriters to persons and institutions interested in purchasing the 2017 Bonds; and,

WHEREAS, The sale and issuance of the 2017 Bonds, and the approval of related documents and actions, are Successor Agency fiscal activities that do not constitute a “Project” as defined by the California Environmental Quality Act (“CEQA”) Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and are not subject to environmental review under CEQA; now therefore, be it

RESOLVED, The Successor Agency Commission finds that:

The Successor Agency has full authority to issue the 2017 Series A Taxable Bonds to finance Affordable Housing Obligations under said Section 34177.7(a)(1)(A) of the Code, and to issue the 2017 Series B Bonds to finance Transbay Infrastructure Obligation under Section 34177.7(a)(1)(B) of the Code, and upon the Oversight Board's approval and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, all acts and proceedings required by law necessary to make the 2017 Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Successor Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes therein set forth, in accordance with its terms, will have been done or taken and the execution and delivery of the Indenture will have been in all respects duly authorized; and, be it further

RESOLVED, Pursuant to the Act, this Resolution, the Indenture, and Sections 34177.7(a)(1)(A) and 34177.7(b) of the Code, the 2017 Series A Taxable Bonds are hereby authorized to be issued, subject to the adoption of the BOS Resolution and the approval of the Oversight Board and the California Department of Finance, provided that the aggregate initial amount of the 2017 Series A Taxable Bonds shall not exceed \$112,000,000. The 2017 Series A Taxable Bonds shall be executed in the form set forth in and otherwise as provided in the Indenture. Notwithstanding the foregoing, the Successor Agency may issue more than one series of bonds at different times if the Authorized Officers (as defined below) determine it is in the best interests of the Successor Agency to do so, provided that the maximum combined principal amount of all such bonds shall not exceed \$112,000,000; and, be it further

RESOLVED, It is the intent of the Successor Agency that interest on the 2017 Series A Taxable Bonds be subject to all applicable federal income taxation; and, be it further

RESOLVED, Pursuant to the Act, this Resolution, the Indenture, and Sections 34177.7(a)(1)(B) and 34177.7(b) of the Code, the 2017 Series B Bonds are hereby authorized to be issued, subject to the approval of the Oversight Board and the California Department of Finance, provided that the aggregate initial amount of the 2017 Series B Bonds shall not exceed \$50,000,000. The 2017 Series B Bonds shall be executed in the form set forth in and otherwise as provided in the Indenture. Notwithstanding the foregoing, the Successor Agency may issue more than one series of bonds at different times if the Authorized Officers determine it is in the best interests of the Successor Agency to do so, provided that the maximum combined principal amount of all bonds shall not exceed \$50,000,000; and, be it further

RESOLVED, The attached Indenture is hereby approved in form. The Executive Director and the Deputy Director, Finance and Administration (each being hereinafter referred to as an "Authorized Officer"), each acting alone, are hereby authorized and directed, subject to the Oversight Board's approval and the California Department of

Finance's non-objection to or approval of the Oversight Board's Resolution, to execute and deliver the Indenture in said form, with such additions thereto or changes therein as are approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Indenture by an Authorized Officer. The date, manner of payment, interest rate or rates, interest payment dates, denominations, form, registration, privileges, manner of execution, place of payment, terms of redemption and other terms of the 2017 Bonds shall be as provided in the Indenture as finally executed. The selection of U.S. Bank National Association to serve as trustee under the Indenture is hereby approved; and, be it further

RESOLVED, The Successor Agency hereby approves the selection of the 2017 Series A Underwriters. The attached 2017 Series A Purchase Contract is hereby approved in form. An Authorized Officer is hereby authorized and directed to accept the offer of the Underwriters to purchase the 2017 Series A Taxable Bonds, provided that the following conditions are met: the aggregate initial amount of the 2017 Series A Taxable Bonds may not exceed \$112,000,000, the true interest cost of the 2017 Series A Taxable Bonds may not exceed 8.00% per annum, and the Underwriters' discount for the 2017 Series A Taxable Bonds, without regard to any original issue discount, may not exceed 0.60% of the aggregate initial amount of the 2017 Series A Taxable Bonds. Subject to the adoption of the BOS Resolution and the Oversight Board's approval, and the Department of Finance's non-objection to or approval of the Oversight Board's Resolution, an Authorized Officer is hereby authorized and directed to execute and deliver the 2017 Series A Purchase Contract in said form, with such additions thereto or changes therein as are recommended or approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the 2017 Series A Purchase Contract by an Authorized Officer; and, be it further

RESOLVED, The Successor Agency hereby approves the selection of the 2017 Series B Underwriters. The attached 2017 Series B Purchase Contract is hereby approved in form. An Authorized Officer is hereby authorized and directed to accept the offer of the Underwriters to purchase the 2017 Series B Bonds, provided that the following conditions are met: the aggregate initial amount of the 2017 Series B Bonds may not exceed \$50,000,000, the true interest cost of the 2017 Series B Bonds may not exceed 7.00% per annum, and the Underwriters' discount for the 2017 Series B Bonds, without regard to any original issue discount, may not exceed 0.60% of the aggregate initial amount of the 2017 Series B Bonds and, provided further that, the 2017 Series A Purchase Contract and the 2017 Series B Purchase Contract may be combined into one purchase contract if so approved by an authorized Officer. Subject to the Oversight Board's approval, and the Department of Finance's non-objection to or approval of the Oversight Board's Resolution, an Authorized Officer is hereby authorized and directed to execute and deliver the 2017 Series B Purchase Contract in said form, with such additions thereto or changes therein as are recommended or approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel, the

approval of such additions or changes to be conclusively evidenced by the execution and delivery of the 2017 Series B Purchase Contract by an Authorized Officer; and, be it further

RESOLVED, the 2017 Series A Purchase Contract and the 2017 Series B Purchase Contract may be combined into one Purchase Contract if the sale of the 2017 Series A Taxable Bonds and the 2017 Series B Bonds occur on the same date, or may be separate Purchase Contracts if they are sold on different dates; and, be it further

RESOLVED, Following approval by the Oversight Board of the issuance of the 2017 Bonds by the Successor Agency and upon submission to the California Department of Finance of such approval by the Oversight Board, the Successor Agency will, with the assistance of Disclosure Counsel, Bond Counsel, the Fiscal Consultant and the Financial Advisor, cause to be prepared a form of Official Statement describing the 2017 Bonds and containing material information relating to the Successor Agency and the 2017 Bonds, the preliminary form of which will be submitted to the Successor Agency's Commission (but not to the Oversight Board) for approval for distribution by the Underwriters to persons and institutions interested in purchasing the 2017 Bonds; and, be it further

RESOLVED, The 2017 Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the 2017 Bonds by executing the Trustee's certificate of authentication and registration appearing thereon, and to deliver the 2017 Bonds, when duly executed and authenticated, to the Underwriters in accordance with written instructions executed on behalf of the Successor Agency by an Authorized Officer, which instructions such officer is hereby authorized and directed to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the 2017 Bonds to the Underwriters upon payment of the purchase price therefor; and, be it further

RESOLVED, The Successor Agency hereby requests the Oversight Board, as authorized by Section 34177.7(f) of the Code, to direct the Successor Agency to undertake the proceedings relating to the issuance of bonds to finance the Affordable Housing Obligations authorized under Section 34177.7(a)(1)(A) of the Code, and the Transbay Infrastructure Obligation authorized under Section 34177.7(a)(1)(B) of the Code and as authorized by Sections 34177.7(f) and 34180 of the Code, to approve the issuance of the 2017 Series A Taxable Bonds pursuant to Section 34177.7(a)(1)(A) and the issuance of the 2017 Series B Bonds pursuant to Section 34177.7(a)(1)(B) of the Code, this Resolution and the Indenture; and, be it further

RESOLVED, The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the proceedings necessary for the issuance of the 2017 Bonds and the issuance of the 2017 Bonds:

- (a) The Successor Agency is authorized, as provided in Section 34177.7(f) of the Code, to recover its costs related to the issuance of the 2017 Bonds from the proceeds of the 2017 Bonds, including the cost of reimbursing its

administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the 2017 Bonds.

- (b) The application of proceeds of the 2017 Bonds by the Successor Agency to the financing of the Affordable Housing Obligations authorized under Section 34177.7(a)(1)(A) of the Code, and Transbay Infrastructure Obligation authorized under Section 34177.7(a)(1)(B) of the Code, as well as the payment by the Successor Agency of costs of issuance of the 2017 Bonds, shall be implemented by the Successor Agency promptly upon sale and delivery of the 2017 Bonds, notwithstanding Section 34177.3 of the Code or any other provision of law to the contrary, without the further approval of the Oversight Board, the California Department of Finance, or any other person or entity other than the Successor Agency.
- (c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34183(a)(3) of the Code without any deductions with respect to continuing post-issuance compliance and administration costs related to the 2017 Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Section 34177.5(f) of the Code, if the Successor Agency is unable to complete the issuance of the 2017 Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the proceedings relating to the issuance of the 2017 Bonds from such property tax revenues pursuant to Section 34183 of the Code without reduction in its Administrative Cost Allowance; and, be it further

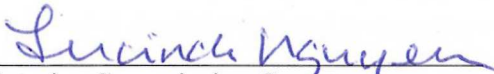
RESOLVED The Successor Agency is hereby authorized and directed to file a certified copy of this Resolution and its attachments, with the Oversight Board, and, as provided in Section 34180(j) of the Code, with the California Department of Finance, the Administrative Officer and Auditor-Controller of the City and County of San Francisco; and, be it further

RESOLVED, The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions necessary to obtain a municipal bond insurance policy and/or reserve account surety bond, or both, for the 2017 Bonds, or any portion thereof, from a municipal bond insurance company if it is determined, upon consultation with the Financial Advisor, that such municipal bond insurance policy and/or surety bond will reduce the debt service costs with respect to the 2017 Bonds; and, be it further

RESOLVED, That, subject to the preparation and approval of the Official Statement, as described above, this Commission authorizes all actions heretofore taken by the officers and agents of the Successor Agency with respect to the sale and issuance of the 2017 Bonds herein authorized, the expenditure of the proceeds of the 2017 Bonds is hereby approved, confirmed and ratified, and the proper officers of the Successor

Agency are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2017 Bonds in accordance with this Resolution and any certificate, agreement and other document described in the documents herein approved.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of December 6, 2016.


Interim Commission Secretary

Attachment A - Indenture (Series 2017 A&B)

Attachment B – Bond Purchase Contract (Series 2017 A&B)

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 54-2016

Adopted December 6, 2016

AUTHORIZING THE ISSUANCE OF NEW MONEY AND REFUNDING TAX ALLOCATION BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000, APPROVING AND DIRECTING THE EXECUTION OF AN INDENTURE OF TRUST, A BOND PURCHASE CONTRACT AND REDEMPTION AGREEMENTS, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS; MISSION BAY NORTH AND MISSION BAY SOUTH AFFORDABLE HOUSING OBLIGATIONS

WHEREAS, The Redevelopment Agency of the City and County of San Francisco (the “Former Redevelopment Agency”) and FOCIL-MB, LLC (the “Master Developer”), as assignee of Catellus Development Corporation, are parties to a Mission Bay North Owner Participation Agreement executed November 16, 1998, as amended by the First Amendment, dated February 17, 2004, by the Second Amendment, dated March 16, 2004, by the Third Amendment, dated January 18, 2005, by the Fourth Amendment, dated March 15, 2005, and by the Fifth Amendment, dated January 21, 2014 (as further amended, the “Mission Bay North OPA”), which includes as part thereof Attachment E thereto, entitled “Mission Bay North Financing Plan”, and a Mission Bay South Owner Participation Agreement executed November 16, 1998, as amended by the First Amendment, dated February 17, 2004, by the Second Amendment, dated November 1, 2005, by the Third Amendment, dated May 21, 2013, by the Fourth Amendment dated June 4, 2013, and by the Fifth Amendment, dated April 29, 2014 (as further amended, the “Mission Bay South OPA”), which includes as part thereof Attachment E thereto, entitled “Mission Bay South Financing Plan”; and,

WHEREAS, Under California Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) (“AB 26”) and the California Supreme Court’s decision in California Redevelopment Association v. Matosantos, No. 5194861, all redevelopment agencies in the State of California (the “State”), including the Redevelopment Agency of the City and County of San Francisco (the “Former Redevelopment Agency”), were dissolved by operation of law as of February 1, 2012, and their non-affordable housing assets and obligations were transferred to certain designated successor agencies; and,

WHEREAS, In June of 2012, the California legislature adopted Assembly Bill 1484 (“AB 1484”) amending certain provisions of AB 26 and clarifying that successor agencies are separate public entities (Section 34173 (g) of the California Health and Safety Code (the “Code”)), and have the authority, with approval of the oversight board and the California Department of Finance, to issue bonds for certain refunding purposes (Section 34177.5(a)(1) of the Code), and the Governor of the

State signed the bill on June 27, 2012 and it became effective on June 27, 2012; and,

WHEREAS, Subsequent to the adoption of AB 1484, on October 2, 2012 the Board of Supervisors of the City adopted Ordinance No. 215-12 (the "Implementing Ordinance"), which was signed by the Mayor on October 4, 2012, and which, among other matters: (a) acknowledged and confirmed that, as of the effective date of AB 1484, the Successor Agency (as defined herein) is a separate legal entity from the City, (b) acknowledged and confirmed that the Successor Agency holds, subject to the applicable rights and restrictions set forth in AB 26 as amended by AB 1484, and as it may be further amended from time to time (collectively referred to in the Implementing Ordinance as the "Redevelopment Dissolution Law"), title to all assets, and all rights, obligations and liabilities of the Former Redevelopment Agency, (c) declared that the name of the Successor Agency is the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (d) established the Successor Agency Commission (the "Successor Agency Commission") and delegated to the Successor Agency Commission the authority (excluding authority as to the "Housing Assets," as defined in the Implementing Ordinance, but not excluding authority as to the "Retained Housing Obligations") to act in place of the Former Redevelopment Agency Commission to, among other matters: (i) implement, modify, enforce and complete the Former Redevelopment Agency's enforceable obligations, except with respect to certain enforceable obligations for specified affordable housing purposes, (ii) approve all contracts and actions related to the assets transferred to or returned by the Successor Agency, consistent with applicable enforceable obligations, and (iii) take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that the Successor Agency Commission deems appropriate consistent with the Redevelopment Dissolution Law to comply with such obligations, including, without limitation, authorizing additional obligations in furtherance of enforceable obligations, and approving the issuance of bonds to carry out the enforceable obligations, subject to any approval of the oversight board of the Successor Agency established pursuant to the provisions of the Redevelopment Dissolution Law (the "Oversight Board"), (e) authorized the Mayor to appoint the five members of the Successor Agency Commission, and (f) provided for an Executive Director of, and legal counsel to, the Successor Agency; and,

WHEREAS, The Successor Agency is also known as the Office of Community Investment and Infrastructure ("OCII") and its commission is known as the Commission on Community Investment and Infrastructure; and,

WHEREAS, In September of 2015, the California legislature adopted Senate Bill No. 107 (Stats. 2015, ch. 325, § 9, *codified at* Cal. Health & Safety Code § 34177.7) ("SB 107") further amending the Redevelopment Dissolution Law and providing that the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") has the authority, with approval of its oversight board and the California Department of Finance, to issue bonds for certain purposes, including the funding of affordable housing required by the Mission Bay North OPA and the Mission Bay South OPA (Section 34177.7(a)(1)(A) of the

Code) (collectively referred to as the “Mission Bay Affordable Housing Obligations”), and the Governor of the State signed the bill on September 22, 2015 and it became effective immediately; and,

WHEREAS, Prior to the dissolution of the Former Redevelopment Agency, the Former Redevelopment Agency entered into the following loan agreements (collectively, the “Mission Bay North Existing Loan Agreements”) to finance and refinance affordable housing under the Mission Bay North OPA:

(i) Loan Agreement dated as of August 1, 2006, among the Former Redevelopment Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee, and the City and County of San Francisco Redevelopment Financing Authority (the “Authority”), in the initial aggregate principal amount of \$3,900,000; and

(ii) Loan Agreement dated as of December 1, 2009, among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$975,000; and

(iii) Loan Agreement dated as of April 1, 2011 among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$1,660,000; and,

WHEREAS, Prior to the dissolution of the Former Redevelopment Agency, the Former Redevelopment Agency entered into the following loan agreements (collectively, the “Mission Bay South Existing Loan Agreements”) to finance and refinance affordable housing under the Mission Bay South OPA:

(i) Loan Agreement dated as of December 1, 2009, among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$5,230,000; and

(ii) Loan Agreement dated as of April 1, 2011 among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$7,795,000; and,

WHEREAS, In connection with the execution and delivery of the Mission Bay North Existing Loan Agreements and the Mission Bay South Existing Loan Agreements (collectively, the “Existing Loan Agreements”), the Authority issued the following bonds (collectively, the “Prior Bonds”):

(i) \$50,731,330.80 initial aggregate principal amount of 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); and

(ii) \$72,565,000 initial aggregate principal amount of 2009 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); and

(iii) \$9,455,000 initial aggregate principal amount of 2011 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); and,

- WHEREAS, Section 34177.5(a)(1) of the Code provides that a successor agency may, subject to the approval of the oversight board and the California Department of Finance, issue bonds or incur other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency to provide savings to the successor agency, provided that the conditions set forth in that section (the “Savings Parameters”) are met; and,
- WHEREAS, Section 34177.5(b) of the Code authorizes a successor agency to issue such refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”); and,
- WHEREAS, Section 34177.7(a)(1)(A) of the Code provides that a successor agency may, subject to the approval of the oversight board and the California Department of Finance, issue bonds or incur other indebtedness to finance the Mission Bay Affordable Housing Obligations; and,
- WHEREAS, In order to refinance the Existing Loan Agreements and the Prior Bonds under the authority of Section 34177.5(a)(1) of the Code and the Refunding Law, and to finance the Mission Bay Affordable Housing Obligations under the authority of Section 34177.7(a)(1)(A) of the Code, the Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to issue its bonds (the “2017 Series C Bonds”) captioned “2017 Series C Taxable Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects)”;
- WHEREAS, The 2017 Series C Bonds will be payable from “Tax Revenues” (as defined in the attached Indenture) on a basis subordinate to the Successor Agency’s repayment obligations under the Existing Loan Agreements, if any, that will remain outstanding after the issuance of the 2017 Series C Bonds; and,
- WHEREAS, To determine that the issuance of the 2017 Series C Bonds relating to the refinancing of the Existing Loan Agreements and the resulting refunding of the Prior Bonds comply with the Savings Parameters, the Successor Agency has caused its financial advisors, Public Financial Management, Inc. and Kitahata & Company (collectively, the “Financial Advisor”), to prepare the attached analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of a portion of the proceeds of the 2017 Series C Bonds to prepay all or a portion of the Existing Loan Agreements and, thereby, to refund all or a portion of the Prior Bonds (the “Debt Service Savings Analysis”); and,
- WHEREAS, The sale of the 2017 Series C Bonds will comply with the provisions of the Successor Agency’s debt policy (the “Debt Policy”), adopted by Resolution 72-2014 of the Successor Agency Commission on August 19, 2014, unless such compliance is waived in accordance with the Debt Policy; and,
- WHEREAS, The Financial Advisor has prepared an analysis which is reflected in the staff report submitted in connection with this Resolution, which addresses matters described in Sections 34177.5(h) and 34177.7(h) of the Code with respect to the 2017 Series C Bonds; and,

- WHEREAS, The Successor Agency has determined, subject to the approval of the Oversight Board and the California Department of Finance, to sell the 2017 Series C Bonds to Piper Jaffray & Co. and Stinson Securities, LLC, (collectively, the "Underwriters") pursuant to a Bond Purchase Contract (the "Purchase Contract") among the Successor Agency, the City and County of San Francisco Redevelopment Financing Authority (the "Authority") and the Underwriters; and,
- WHEREAS, The following documents and instruments are attached: an Indenture of Trust (the "Indenture") between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee"), providing for the issuance of the 2017 Series C Bonds; a Redemption Agreement for each of the Prior Bonds and the related Existing Loan Agreements (each a "Redemption Agreement") providing for the refinancing of the Existing Loan Agreements, and the refunding and defeasance of the Prior Bonds; and the Purchase Contract; and,
- WHEREAS, The Successor Agency is now requesting that the Oversight Board direct the Successor Agency to undertake the proceedings necessary to issue the 2017 Series C Bonds and to approve the issuance of the 2017 Series C Bonds pursuant to this Resolution and the Indenture; and,
- WHEREAS, The Successor Agency further requests that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the 2017 Series C Bonds; and,
- WHEREAS, Following approval by the Oversight Board of the issuance of the 2017 Series C Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of the Financial Advisor, bond counsel to the Successor Agency ("Bond Counsel"), disclosure counsel to the Successor Agency ("Disclosure Counsel"), and the fiscal consultant to the Successor Agency (the "Fiscal Consultant"), cause to be prepared a form of Official Statement describing the 2017 Series C Bonds and containing material information relating to the Successor Agency and the 2017 Series C Bonds, the preliminary form of which will be submitted to the Successor Agency's Commission (but not the Oversight Board) for approval for distribution by the Underwriters to persons and institutions interested in purchasing the 2017 Series C Bonds; and,
- WHEREAS, The sale and issuance of the 2017 Series C Bonds, and the approval of related documents and actions, are Successor Agency fiscal activities that do not constitute a "Project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and are not subject to environmental review under CEQA; now therefore, be it

RESOLVED, The Successor Agency Commission finds that:

The Successor Agency has full authority (i) under Section 34177.5(a)(1) of the Code to issue the 2017 Series C Bonds to refinance the Existing Loan Agreements

and the Prior Bonds and (ii) under 34177.7(a)(1)(A) of the Code to issue the 2017 Series C Bonds to finance the Mission Bay Affordable Housing Obligations, and upon the Oversight Board's approval and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, all acts and proceedings required by law necessary to make the 2017 Series C Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Successor Agency, and to constitute the Indenture a valid and binding agreement for the uses and purposes therein set forth, in accordance with its terms, will have been done or taken and the execution and delivery of the Indenture will have been in all respects duly authorized; and, be it further

RESOLVED, The Successor Agency Commission has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the refunding portion of the 2017 Series C Bonds to provide funds to refund, discharge and defease the Existing Loan Agreements and the Prior Bonds, all as evidenced by the Debt Service Savings Analysis on file with the Successor Agency, which is hereby approved; and, be it further

RESOLVED, Pursuant to the Act, the Refunding Law, this Resolution, the Indenture, Sections 34177.5(a)(1), 34177.5(b), 34177.7(a)(1)(A) and 34177.7(b) of the Code, the 2017 Series C Bonds are hereby authorized to be issued, subject to the approval of the Oversight Board and the California Department of Finance, provided that the aggregate initial amount of the 2017 Series C Bonds shall not exceed \$55,000,000 and that the 2017 Series C Bonds issued to refinance the Existing Loan Agreements and the resulting refunding of the Prior Bonds shall be in compliance with the Savings Parameters at the time of their issuance and delivery. The 2017 Series C Bonds shall be executed in the form set forth in and otherwise as provided in the Indenture. Notwithstanding the foregoing, the Successor Agency may issue more than one series of bonds at different times if the Authorized Officers (as defined below) determine it is in the best interests of the Successor Agency to do so, provided that the maximum combined principal amount of all such bonds shall not exceed \$55,000,000; and, be it further

RESOLVED, It is the intent of the Successor Agency that interest on the 2017 Series C Bonds be subject to all applicable federal income taxation; and, be it further

RESOLVED, It is the intent of the Successor Agency to sell and deliver the refunding component of the 2017 Series C Bonds in whole, provided that there is compliance with the Savings Parameters. However, the Successor Agency will initially authorize the sale and delivery of the 2017 Series C Bonds in whole or, if such Savings Parameters cannot be met with respect to the whole of the 2017 Series C Bonds issued to refinance the Existing Loan Agreements and the resulting refunding of the Prior Bonds, then in part; provided that the 2017 Series C Bonds issued to refinance the Existing Loan Agreements and the resulting refunding of the Prior Bonds so sold and delivered in part are in compliance with the Savings Parameters. The sale and delivery of the 2017 Series C Bonds in part will in each instance

provide sufficient funds only to finance the Mission Bay Affordable Housing Obligations and for the refunding of that portion of the Existing Loan Agreements that meet the Savings Parameters. If the 2017 Series C Bonds to be issued to refinance the Existing Loan Agreements are initially sold in part, the Successor Agency intends to sell and deliver additional parts of the 2017 Series C Bonds without the further approval of the Oversight Board provided that in each such instance the 2017 Series C Bonds so sold and delivered in part are in compliance with the Savings Parameters; and, be it further

RESOLVED, The attached Indenture is hereby approved in form. The Executive Director and the Deputy Director, Finance and Administration (each being hereinafter referred to as an "Authorized Officer"), each acting alone, are hereby authorized and directed, subject to the Oversight Board's approval and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, to execute and deliver the Indenture in said form, with such additions thereto or changes therein as are approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Indenture by an Authorized Officer. The date, manner of payment, interest rate or rates, interest payment dates, denominations, form, registration, privileges, manner of execution, place of payment, terms of redemption and other terms of the 2017 Series C Bonds shall be as provided in the Indenture as finally executed. The selection of U.S. Bank National Association to serve as trustee under the Indenture is hereby approved; and, be it further

RESOLVED, The attached Redemption Agreements are hereby approved in forms. Each Authorized Officer, acting alone, is hereby authorized and directed, subject to the Oversight Board's approval, and the California Department of Finance's non-objection to or approval of the Oversight Board's Resolution, to execute and deliver the Redemption Agreements in said forms, with such additions thereto or changes therein as are approved by an Authorized Officer upon consultation with the Successor Agency and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Redemption Agreements by an Authorized Officer; and, be it further

RESOLVED, The Successor Agency hereby approves the selection of the Underwriters. The attached Purchase Contract is hereby approved in form. An Authorized Officer is hereby authorized and directed to accept the offer of the Underwriters to purchase the 2017 Series C Bonds, provided that the following conditions are met: (a) the aggregate initial amount of the 2017 Series C Bonds may not exceed \$55,000,000, the true interest cost of the 2017 Series C Bonds may not exceed 8.00% per annum, and the Underwriters' discount for the 2017 Series C Bonds, without regard to any original issue discount, may not exceed 0.60% of the aggregate initial amount of the 2017 Series C Bonds; (b) the net present value savings obtained by issuing the 2017 Series C Bonds to refinance the Existing Loan Agreements and to refund the Prior Bonds, based on the debt service of the Existing Loan Agreements and Prior Bonds being refunded, is not less than 3% of the principal amount of the Existing Loan Agreements and the Prior Bonds being refunded (provided, however, that, in

accordance with the Debt Policy of the Successor Agency, this criterion may be waived in order to take advantage of the current historically low interest rate environment and the economic efficiency of including multiple loans in the current refinancing); and (c) the issuance of the 2017 Series C Bonds to refinance the Existing Loan Agreements and the Prior Bonds complies with the Savings Parameters. Subject to the Oversight Board's approval, and the Department of Finance's non-objection to or approval of the Oversight Board's Resolution, an Authorized Officer is hereby authorized and directed to execute and deliver each Purchase Contract in said form, with such additions thereto or changes therein as are recommended or approved by an Authorized Officer upon consultation with the Successor Agency's General Counsel and Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of each Purchase Contract by an Authorized Officer; and, be it further

RESOLVED, Following approval by the Oversight Board of the issuance of the 2017 Series C Bonds by the Successor Agency and upon submission to the California Department of Finance of such approval by the Oversight Board, the Successor Agency will, with the assistance of Disclosure Counsel, Bond Counsel, the Fiscal Consultant and the Financial Advisor, cause to be prepared a form of Official Statement describing the 2017 Series C Bonds and containing material information relating to the Successor Agency and the 2017 Series C Bonds, the preliminary form of which will be submitted to the Successor Agency's Commission (but not to the Oversight Board) for approval for distribution by the Underwriters to persons and institutions interested in purchasing the 2017 Series C Bonds; and, be it further

RESOLVED, The 2017 Series C Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the 2017 Series C Bonds by executing the Trustee's certificate of authentication and registration appearing thereon, and to deliver the 2017 Series C Bonds, when duly executed and authenticated, to the Underwriters in accordance with written instructions executed on behalf of the Successor Agency by an Authorized Officer, which instructions such officer is hereby authorized and directed to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the 2017 Series C Bonds to the Underwriters upon payment of the purchase price therefor; and, be it further

RESOLVED, The Successor Agency hereby requests the Oversight Board, as authorized by Section 34177.5(f) of the Code, to direct the Successor Agency to undertake the refunding proceedings described herein and, as authorized by Sections 34177.5(f) and 34180 of the Code, to approve the issuance of the 2017 Series C Bonds to refund the Existing Loan Agreements and the Prior Bonds pursuant to Section 34177.5(a)(1) of the Code, this Resolution and the Indenture; and, be it further

RESOLVED, The Successor Agency hereby requests the Oversight Board, as authorized by Section 34177.7(f) of the Code, to direct the Successor Agency to undertake the proceedings relating to the issuance of bonds to fund the Mission Bay Affordable Housing Obligations and as authorized by Sections 34177.7(f) and 34180 of the Code to approve the issuance of the 2017 Series C Bonds to finance the Mission

Bay Affordable Housing Obligations pursuant to Section 34177.7(a)(1)(A) of the Code, this Resolution and the Indenture; and, be it further

RESOLVED, The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the proceedings necessary for the issuance of the 2017 Series C Bonds and the issuance of the 2017 Series C Bonds:

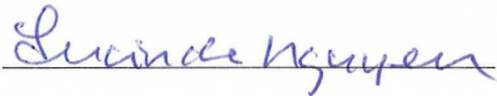
- (a) The Successor Agency is authorized, as provided in Sections 34177.5(f) and 34177.7(f) of the Code, to recover its costs related to the issuance of the 2017 Series C Bonds from the proceeds of the 2017 Series C Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the 2017 Series C Bonds.
- (b) The application of proceeds of the 2017 Series C Bonds by the Successor Agency to both the financing of the Mission Bay Affordable Housing Obligations and to the refunding and defeasance of the Prior Bonds and the refinancing of the Existing Loan Agreements, as well as the payment by the Successor Agency of costs of issuance of the 2017 Series C Bonds, shall be implemented by the Successor Agency promptly upon sale and delivery of the 2017 Series C Bonds, notwithstanding Section 34177.3 of the Code or any other provision of law to the contrary, without the further approval of the Oversight Board, the California Department of Finance, or any other person or entity other than the Successor Agency.
- (c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34183(a)(3) of the Code without any deductions with respect to continuing post-issuance compliance and administration costs related to the 2017 Series C Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Sections 34177.5(f) and 34177.7(f) of the Code, if the Successor Agency is unable to complete the issuance of the 2017 Series C Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to proceedings relating to the issuance of the 2017 Series C Bonds from such property tax revenues pursuant to Section 34183 of the Code without reduction in its Administrative Cost Allowance; and, be it further

RESOLVED, The Successor Agency is hereby authorized and directed to file the Debt Service Savings Analysis, together with a certified copy of this Resolution, with the Oversight Board, and, as provided in Section 34180(j) of the Code, with the California Department of Finance, the Administrative Officer and Auditor-Controller of the City and County of San Francisco; and, be it further

RESOLVED, The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions necessary to obtain a municipal bond insurance policy and/or reserve account surety bond, or both, for the 2017 Series C Bonds, or any portion thereof, from a municipal bond insurance company if it is determined, upon consultation with the Financial Advisor, that such municipal bond insurance policy and/or surety bond will reduce the debt service costs with respect to the 2017 Series C Bonds; and, be it further

RESOLVED, That, subject to the preparation and approval of the Official Statement, as described above, this Commission authorizes all actions heretofore taken by the officers and agents of the Successor Agency with respect to the sale and issuance of the 2017 Series C Bonds herein authorized, the expenditure of the proceeds of the 2017 Series C Bonds is hereby approved, confirmed and ratified, and the proper officers of the Successor Agency are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2017 Series C Bonds in accordance with this Resolution and any certificate, agreement and other document described in the documents herein approved.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of December 6, 2016.



Interim Commission Secretary

Attachment A- Indenture (Series 2017C)
Attachment B - Bond Purchase Contract (Series 2017C)
Attachment C - Redemption Agreement – 2006A
Attachment D - Redemption Agreement – 2009E
Attachment E – Redemption Agreement – 2011E



office of

COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0762016-002

Agenda Item **Nos. 5(c), 5(d) & 5(e)**
Meeting of December 6, 2016**MEMORANDUM****TO:** Community Investment and Infrastructure Commissioners**FROM:** Tiffany Bohee, Executive Director

SUBJECT: Authorizing the Issuance of New Money Tax Allocation Bonds, as permitted in Section 34177.7(a)(1)(A) and (B) of the California Health and Safety Code, to Finance (I) Affordable Housing Obligations in an aggregate principal amount not to exceed \$112,000,000 and (II) Infrastructure in the Transbay Project Area in an aggregate principal amount not to exceed \$50,000,000, approving and directing the execution of an Indenture of Trust and Bond Purchase Contracts, and approving other related documents and actions; Affordable Housing Obligations, Transbay Infrastructure Obligations

Authorizing the Issuance of New Money and Refunding Tax Allocation Bonds in an aggregate principal amount not to exceed \$55,000,000, approving and directing the execution of an Indenture of Trust, a Bond Purchase Contract and Redemption Agreements, and approving other related documents and actions, Mission Bay North and Mission Bay South Affordable Housing Obligations

Authorizing a First Amendment to the Personal Services Contract with Urban Analytics, a California limited liability company, for fiscal consultant services to increase the Contract amount by \$27,500 for an aggregate amount not to exceed \$197,500, to facilitate bond issuances

Edwin M. Lee
MAYORTiffany Bohee
EXECUTIVE DIRECTORMara Rosales
CHAIRMiguel Bustos
Marilyn Mondejar
Leah Pimentel
Darshan Singh
COMMISSIONERSOne S. Van Ness Ave.
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EXECUTIVE SUMMARY

OCII proposes issuing three series of bonds utilizing two credits, the Mission Bay Housing credit and the credit authorized under special legislation applicable only to OCII (Senate Bill No. 107 (Stats. 2015 ch.325, Section 9), codified at Cal. Health and Safety Code Section 34177.7 ("SB 107"). The bonds issued against SB107 would be issued in two series, \$112,000,000 in 2017A to finance Affordable Housing Obligations (Affordable Housing Bonds) and \$50,000,000 in 2017B to finance infrastructure in Transbay (Transbay Bonds). The bonds issued against the Mission Bay Housing credit would be a single series of \$55,000,000 in 2017C, \$28,000,000 in new money to finance Affordable Housing Obligations in Mission Bay and \$27,000,000 to refund outstanding Mission Bay housing debt (Mission Bay Housing Bonds).

Issuing the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds requires the Commission to approve three resolutions. Two of the resolutions, Resolution 53-2016 and 54-2016, approve the form of several critical bond documents for each series, approve the underwriter selections, and set forth the financial terms of the bonds. The third resolution, Resolution 55-2016, approves an amendment to the contract between OCII and Urban Analytics for fiscal consultant services. The proposed amendment would modify the Scope of Services to reflect the proposed bond issuances and increase the contract not-to-exceed amount by \$27,500 from \$170,000 to \$197,500. The modifications to the Scope of Service and increase in the contract not-to-exceed amount are necessary to issue the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds.

Issuing the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds also requires an amendment to the contracts between OCII and the members of the financing team, including Public Financial Management, Kitahata and Company, Jones Hall, and Curls Bartling. These amendments would modify the Scopes of Service and Budgets to reflect the proposed bond issuances but the contract not-to-exceed amounts and term of the contracts would remain the same. As per the Commission's original contract approval, as the changes in the Scopes of Service and the Budgets can be made at the direction of the Executive Director, these changes do not require the Commission to take action.

The proposed bond issuances are planned under the provisions of OCII's Debt Policy, which was last updated on August 19, 2014. Pending Commission approval, staff will seek approval from the Oversight Board and the Department of Finance. Pending approval of these two bodies, the Commission will be required to approve the Preliminary Official Statement before the proposed bonds can be issued. OCII plans to issue the proposed bonds in February 2017.

Staff recommends the Commission approve Resolutions 53-2016, 54-2016, and 55-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

CREDIT STRUCTURE

A bond is a financial instrument where the borrower issues a loan in order to borrow money. The borrower, known as the issuer, borrows money from the purchaser of the bond. In exchange, the issuer pays the purchaser interest, at a fixed rate, throughout the term of the bond. When the bond matures, the issuer pays the purchaser the original amount borrowed from the purchaser, which is known as the principal. The revenue stream the issuer will draw upon to make interest and principal payments is known as the credit. OCII issues bonds against a number of credits, which are described below.

Cross Collateralized Credit

Prior to the dissolution of redevelopment agencies, the San Francisco Redevelopment Agency issued the majority of its bonds utilizing a cross-collateralized credit, which combined the unpledged property tax increment generated by most Project Areas, creating a large, diverse, and therefore strong credit. However, because Redevelopment Law required that property tax increment generated in a Project Area be expended in the same Project Area, the former Redevelopment Agency utilized the Financing Authority to issue the bonds and enter into loan agreements relating to each Project Area. Section 33334.2(g) of the Health and Safety Code contained an exception for using

increment outside of the Project Area from which it was derived, as long as the increment was used to provide low and moderate income housing. Accordingly, each loan agreement contained cross-collateralized provisions that allowed for all debt service relating to housing projects and programs to be paid from any property tax increment of the former Redevelopment Agency, which allowed for the cross-collateralization that was the hallmark of these financings. This credit structure is referred to as the cross-collateralized credit.

RPTTF Credit

After the State dissolution of redevelopment agencies, the cross-collateralized credit has been replaced by the Redevelopment Property Tax Trust Fund (RPTTF) credit (Section 34177.5(g) of the Health and Safety Code). Like the cross-collateralized credit, the RPTTF credit combines the unpledged property tax increment generated by most Project Areas. However, because Redevelopment Dissolution Law eliminated the general requirement of Redevelopment Law that property tax increment generated in a Project Area be expended in the same Project Area, (Section 34177.5(g) of the Health and Safety Code), the RPTTF credit does not utilize the loan structure and authority utilized by the cross-collateralized credit. In 2014, OCII issued 2014B and 2015C against the RPTTF credit.

SB107 Credit

Prior to passage of SB107, the Dissolution Act only allowed Successor Agencies to issue bonds to refund outstanding debt or, as described below with respect to the Mission Bay North and Mission Bay South Project Areas, to issue new money bonds in specialized cases where property tax increment had been irrevocably pledged in an arrangement with a third party. In September 2015, the Governor signed SB107, which added Section 34177.7 of the Health and Safety Code and authorized OCII to issue bonds to finance affordable housing required under enforceable obligations related to the Mission Bay North and Mission Bay South Projects, the Hunters Point Shipyard/Candlestick Point Projects, and certain infrastructure for the Transbay Project, and to repay these bonds with property tax increment. OCII has not yet issued against the SB107 credit but plans to do so in 2017, as described below. The SB107 credit is identical to the RPTTF credit, but is subordinate to the 2014B and 2014C bonds which are secured by the RPTTF credit.

Mission Bay North and Mission Bay South Infrastructure Credits

Post-Dissolution, when issuing Mission Bay Infrastructure debt, OCII has utilized two credits, the Mission Bay North Infrastructure credit and the Mission Bay South Infrastructure credit, both of which are affirmed by Health and Safety Code Section 34177.5(a)(4) and supported by Mission Bay pledged property tax increment which is defined in the Mission Bay North Tax Allocation Agreement and Mission Bay South Tax Allocation Agreement. The Mission Bay North and South Tax Allocation Agreements irrevocably pledge 80 percent of net available property tax increment in Mission Bay North and Mission Bay South, to fund infrastructure obligations in Mission Bay North and South, respectively. Proceeds from bonds issued against the Mission Bay North or Mission Bay South Infrastructure credits are restricted and may only be used to fund infrastructure in Mission Bay North or Mission Bay South, respectively. Bonds issued under the Mission Bay North and Mission Bay South Infrastructure credits are supported by the Mission Bay pledged property tax increment and, should the Mission Bay pledged property tax increment be insufficient to make debt service payments, may also draw up on unpledged property tax increment generated in most other Project.

In the past, bonds issued to fund affordable housing obligations in Mission Bay were issued in the pool with other cross-collateralized loans. However, property tax increment has now grown to a sufficient size that OCII can issue

bonds supported only by the Mission Bay pledged increment, which ensures that property tax increment generated in Mission Bay will be spent in furtherance of Mission Bay. In 2014, OCII issued its 2014A bonds against the Mission Bay South Infrastructure credit and in 2016, OCII issued its 2016A bonds against the Mission Bay North Infrastructure credit and its 2016B, 2016C, and 2016D bonds against the Mission Bay South Infrastructure credit.

Mission Bay Housing Credit

Post-Dissolution, when issuing Mission Bay Housing debt, OCII will utilize the Mission Bay Housing credit, which is affirmed by Health and Safety Code Section 34177.7(a)(1)(A) and supported by Mission Bay pledged property tax increment, which is defined in the Mission Bay North Tax Allocation Agreement and Mission Bay South Tax Allocation Agreement. The Mission Bay North and South Tax Allocation Agreements irrevocably pledge 20 percent of net available property tax increment in Mission Bay North and South to fund affordable housing obligations in Mission Bay. Proceeds from bonds issued under the Mission Bay Housing credit are restricted and may only be used to fund affordable housing obligations in Mission Bay. Bonds issued under the Mission Bay Housing credit are supported by the Mission Bay pledged property tax increment and, should the Mission Bay pledged property tax increment be insufficient to make debt service payments, may also draw up on unpledged property tax increment generated in most other Project Areas (Health and Safety Code Section 34177.7).

In the past, bonds issued to fund affordable housing obligations in Mission Bay were issued in the pool with other cross-collateralized loans. However, property tax increment has now grown to a sufficient size that OCII can issue bonds supported only by the Mission Bay pledged increment, which ensures that property tax increment generated in Mission Bay will be spent in furtherance of Mission Bay. OCII has not yet issued against the Mission Bay Housing credit but plans to do so in 2017, as described below.

PROPOSED BOND ISSUANCES

OCII plans to issue four bonds in 2017. As described below, the proposed issuances differ from those named in the FY16-17 budget because OCII proposes to issue against different credits than were originally contemplated in the budget. However, because the total amount of the proposed bonds is the same or less than the total amount authorized in the budget and because the proposed issuances neither increase nor decrease the enforceable obligations, the proposed issuances are consistent with the FY16-17 budget approved by the Commission and the Board of Supervisors.

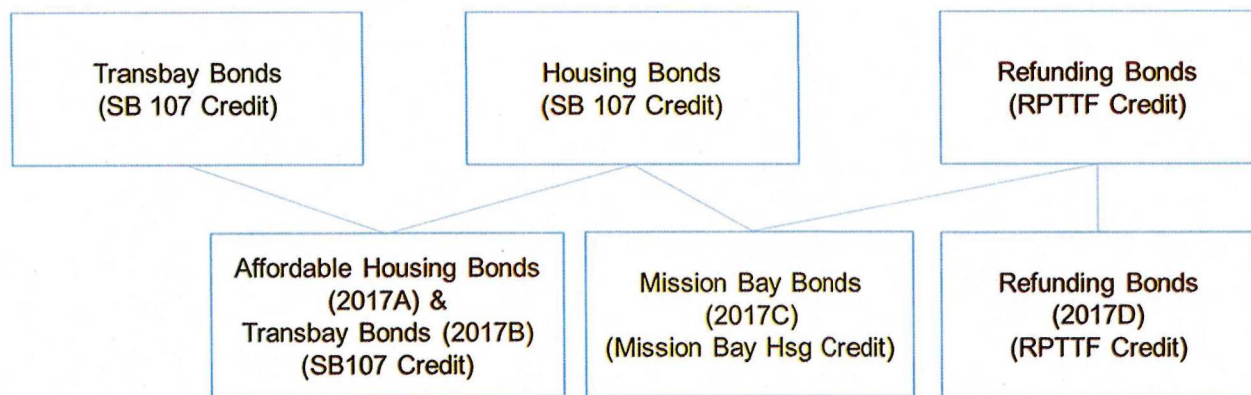
OCII's FY16-17 budget authorizes OCII to issue \$185,000,000 in bonds: \$103,000,000 to fund Affordable Housing Obligations (Housing Bonds), \$37,000,000 to fund infrastructure in Transbay (Transbay Infrastructure Bonds), and \$45,000,000 to fund infrastructure in Mission Bay South (Mission Bay South Infrastructure Bonds). In addition, the FY16-17 budget authorizes OCII to issue refunding debt where savings can be achieved. When the Commission approved the budget in April, OCII made assumptions about the credits against which the bonds would be issued, but had not yet fully vetted these assumptions because OCII had not yet engaged a financing team.

The FY16-17 budget assumed that all bonds would be issued against the SB107 credit. However, when the financing team, which is a team of consultants with specialized financial and legal expertise who advise entities on issuing bonds, analyzed the bond issuances authorized by the FY16-17 budget, the team determined that the

Affordable Housing and Transbay Bonds should be issued against the SB107 credit, but that the bonds whose proceeds would be used to fund housing in Mission Bay should be issued against the Mission Bay Housing credit, ensuring that the Mission Bay pledged property tax increment is spent in furtherance of meeting affordable housing obligations in Mission Bay. As shown in the chart below, this new understanding of the credit structure, requires different issuances than those named in the budget.

Based on this new understanding of the credit structure, the financing team recommended that OCII issue Affordable Housing Bonds (2017A), which would be \$112,000,000 in new money taxable bonds to finance Affordable Housing Obligations and Transbay Bonds (2017B) which would be \$50,000,000 in new money tax-exempt bonds to finance infrastructure in Transbay. As both 2017A and 2017B would be issued against the SB107 credit, they would be issued under a single Official Statement. The financing team also recommended that OCII issue Mission Bay Housing Bonds (2017C), which would be \$55,000,000 in taxable bonds, \$28,000,000 in new money bonds to finance Affordable Housing Obligations in Mission Bay and \$27,000,000 in refunding bonds to refund existing Mission Bay debt, against the Mission Bay Housing credit. Last the financing team recommended that OCII issue a Refunding Bond (2017D) to refund existing housing bonds outside of Mission Bay. The Commission is now considering 2017A, 2017B, 2017C. The Commission will consider issuance of 2017D at a later date.

**Exhibit A
Bond Flow Chart**



Affordable Housing Bonds (2017A)

As described above, 2017A is \$112,000,000 in taxable new money bonds issued against the SB107 credit to finance affordable housing obligations in Hunters Point Shipyard and Candlestick Point. Based on current information on development timing, staff anticipates using the proceeds on the following projects:

Hunters Point Shipyard

Blocks 52/54:

60 units for low-income families

Candlestick Point

Alice Griffith Phase 5:	36 units for public housing replacement and low-income families
Alice Griffith Phase 6:	131 units for low-income families
Candlestick Pt Block 10a:	140 units for low-income families and homeless families
Candlestick Pt Block 11a:	150 units for low-income and homeless families

The bonds will be issued in FY16-17, but the proceeds will be expended in both FY16-17 and FY17-18. OCII expects to issue additional SB107 bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

Transbay Infrastructure Bonds (2017B)

As described above, 2017B is \$50,000,000 in tax-exempt new money bonds issued against the SB107 credit to finance infrastructure in Transbay. Infrastructure improvements include: Folsom streetscape improvements, Essex Park, Transbay Park, and Under-ramp Park. The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY17-18. OCII expects to issue additional SB107 bonds to fund infrastructure in Transbay in FY17-18, for expenditure in FY18-19.

Mission Bay Housing Bonds (2017C)

As described above, 2017C is \$55,000,000 in taxable bonds issued against the Mission Bay Housing credit. 2017C will contain a \$28,000,000 new money component to fund affordable housing obligations in Mission Bay. Based on current information on development timing, staff anticipates using the proceeds on the following projects.

Mission Bay Block 3 East:	119 units for homeless veterans and low-income families
Mission Bay Block 9:	100 units for homeless individuals
Mission Bay Block 4:	101 units for low-income families

The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY 17-18. OCII expects to issue additional Mission Bay Housing Bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

2017C will also contain a \$27,000,000 refunding component to refinance outstanding taxable housing bonds issued prior to Dissolution. The attached Debt Service Savings Analysis prepared by the OCII's financial advisors, PFM and Kitahata & Co., demonstrates that the Refunding Bonds are within the parameters set forth in Section 34177.5(a)(1) of the California Code, specifically: 1) the total repayment amount of the refunding bonds does not exceed that of the refunded bonds; and 2) the principal amount of the refunding bonds is no greater than needed to defease the outstanding bonds, fund debt service reserves and pay costs of issuance.

The final size of the refunding component will depend on market conditions and the economics of each refunding under consideration. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum of three percent in net present value savings of par for each refunded bond. Current refunding candidates include 2006A, 2009E, and 2011E. The final size of the refunding may increase or decrease depending on market conditions.

BOND STRUCTURE

The critical financial details for each of the above described bonds are summarized below.

Exhibit B Financial Details of Proposed Bond Issuances

Bond	Series	Not-to-Exceed Limits in Resolution			
		Par Amount	Project Fund	True Int. Cost	Underwriter's Discount
Affordable Housing Bond	2017A	\$ 112,000,000	\$ 86,400,000	8%	0.60%
Transbay Bond	2017B	\$ 50,000,000	\$ 37,000,000	7%	0.60%
Mission Bay Housing Bond	2017C	\$ 55,000,000	\$ 23,000,000	8%	0.60%

The true interest cost listed above is the real cost of taking on the proposed additional debt. As the true interest cost includes all ancillary fees and costs, the true interest cost is higher than the market interest rate. The underwriter's discount is the difference between the price the underwriter pays the issuer and the price at which it sells the offering to the public and reflects the underwriter's fee for issuing the bonds. The underwriter's discount was established on the advice of OCII's financial advisor, based on current industry practice and to accommodate a reasonable range of market conditions.

UNDERWRITER SELECTION

The underwriter is a critical member of the bond financing team. The underwriter markets, purchases, and sells the bonds. OCII utilized a competitive selection process, administered according to OCII's Purchasing Policy, which authorizes OCII staff to select a Contractor from a City and County of San Francisco (CCSF) panel established using the City's competitive selection process, to make the underwriter recommendations described below.

OCII staff directed Public Financial Management (PFM), the financial advisor for the proposed transactions, to issue a Request for Proposals (RFP) for bond underwriting services. On October 21, 2016, PFM issued the RFP and sent it to the members of the City's underwriter panel, giving the panel members ten business days to respond. PFM received nine responses: Backstrom McCarley Berry & Co. (Backstrom), Blaylock Beal Van, LLC (Blaylock), Citigroup Global Markets, FTN Financial Capital Markets, Mesirow Financial, Inc., Piper Jaffray & Co (Piper), Stern Brothers & Co, Stifel, Nicolaus & Company, Inc., Stinson Securities, LLC (Stinson). A panel that included Bob Gamble of PFM, Jamie Querubin of the City Controller's Office of Public Finance, and John Daigle, OCII Senior Financial Analyst evaluated the proposals on the following criteria: experience in selling California tax allocation bonds, especially since January 1, 2012 (i.e. post dissolution); the number and size of financings in which the firm and the primary service providers participated; the relevance of that experience to the proposed transactions; the depth and quality of the discussion of the structure, credit and marketing of the proposed transactions; and the proposed underwriter's discount. The panel also considered OCII's Local Business Enterprise and Small Business Enterprise contracting goals.

The panel recommended one senior manager and two co-managers for the Affordable Housing (2017A) and Transbay Bonds (2017B). Based on its dominant position in the sale of post-dissolution redevelopment debt, as

well as its prior experience with OCII issuances, the panel recommended Stifel as senior manager. Based on its prior performance working on OCII issuances and its broad market experience, the panel recommended Backstrom as co-manager. Pursuant to OCII's SBE and LBE policy goals, the panel also recommended Stinson as co-manager. Stinson has provided OCII satisfactory service as a co-manager in the past year and, of firms in the SBE category, was ranked highest by the panel.

The panel recommended one senior manager and one co-manager for the Mission Bay Housing Bonds (2017C). Based on its experience with similar credits, as well as its experience with prior OCII issuances, the panel recommended Piper as the senior manager. Pursuant to OCII's SBE and LBE policy goals, the panel recommended Stinson as co-manager. As stated above, Stinson has provided OCII satisfactory service as co-manager in the past year and, of firms in the SBE category, was ranked highest by the panel.

PROPOSED ACTION

Approving the above described bond issuances requires the Commission approve the following two resolutions.

Resolution 44-2016 authorizes the issuance of the \$112,000,000 Affordable Housing Bonds (2017A) and \$50,000,000 Transbay Infrastructure Bonds (2017B). In support of these issuances, the Resolution approves the indenture of trust and the bond purchase agreements. An indenture of trust is a written agreement between the issuer of a bond and the bondholders that specifies the terms of the bond, including the interest rate and maturity date. A bond purchase agreement is a written agreement between the issuer and the underwriter that establishes the terms of the bond sale, including sale price, bond interest rate, bond maturity, and redemption provisions. Both the indenture of trust and the bond purchase agreements are required for Oversight Board and Department of Finance review. The resolution also affirms the selection of underwriters for the bonds.

Resolution 45-2016 authorizes the issuance of the \$50,000,000 Mission Bay Housing Bonds (2017C). Like Resolution 44-2016, Resolution 45-2016 approves the indenture of trust and the bond purchase agreements and affirms the underwriter selection. In addition, because the Mission Bay Housing Bonds (2017C) include a refunding component, Resolution 45-2016 also approves the Redemption Agreements. The Redemption Agreement defines the terms under which each bond can be refunded.

Staff recommends the Commission approve Resolutions 53-2016 and 54-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

FISCAL CONSULTANT CONTRACT AMENDMENT

The fiscal consultant is a critical member of the bond financing team. The fiscal consultant assembles and prepares the Fiscal Consultant's Report, which is one of the components of the Official Statement. The Official Statement is the prospectus for the bond issuance and discloses the finances surrounding the issue of the bond and identifies how the bond will be repaid. Post-issuance, the Financial Consultant prepares Securities and Exchange (SEC)-mandated continuing annual disclosure reports for each credit against which bonds have been issued.

On October 23, 2015, OCII staff issued to the City's panel of qualified fiscal consultants, a RFP for fiscal consultant services for a Mission Bay North refunding bond (2016A), a Mission Bay South new money infrastructure bond (2016B), a Mission Bay South refunding infrastructure bond (2016C), a Mission Bay South new money subordinate infrastructure bond (2016D), and a housing bond, issued against the SB107 credit, as well as the related SEC-mandated continuing annual disclosures, and additional as-needed bond-related tax work. On December 15, 2015, the Commission passed Resolution 80-2015, which approved Urban Analytics as the fiscal consultant for the above mentioned Scope of Service.

OCII has issued 2016A, 2016B, 2016C, and 2016D, but has not issued the housing bond. As described above, instead of issuing a single housing bond against the SB107 credit, OCII now proposes to issue Affordable Housing Bonds (2017A) against the SB107 credit and Mission Bay Housing Bonds (2017C) against the Mission Bay Housing credit. In addition, OCII proposes to issue a bond to fund infrastructure in Transbay (2017B) and a bond to refund existing housing debt outside Mission Bay (2017D).

As these proposed issuances differ from the bonds OCII planned to issue when the Commission approved the contract with Urban Analytics in December 2015, OCII's contract with Urban Analytics must be amended. The proposed amendment would modify the Scope of Service to replace preparation of Fiscal Consultant Reports for all unissued bonds with preparation of Fiscal Consultant Reports for the Affordable Housing and Transbay Bonds, the Mission Bay Housing Bonds, and any Refunding Bonds. The proposed amendment would also modify the Scope of Service to replace preparation of SEC-mandated continuing annual disclosures for all unissued bonds with preparation of SEC-mandated continuing annual disclosures for the bonds being considered today. This modified Scope of Service would result in a \$27,500 increase, which increases the contract not-to-exceed amount from \$170,000 to \$197,000. The contract budget, as amended, is reflected in Exhibit C.

Exhibit C Urban Analytics Budget, As Amended

Fiscal Consultant's Report (FCR)	
Mission Bay North 2016A (complete)	\$ 25,000
Mission Bay South 2016B & 2016C (complete)	\$ 25,000
Mission Bay South 2016D (complete)	\$ 25,000
SB107 Bonds: Affordable Housing Obligations 2017A & Transbay Infrastructure 2017B	\$ 25,000
Mission Bay Bonds: New for Affordable Housing Obligations and Refunding Existing Mission Bay Debt 2017C	\$ 25,000
Refunding Bonds 2017D	\$ 25,000
Fiscal Consultant Report Subtotal	\$ 150,000
Continuing Annual Disclosure Reports	
Continuing Annual Disclosure Reports (4x3 years @\$2,500 each)	\$ 30,000
Continuing Annual Disclosure Reports (2x2 years @\$2,500 each)	\$ 10,000
Continuing Annual Disclosure Report Subtotal	\$ 40,000
Additional Bond-Related Work	\$ 7,500
Total	\$ 197,500

PROPOSED ACTION

Resolution 55-2016 authorizes a first amendment to the personal services contract with Urban Analytics, to expand the Scope of Service to include preparation of Fiscal Consultant Reports and SEC-mandated annual continuous disclosure filings for the Affordable Housing, Transbay, Mission Bay Housing Bonds and Refunding Bonds. Increasing the Scope of Service requires a \$27,500 increase to the contract, increasing the total contract not-to-exceed amount from \$170,000 to \$197,500.

Staff recommends the Commission approve Resolution 55-2016 in support of the Affordable Housing Bonds, Transbay Bonds, Mission Bay Housing Bonds, and Refunding Bonds to fund Affordable Housing Obligations, infrastructure in Transbay and refund outstanding debt to achieve debt service savings.

FINANCING TEAM CONTRACTS

The underwriter and the fiscal consultant are only two of the members of the financing team. The financing team also includes a financial advisor ("FA") who oversees the financing process and opines on the pricing, bond counsel, who ensures and opines that all required steps are taken to ensure the bonds are compliant with legal and regulatory requirements, and disclosure counsel, who drafts and guides the content of the disclosure document used in marketing the bonds.

Issuing the Affordable Housing, Transbay Infrastructure Bonds, and Mission Bay Housing Bonds rather than the bonds OCII planned to issue when the Commission approved the contracts for the FA, bond counsel, and disclosure counsel requires amending the contracts to revise the Scope of Services and the Budgets. None of these revisions require an increase in the contract not-to-exceed amount or an extension of the contract term. As per the Commission's original approval, the changes to the Scope of Services and the Budgets can be made at the direction of the Executive Director; therefore, the Commission is not required to take action. These changes are summarized below.

Financial Advisor

On July 18, 2016, OCII staff issued an RFP for financial advisor (FA) services to the City's panel of qualified municipal financial advisory firms. On October 4, 2015, the Commission approved Resolutions 45-2016 and 46-2016 which approved Public Financial Management (PFM) as lead FA and Kitahata and Company (Kitahata) co-FA, for the Housing Bonds and the Transbay Bonds. As OCII is no longer issuing the planned Housing Bonds, but is instead issuing the Affordable Housing Bonds (2017A) and the Mission Bay Housing Bonds (2017C), OCII's contracts with PFM and Kitahata must be amended to reflect this change in the Scope of Service and to revise the Budget accordingly. The changes in the Scopes of Service are reflected in below.

Exhibit D
Changes to Financial Advisors' Scopes of Service

Bond Issuance @ Time of Contract		
Scope of Service	FA	Co-FA
Housing	PFM	Kitahata
Transbay	PFM	Kitahata
Refunding	CSG	NA

Proposed Issuances		
Revised Scope of Service	FA	Co-FA
2017A: Affordable Housing	PFM	Kitahata
2017B: Transbay	PFM	Kitahata
2017C: Mission Bay Housing	PFM	NA

The changes in the Budgets are reflected below.

Exhibit E
Changes to Financial Advisors' Budgets

PFM					
Existing Budget			Revised Budget		Diff
Housing	\$	127,000	Affordable Housing and Transbay (2017A & 2017B)	\$	76,000
Transbay	\$	63,000	Mission Bay Housing (2017C)	\$	66,000
Refunding			Refunding (2017D)		
Contingency	\$	36,000	Contingency	\$	84,000
Max	\$	226,000		\$	226,000
				\$	-

Kitahata					
Existing Budget			Revised Budget		Diff
Housing	\$	43,200	Affordable Housing and Transbay (2017A & 2017B)	\$	30,200
Transbay	\$	23,760	Mission Bay Housing (2017C)	\$	20,000
Refunding			Refunding (2017D)		
Contingency	\$	13,000	Contingency	\$	29,760
Max	\$	79,960		\$	79,960
				\$	-

Staff will present changes to the contract for financial advisor services with CSG, who is assigned to the Refunding Bonds (2017D), concomitant with the issuance of the 2017D bonds.

Bond and Disclosure Counsel

On February 25, 2016, OCII staff issued an RFP to the City's panel of qualified bond and disclosure counsels for bond and disclosure counsel services. On August 2, 2015, the Commission approved Resolutions 37-2016 and

38-2016 which approved Erica Curls Bartling and Jones Hall as disclosure counsel and bond counsel, respectively, for both the Transbay Bonds and the Housing Bonds. As OCII is no longer issuing the Housing Bonds, but is instead issuing Affordable Housing Bonds (2017A) and Mission Bay Housing Bonds (2017C), OCII's contracts with Curls Bartling and Jones Hall must be amended to reflect this change in the Scopes of Service and to revise the Budgets accordingly. The changes in Scope of Service are reflected below.

Exhibit F
Changes to Bond and Disclosure Counsels' Scopes of Service

Bond Issuance @ Time of Contract		
Scope of Service	Bond Counsel	Disclosure Counsel
Housing	Jones Hall	Curls Bartling
Transbay	Jones Hall	Chiu
Refunding	Jones Hall	Curls Bartling

Proposed Issuances		
Revised Scope of Service	Bond Counsel	Disclosure Counsel
2017A: Affordable Housing	Jones Hall	Curls Bartling
2017B: Transbay	Jones Hall	Curls Bartling
2017C: Mission Bay Housing	Jones Hall	Curls Bartling

The changes in the Budgets are reflected below.

Exhibit G
Changes to Bond and Disclosure Counsels' Budgets

Jones Hall					
Existing Budget			Revised Budget		Diff
Housing	\$	48,000	Affordable Housing and Transbay (2017A & 2017B)	\$	83,000
Transbay	\$	68,000	Mission Bay Housing (2017C)	\$	58,000
Refunding	\$	58,000	Refunding (2017D)	\$	58,000
Contingency	\$	33,000	Contingency	\$	8,000
Max	\$	207,000		\$	207,000

Curls Bartling					
Existing Budget			Revised Budget		Diff
Housing	\$	40,500	Affordable Housing and Transbay (2017A & 2017B)	\$	50,000
Transbay			Mission Bay Housing (2017C)	\$	45,000
Refunding	\$	44,500	Refunding (2017D)		
Contingency	\$	16,800	Contingency	\$	6,800
Max	\$	101,800		\$	101,800

The Commission will consider changes to the contract for disclosure counsel services with Alexis Chiu, who is now assigned to the Refunding Bonds (2017D), concomitant with the issuance of the 2017D bonds. Consistent with the existing contract, Alexis Chiu will participate in all discussions regarding the SB107 and Mission Bay Housing credits and will be compensated for this participation on an hourly basis.

NEXT STEPS

Pending approval of the above described Resolutions, next steps are:

Month	Date	Action
December	12	Consideration by Oversight Board
December	12	Submission of documents to California Department of Finance
February	21	Consideration by Commission of issuance, related staff action and transaction documents, including preliminary offering statements
February	21	Consideration by City and County of San Francisco Redevelopment Financing Authority
February	TBD	Bond pricing
March	TBD	Bond closing

California Environmental Quality Act

Authorization of bonds and contracting for services related to the sale and issuance of bonds is a Successor Agency fiscal activity that does not constitute a "Project," as defined by the California Environmental Quality Act ("CEQA") in CEQA Guidelines Section 15378(b) (4) and will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA.

(Originated by Bree Mawhorter, Deputy Director Finance and Administration)



Tiffany Bohee
Executive Director

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

**RESOLUTION NO. 11-2016
Adopted December 12, 2016**

**APPROVING, UNDER SECTIONS 34177.7(a)(1)(A), (a)(1)(B) AND (f) AND 34180(b) OF
THE CALIFORNIA HEALTH AND SAFETY CODE, THE ISSUANCE OF NEW
MONEY TAX ALLOCATION BONDS, IN AN AGGREGATE AMOUNT NOT TO
EXCEEDS \$112,000,000 (2017A) AND \$50,000,000 (2017B), BY THE SUCCESSOR
AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF
SAN FRANCISCO, AND RELATED ACTIONS; AFFORDABLE HOUSING
OBLIGATIONS; TRANSBAY INFRASTRUCTURE OBLIGATION**

WHEREAS, Section 34177.7(a)(1)(A) of the of the California Health and Safety Code (the "Code") provides that the Successor Agency of the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") may, subject to the approval of the oversight board and the California Department of Finance, issue bonds or incur other indebtedness to finance the affordable housing required by (i) the Disposition and Development Agreement Hunters Point Shipyard Phase 1 dated as of December 2, 2003 between Lennar/BVHP, LLC, a California limited liability company doing business as Lennar/BVHP Partners, as succeeded by HPS Development Co., L.P., and the Redevelopment Agency of the City and county of San Francisco (the "Former Agency"), as succeeded by the Successor Agency, as heretofore amended and as hereafter may be amended, (ii) the Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated for reference purposes only as of June 3, 2010, between CP Development Co. LP, and the Former Agency, as succeeded by the Successor Agency, as heretofore amended and as hereafter may be amended, (iii) the Mission Bay North Owner Participation Agreement executed November 16, 1998, as heretofore amended and as hereafter may be amended, (iv), the Mission Bay South Owner Participation Agreement executed November 16, 1998, as heretofore amended and as hereafter may be amended, and (v) the Transbay Implementation Plan (as defined below) (Section 34177.7(a)(1)(A) of the Code) ((i) – (v) are collectively referred to herein as the "Affordable Housing Obligations"); and,

WHEREAS, Section 34177.7(a)(1)(B) of the of the California Health and Safety Code (the "Code") provides that the Successor Agency has the authority, with approval of its oversight board and the California Department of Finance, to issue bonds to finance the infrastructure required by the Transbay Redevelopment Project Implementation Agreement dated as of January 20, 2005 between the Former Agency, as succeeded by the Successor Agency, and the Transbay Joint Powers Authority, as hereafter may be amended (the "Transbay Infrastructure Obligations") (Section 34177.7(a)(1)(B) of the Code); and,

- WHEREAS, Section 34177.7(f) of the Code provides that the actions authorized under the foregoing Sections of the Code are subject to the approval of the Successor Agency's oversight board; and,
- WHEREAS, To provide funds to finance the Affordable Housing Obligations under the authority of Section 34177.7(a)(1)(A) of the Code, the Successor Agency has, subject to the approval of this Oversight Board and the Department of Finance, determined to issue bonds to provide funds for the Affordable Housing Obligations under the authority of Section 34177.7(a)(1)(A) of the Code; and,
- WHEREAS, To provide funds to finance Transbay Infrastructure Obligations under the authority of Section 34177.7(a)(1)(B) of the Code, the Successor Agency has, subject to the approval of this Oversight Board and the Department of Finance, determined to issue bonds to provide funds for the Transbay Infrastructure Obligations under the authority of Section 34177.7(a)(1)(B) of the Code; and,
- WHEREAS, In order to issue bonds to provide funds for the Affordable Housing Obligations and for the Transbay Infrastructure Obligations, on December 6, 2016, the Commission on Community Investment and Infrastructure (also known as the "Successor Agency Commission") adopted Resolution No. 53-2016 (the "Successor Agency Resolution"), a copy of which is attached to this Resolution as Exhibit A hereto and incorporated herein, which authorizes the issuance of taxable tax allocation bonds (the "2017 Series A Taxable Bonds") captioned "2017 Series A Taxable Tax Allocation Bonds (Affordable Housing Projects)," and tax exempt tax allocation bonds (the "2017 Series B Bonds" and, together with the 2017 Series A Taxable Bonds, the "2017 Bonds") captioned "2017 Series B Tax Allocation Bonds (Transbay Infrastructure Projects)," and approves related documents and actions; and,
- WHEREAS, The 2017 Bonds will, subject to adoption of a resolution of the Board of Supervisors (the "BOS Resolution") with respect to the 2017 Series A Taxable Bonds, be payable from "Pledged Tax Revenues" (as defined in the Indenture) on a basis subordinate to the Successor Agency's repayment obligations under the 2014 Bonds (as defined in the Indenture) and any debt issued on a parity with the 2014 Bonds; and,
- WHEREAS, The Successor Agency has caused its financial advisors, Public Financial Management, Inc. and Kitahata & Company (collectively, the "Financial Advisor"), to prepare an analysis which addresses matters described in Section 34177.7(h) of the Code with respect to the 2017 Bonds, a copy of which is attached to this Resolution as Exhibit B; and,
- WHEREAS, Under Sections 34177.7(f) and 34180(b) of the Code and the provisions of Ordinance No. 215-12 adopted by the Board of Supervisors of the City and County of San Francisco on October 2, 2012, the Successor Agency's issuance of the 2017 Bonds is subject to the approval of this Oversight Board; and,
- WHEREAS, The approval of the issuance of the 2017 Bonds as authorized by the Successor Agency is an Oversight Board fiscal oversight activity that does not constitute a

“Project” as defined by the California Environmental Quality Act (“CEQA”) Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA; and,

WHEREAS, This Oversight Board now desires to approve the issuance of the 2017 Bonds, the financing of the Affordable Housing Obligations and the Transbay Infrastructure Obligations, and the other actions of the Successor Agency contemplated by the Successor Agency Resolution; now therefore, be it

RESOLVED, This Oversight Board, as authorized by Section 34177.7(f) of the Code, directs the Successor Agency to undertake the proceedings necessary for the issuance of the 2017 Series A Taxable Bonds and, as authorized by Sections 34177.7(f) and 34180(b) of the Code, approves the issuance of the 2017 Series A Taxable Bonds pursuant to Sections 34177.7(a)(1)(A) and 34177.7(f) of the Code, the Successor Agency Resolution and the Indenture.

RESOLVED, This Oversight Board, as authorized by Section 34177.7(f) of the Code, directs the Successor Agency to undertake the proceedings necessary for the issuance of the 2017 Series B Bonds and, as authorized by Sections 34177.7(f) and 34180(b) of the Code, approves the issuance of the 2017 Series B Bonds pursuant to Sections 34177.7(a)(1)(B) and 34177.7(f) of the Code, the Successor Agency Resolution and the Indenture.

RESOLVED, This Oversight Board makes the following determinations upon which the Successor Agency will rely in undertaking (i) the proceedings necessary for the issuance of the 2017 Bonds and (ii) the issuance of the 2017 Bonds:

- (a) The Successor Agency is authorized, as provided in Section 34177.7(f) of the Code, to recover its costs related to the issuance of the 2017 Bonds from the proceeds of the 2017 Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the 2017 Bonds.
- (b) The application of proceeds of the 2017 Bonds by the Successor Agency to financing of the Affordable Housing Obligations, as well as other affordable housing authorized pursuant to Section 34177.7(a)(1)(A) of the Code, and the Transbay Infrastructure Obligations, as well as the payment by the Successor Agency of costs of issuance of the 2017 Bonds shall be implemented by the Successor Agency promptly upon sale and delivery of the 2017 Bonds, notwithstanding Section 34177.3 of the Code or any other provision of law to the contrary, without the further approval of the Oversight Board, the California Department of Finance, or any other person or entity other than the Successor Agency.
- (c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34183(a)(3) of the Code without any deductions with respect to continuing post-issuance compliance and administration costs related to the 2017 Bonds, such as trustee’s fees,

auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Section 34177.7(f) of the Code, if the Successor Agency is unable to complete the issuance of the 2017 Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the proceedings necessary for the issuance of the 2017 Bonds from such property tax revenues pursuant to Section 34183 of the Code without reduction in its Administrative Cost Allowance.

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Indenture of Trust, attached hereto as Exhibit C hereto and incorporated herein, pursuant to which the 2017 Bonds will be issued; and, be it, further

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Bond Purchase Contracts, attached hereto as Exhibit D, pursuant to which the 2017 Bonds will be sold; and be it further

RESOLVED, That this Oversight Board authorizes all actions heretofore taken by the officers and agents of the Successor Agency with respect to the sale and issuance of the 2017 Bonds herein authorized and as described in the Successor Agency Resolution, the expenditure of the proceeds of the 2017 Bonds is hereby approved, confirmed and ratified, and the proper officers of the Successor Agency are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2017 Bonds in accordance with this Resolution and the Successor Agency Resolution and any certificate, agreement and other document described in the documents herein approved or approved in the Successor Agency Resolution.

I hereby certify that the foregoing resolution was adopted by the Oversight Board at its meeting of December 12, 2016.

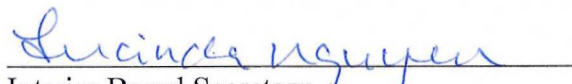

Interim Board Secretary

Exhibit A: Successor Agency Resolution 53-2016
Exhibit B: Financial Advisor Analysis
Exhibit C: Indenture of Trust 2017A & 2017B
Exhibit D: Bond Purchase Contract 2017A & 2017B

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

RESOLUTION NO. 12-2016

Adopted December 12, 2016

APPROVING, UNDER SECTIONS 34177.5(a)(1) AND (f), 34177.7(a)(1)(A) AND (f) AND 34180(b) OF THE CALIFORNIA HEALTH AND SAFETY CODE, THE ISSUANCE OF NEW MONEY AND REFUNDING TAX ALLOCATION BONDS, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000, BY THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, AND RELATED ACTIONS; MISSION BAY NORTH AND MISSION BAY SOUTH AFFORDABLE HOUSING OBLIGATIONS

WHEREAS, The Redevelopment Agency of the City and County of San Francisco (the “Former Redevelopment Agency”) and FOCIL-MB, LLC (the “Master Developer”), as assignee of Catellus Development Corporation, are parties to a Mission Bay North Owner Participation Agreement executed November 16, 1998, as amended by the First Amendment, dated February 17, 2004, by the Second Amendment, dated March 16, 2004, by the Third Amendment, dated January 18, 2005, by the Fourth Amendment, dated March 15, 2005, and by the Fifth Amendment, dated January 21, 2014 (as further amended, the “Mission Bay North OPA”), which includes as part thereof Attachment E thereto, entitled “Mission Bay North Financing Plan”, and a Mission Bay South Owner Participation Agreement executed November 16, 1998, as amended by the First Amendment, dated February 17, 2004, by the Second Amendment, dated November 1, 2005, by the Third Amendment, dated May 21, 2013, by the Fourth Amendment dated June 4, 2013, and by the Fifth Amendment, dated April 29, 2014 (as further amended, the “Mission Bay South OPA”), which includes as part thereof Attachment E thereto, entitled “Mission Bay South Financing Plan”; and,

WHEREAS, Prior to the dissolution of the Redevelopment Agency of the City and County of San Francisco (the “Former Redevelopment Agency”), the Former Redevelopment Agency entered into the following loan agreements (collectively, the “Mission Bay North Existing Loan Agreements”) to finance and refinance affordable housing under the Mission Bay North OPA:

(i) Loan Agreement dated as of August 1, 2006, among the Former Redevelopment Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee, and the City and County of San Francisco Redevelopment Financing Authority (the “Authority”), in the initial aggregate principal amount of \$3,900,000;

(ii) Loan Agreement dated as of December 1, 2009, among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$975,000; and,

(iii) Loan Agreement dated as of April 1, 2011 among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$1,660,000; and,

WHEREAS, Prior to the dissolution of the Former Redevelopment Agency, the Former Redevelopment Agency entered into the following loan agreements (collectively, the "Mission Bay South Existing Loan Agreements") to finance and refinance affordable housing under the Mission Bay South OPA:

(i) Loan Agreement dated as of December 1, 2009, among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$5,230,000; and,

(ii) Loan Agreement dated as of April 1, 2011 among the Former Redevelopment Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$7,795,000; and,

WHEREAS, In connection with the execution and delivery of the Mission Bay North Existing Loan Agreements and the Mission Bay South Existing Loan Agreement (collectively, the "Existing Loan Agreement"), the Authority issued the following bonds (collectively, the "Prior Bonds"):

(i) \$50,731,330.80 initial aggregate principal amount of 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects);

(ii) \$72,565,000 initial aggregate principal amount of 2009 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); and,

(iii) \$9,455,000 initial aggregate principal amount of 2011 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects); and,

WHEREAS, Section 34177.5(a)(1) of the California Health and Safety Code (the "Code") provides that a successor agency may issue bonds or incur other indebtedness to refund the bonds or other indebtedness of its former redevelopment agency to provide savings to the successor agency, provided that the conditions set forth in that section (the "Savings Parameters") are met; and,

WHEREAS, Section 34177.5(b) of the Code authorizes a successor agency to issue such refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law"); and,

WHEREAS, Section 34177.7(a)(1)(A) of the Code provides that a successor agency may, subject to the approval of the oversight board and the California Department of Finance, issue bonds or incur other indebtedness to finance the affordable housing required by the Mission Bay North OPA and the Mission Bay South OPA (collectively referred to as the "Mission Bay Affordable Housing Obligations"); and,

- WHEREAS, Section 34177.5(f) of the Code provides that the actions authorized under the foregoing Sections of the Code are subject to the approval of the applicable oversight board; and,
- WHEREAS, To provide funds to finance a portion of the (collectively referred to as the “Mission Bay Affordable Housing Obligations”) and to take advantage of current bond market conditions and to provide debt service savings, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) has, subject to the approval of this Oversight Board and the Department of Finance, determined to issue bonds to provide funds for the Mission Bay Affordable Housing Obligations under the authority of Section 34177.7(a)(1)(A) of the Code and to refinance the Existing Loan Agreements and refund certain of the Prior Bonds under the authority of Section 34177.5(a)(1) of the Code and the Refunding Law; and,
- WHEREAS, In order to issue bonds to provide funds for the Mission Bay Affordable Housing Obligations and to refinance the Existing Loan Agreements and refund the Prior Bonds, on December 6, 2016, the Commission on Community Investment and Infrastructure (also known as the “Successor Agency Commission”) adopted Resolution No. 54-2016 (the “Successor Agency Resolution”), a copy of which is attached to this Resolution as Exhibit A , which authorizes the issuance of taxable tax allocation bonds (the “2017 Series C Bonds”) captioned “2017 Series C Taxable Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects),” and approves related documents and actions; and,
- WHEREAS, The 2017 Series C Bonds will be payable from “Tax Revenues” (as defined in the Indenture) on a basis subordinate to the Successor Agency’s repayment obligations under the Existing Loan Agreements, if any, that will remain outstanding after the issuance of the 2017 Series C Bonds; and,
- WHEREAS, To determine that the issuance of the 2017 Series C Bonds relating to the refinancing of the Existing Loan Agreements and the resulting refunding of the Prior Bonds comply with the Savings Parameters, the Successor Agency has caused its financial advisors, Public Financial Management, Inc. and Kitahata & Company (collectively, the “Financial Advisor”), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of a portion of the proceeds of the 2017 Series C Bonds to prepay the Existing Loan Agreements and, thereby, to refund all or a portion of the Prior Bonds (the “Debt Service Savings Analysis”); and,
- WHEREAS, The Successor Agency has filed the Debt Service Savings Analysis (attached hereto as Exhibit B), together with a certified copy of the Successor Agency Resolution, by attaching them as Exhibit A and Exhibit B to this resolution respectively, , as provided in Section 34180(j) of the Code, with the California Department of Finance, and has also submitted the Successor Agency Resolution to the Administrative Officer and the Auditor-Controller of the City and County of San Francisco and the California Department of Finance, as required by Section 34180(j) of the Code; and,

WHEREAS, Under Sections 34177.5(f), 34177.7(f) and 34180(b) of the Code and the provisions of Ordinance No. 215-12 adopted by the Board of Supervisors of the City and County of San Francisco on October 2, 2012, the Successor Agency's issuance of the 2017 Series C Bonds is subject to the approval of this Oversight Board; and,

WHEREAS, The approval of the issuance of the 2017 Series C Bonds as authorized by the Successor Agency is an Oversight Board fiscal oversight activity that does not constitute a "Project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA; and,

WHEREAS, This Oversight Board now desires to approve the issuance of the 2017 Series C Bonds, the financing of the Mission Bay Affordable Housing Obligations as described herein and the refunding of the Prior Bonds and the refinancing of the Existing Loan Agreements by the Successor Agency, and the other actions of the Successor Agency contemplated by the Successor Agency Resolution; now therefore, be it

RESOLVED, This Oversight Board, as authorized by Sections 34177.5(f) and 34177.7(f) of the Code, directs the Successor Agency to undertake the refunding proceedings and, as authorized by Sections 34177.5(f), 34177.7(f) and 34180(b) of the Code, approves the issuance of the 2017 Series C Bonds pursuant to Sections 34177.5(a)(1), 34177.5(f), 34177.7(a)(1)(A) and 34177.7(f) of the Code, the Successor Agency Resolution and the Indenture.

RESOLVED, This Oversight Board makes the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the 2017 Series C Bonds:

- (a) The Successor Agency is authorized, as provided in Sections 34177.5(f) and 34177.7(f) of the Code, to recover its costs related to the issuance of the 2017 Series C Bonds from the proceeds of the 2017 Series C Bonds, including the cost of reimbursing its administrative staff for time spent with respect to the authorization, issuance, sale and delivery of the 2017 Series C Bonds.
- (b) The application of proceeds of the 2017 Series C Bonds by the Successor Agency to both the financing of the Mission Bay Affordable Housing Obligations and to the refunding and defeasance of the Prior Bonds and the refinancing of the Existing Loan Agreements, as well as the payment by the Successor Agency of costs of issuance of the 2017 Series C Bonds, shall be implemented by the Successor Agency promptly upon sale and delivery of the 2017 Series C Bonds, notwithstanding Section 34177.3 of the Code or any other provision of law to the contrary, without the further approval of the Oversight Board, the California Department of Finance, or any other person or entity other than the Successor Agency.

- (c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34183(a)(3) of the Code without any deductions with respect to continuing post-issuance compliance and administration costs related to the 2017 Series C Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183 of the Code. In addition and as provided by Sections 34177.5(f) and 34177.7(f) of the Code, if the Successor Agency is unable to complete the issuance of the 2017 Series C Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings of the 2017 Series C Bonds from such property tax revenues pursuant to Section 34183 of the Code without reduction in its Administrative Cost Allowance.

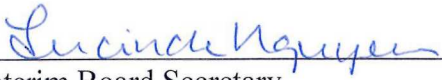
RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Indenture of Trust, attached hereto as Exhibit C and incorporated herein, pursuant to which the 2017 Series C Bonds will be issued; and, be it, further

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Redemption Agreements, attached hereto as Exhibit D-1, Exhibit D-2, and Exhibit D-3, pursuant to which the Existing Loan Agreements and the Prior Bonds will be refunded, discharged and defeased; and, be it, further

RESOLVED, That the Oversight Board approves the Successor Agency's execution and delivery of the Bond Purchase Contract, attached hereto as Exhibit E; pursuant to which the 2017 Series C Bonds will be sold; and, be it, further

RESOLVED, That this Oversight Board authorizes all actions heretofore taken by the officers and agents of the Successor Agency with respect to the sale and issuance of the 2017 Series C Bonds herein authorized and as described in the Successor Agency Resolution, the expenditure of the proceeds of the 2017 Series C Bonds is hereby approved, confirmed and ratified, and the proper officers of the Successor Agency are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2017 Series C Bonds in accordance with this Resolution and the Successor Agency Resolution and any certificate, agreement and other document described in the documents herein approved or approved in the Successor Agency Resolution.

I hereby certify that the foregoing resolution was adopted by the Oversight Board at its meeting of December 12, 2016.



Interim Board Secretary

Exhibit A: Successor Agency Resolution 54-2016

Exhibit B: Debt Service Savings Analysis

Exhibit C: Indenture of Trust 2017C

Exhibit D-1: Redemption Agreement 2006A

Exhibit D-2: Redemption Agreement 2009E

Exhibit D-3: Redemption Agreement 2011E

Exhibit E: Bond Purchase Contract 2017C

107-0772016-002

Agenda Item Nos. **5(A) & 5(B)**
Meeting of December 12, 2016**MEMORANDUM**

TO: Oversight Board

FROM: Tiffany Bohee
Executive Director

SUBJECT: Approving, under sections 34177.7(a)(1)(A), (a)(1)(B) and (f) and 34180(b) of the California Health and Safety Code, the Issuance of New Money Tax Allocation Bonds, in an aggregate amount not to exceed \$112,000,000 (2017A) and \$50,000,000 (2017B), by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, and related actions; Affordable Housing Obligations; Transbay Infrastructure Obligation

Approving, under sections 34177.5(a)(1) and (f), 34177.7(a)(1)(A) and (f) and 34180(b) of the California Health and Safety Code, the Issuance of New Money and Refunding Tax Allocation Bonds, in an aggregate principal amount no to exceed \$55,000,000, by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, and related actions; Mission Bay North and Mission Bay South Affordable Housing Obligations

EXECUTIVE SUMMARY

OCII proposes issuing three series of bonds: 2017A Affordable Housing Bonds, which would be \$112,000,000 in taxable new money to finance Affordable Housing Obligations, 2017B Transbay Bonds, which would be \$50,000,000 in tax-exempt new money to finance infrastructure in Transbay, and 2017C Mission Bay Housing Bonds, which would be \$55,000,000 in taxable debt to provide approximately \$28,000,000 in new money to finance Affordable Housing Obligations in Mission Bay and approximately \$27,000,000 to refund outstanding Mission Bay housing debt. The final size of the refunding bonds are dependent on market conditions at the time of issuance.

The OCII Commission approved the issuance of these bonds on December 6, 2016 in Resolutions 11-2016 and 12-2016. These resolutions approve in form several critical bond documents for each series, which consist of the Bond Indenture, the Bond Purchase Agreement, and, in the case of the refunding issues, the Redemption Agreements, all of which must be approved by the Oversight Board (OB) and Department of Finance (DOF). The Commission resolutions also approve the bond underwriter selections, authorize and direct OCII staff to take all actions necessary to complete the proposed transactions, request the OB to make certain determinations, direct OCII to proceed with the transaction, and set forth the not to exceed limits for the principal amount of the bonds, the interest rate, and the underwriter's discount.

In order for OCII to submit the proposed issuances to the DOF for approval, the OB must now approve OB Resolutions 11-2016 and 12-2016. Similar to OCII Commission Resolution 53-2016, OB Resolution 11-2016 approves the Bond Indenture and Bond Purchase Agreement for 2017A & 2017B. In addition, OB Resolution 12-2016 makes the findings requested by Commission Resolution 53-2016. Similar to OCII Commission Resolution 54-2016, OB Resolution 12-2016,

approves the Bond Indenture, Bond Purchase Agreement, and Redemption Agreements for 2017C. In addition, OB Resolution 12- 2016 makes the findings requested by Commission Resolution 54-2016.

The proposed bond issuances are planned under the provisions of OCII's Debt Policy, which was last updated on August 19, 2014. Pending OB approval, staff will seek approval from DOF. OCII plans to issue the proposed bonds in February 2017.

Staff recommends the OB approve Resolution Nos. 11-2016 and 12-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

PROPOSED BOND ISSUANCES

OCII's FY16-17 budget authorizes OCII to issue \$185,000,000 in new money bonds, as well to issue refunding bonds where savings can be achieved. OCII proposes to issue these bonds as described below: 2017A Affordable Housing Bonds would be \$112,000,000 in new money taxable bonds to finance Affordable Housing Obligations and 2017B Transbay Bonds would be \$50,000,000 in new money tax-exempt bonds to finance infrastructure in Transbay. 2017A and 2017B would be issued under a single Official Statement. 2017C Mission Bay Housing Bonds would be \$55,000,000 in taxable bonds, approximately \$28,000,000 in new money bonds to finance Affordable Housing Obligations in Mission Bay and approximately \$27,000,000 in refunding bonds to refund existing Mission Bay debt. The final size of the refunding bonds is dependent on market conditions at the time of issuance. The issuance of the 2017A Affordable Housing bonds (as well as the 2017B Transbay Bonds) would represent OCII's first use of special state legislation that authorizes OCII to incur indebtedness with OB and DOF approval for the costs of completing affordable housing obligations (and certain Transbay infrastructure obligations) that are secured by the Redevelopment Property Tax Trust Fund Section g of Senate Bill No 107 (stats.2015, Chapter 325) codified at Cal. Health & Safety Code 34177.7.

2017A Affordable Housing Bonds

2017A Affordable Housing Bonds would be \$112,000,000 in new money taxable bonds to finance Affordable Housing Obligations in Hunters Point Shipyard and Candlestick Point. Based on current information on development timing, staff anticipates using the proceeds on the following projects:

Hunters Point Shipyard

Blocks 52/54: 60 units for low-income families

Candlestick Point

Allice Griffith Phase 5:	36 units for public housing replacement and low-income families
Alice Griffith Phase 6:	131 units for low-income families
Candlestick Pt Block 10a:	141 units for low-income families and homeless families
Candlestick Pt Block 11a:	151 units for low-income and homeless families

Unit counts are estimated and may change based on responses to Request for Proposals for affordable housing developers.

The bonds will be issued in FY16-17, but the proceeds will be expended in both FY16-17 and FY17-18. OCII expects to issue additional bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

2017B Transbay Bonds

2017B Transbay Bonds would be \$50,000,000 in new money tax-exempt bonds to finance infrastructure in Transbay. Infrastructure improvements include: Folsom streetscape improvements, Essex Park, Transbay Park, and Under-ramp Park. The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY17-18. OCII expects to issue additional bonds to fund infrastructure in Transbay in FY17-18, for expenditure in FY18-19.

2017C Mission Bay Housing Bonds

2017C Mission Bay Housing Bonds would be \$55,000,000 in new money taxable bonds, including an approximately \$28,000,000 new money component to fund affordable housing obligations in Mission Bay. Based on current information on development timing, staff anticipates using the proceeds on the following projects:

Mission Bay Block 3 East:	119 units for homeless veterans and low-income families
Mission Bay Block 9:	125 units for homeless individuals
Mission Bay Block 4:	101 units for low-income families

Unit counts are estimated and may change based on responses to Request for Proposals for affordable housing developers.

The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY 17-18. OCII expects to issue additional Mission Bay Housing Bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

2017C will also contain an approximately \$27,000,000 refunding component to refinance outstanding taxable bonds issued prior to dissolution of the Redevelopment Agency to support affordable housing in Mission Bay. The final size of the refunding component will depend on market conditions and the economics of each refunding under consideration. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum of three percent in net present value savings of par for each refunded bond. Current refunding candidates include 2006A, 2009E, and 2011E. The final size of the refunding may increase or decrease depending on market conditions.

Additional details pertaining to the issuance of the subject bonds, including the credit structure, the structure of the bonds, and underwriter selection are contained in the attached OCII staff memo to the OCII Commission.

PROPOSED ACTION

The OCII Commission approved the issuance of the proposed bonds on December 6, 2016, by Resolution Nos. 53-2016 and 54-2016. These resolutions approve in form several critical bond documents for each series, which consist of the Bond Indenture, the Bond Purchase Agreement, and, in the case of the refunding issues, the Redemption Agreements, all of which must be approved by the Oversight Board (OB) and Department of Finance. These resolutions also approve the bond underwriter selections, authorize and direct OCII staff to take all actions necessary to complete the proposed transactions, request the OB to make certain determinations,

direct OCII to proceed with the transaction, and set forth the not-to-exceed limits for the principal amount of the bonds, the interest rate, and the underwriter's discount.

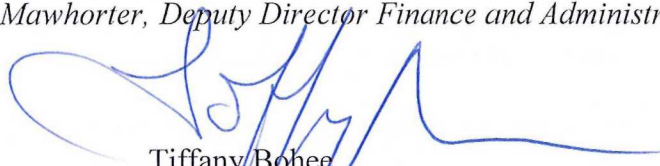
In order for OCII to submit the proposed issuances to the DOF for approval, the OB must now approve Resolution Nos. 11-2016 and 12-2016. Similar to OCII Commission Resolution No. 53-2016, OB Resolution No. 11-2016 approves the Bond Indenture and Bond Purchase Agreement for 2017A & 2017B. In addition, OB Resolution No. 11-2016 makes the findings requested by Commission Resolution No. 54-2016. Similar to OCII Commission Resolution No. 54-2016, OB Resolution No. 12-2016, approves the Bond Indenture, Bond Purchase Agreement, and Redemption Agreements for 2017C. In addition, OB Resolution No. 12-2016 makes the findings requested by Commission Resolution No. 12-2016.

NEXT STEPS

Pending approval of the above described Resolutions, next steps are:

Month	Date	Action
December	12	Consideration by Oversight Board
December	12	Submission of documents to California Department of Finance
February	21	Consideration by OCII Commission of issuance, related staff action and transaction documents, including preliminary offering statements
February	21	Consideration by City and County of San Francisco Redevelopment Financing Authority
February	TBD	Bond pricing
March	TBD	Bond closing

(Originated by Bree Mawhorter, Deputy Director Finance and Administration)



Tiffany Bohee
Executive Director

Attachment A: OCII Staff Memorandum to Community Investment and Infrastructure Commission (December 6, 2016)



office of

COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0762016-002

Agenda Item Nos. 5(c), 5(d) & 5(e)
Meeting of December 6, 2016**MEMORANDUM****TO:** Community Investment and Infrastructure Commissioners**FROM:** Tiffany Bohee, Executive Director

SUBJECT: Authorizing the Issuance of New Money Tax Allocation Bonds, as permitted in Section 34177.7(a)(1)(A) and (B) of the California Health and Safety Code, to Finance (I) Affordable Housing Obligations in an aggregate principal amount not to exceed \$112,000,000 and (II) Infrastructure in the Transbay Project Area in an aggregate principal amount not to exceed \$50,000,000, approving and directing the execution of an Indenture of Trust and Bond Purchase Contracts, and approving other related documents and actions; Affordable Housing Obligations, Transbay Infrastructure Obligations

Authorizing the Issuance of New Money and Refunding Tax Allocation Bonds in an aggregate principal amount not to exceed \$55,000,000, approving and directing the execution of an Indenture of Trust, a Bond Purchase Contract and Redemption Agreements, and approving other related documents and actions, Mission Bay North and Mission Bay South Affordable Housing Obligations

Authorizing a First Amendment to the Personal Services Contract with Urban Analytics, a California limited liability company, for fiscal consultant services to increase the Contract amount by \$27,500 for an aggregate amount not to exceed \$197,500, to facilitate bond issuances

Edwin M. Lee
MAYORTiffany Bohee
EXECUTIVE DIRECTORMara Rosales
CHAIRMiguel Bustos
Marilyn Mondejar
Leah Pimentel
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EXECUTIVE SUMMARY

OCII proposes issuing three series of bonds utilizing two credits, the Mission Bay Housing credit and the credit authorized under special legislation applicable only to OCII (Senate Bill No. 107 (Stats. 2015 ch.325, Section 9), codified at Cal. Health and Safety Code Section 34177.7 ("SB 107"). The bonds issued against SB107 would be issued in two series, \$112,000,000 in 2017A to finance Affordable Housing Obligations (Affordable Housing Bonds) and \$50,000,000 in 2017B to finance infrastructure in Transbay (Transbay Bonds). The bonds issued against the Mission Bay Housing credit would be a single series of \$55,000,000 in 2017C, \$28,000,000 in new money to finance Affordable Housing Obligations in Mission Bay and \$27,000,000 to refund outstanding Mission Bay housing debt (Mission Bay Housing Bonds).

Issuing the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds requires the Commission to approve three resolutions. Two of the resolutions, Resolution 53-2016 and 54-2016, approve the form of several critical bond documents for each series, approve the underwriter selections, and set forth the financial terms of the bonds. The third resolution, Resolution 55-2016, approves an amendment to the contract between OCII and Urban Analytics for fiscal consultant services. The proposed amendment would modify the Scope of Services to reflect the proposed bond issuances and increase the contract not-to-exceed amount by \$27,500 from \$170,000 to \$197,500. The modifications to the Scope of Service and increase in the contract not-to-exceed amount are necessary to issue the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds.

Issuing the Affordable Housing Bonds, the Transbay Bonds, and the Mission Bay Housing Bonds also requires an amendment to the contracts between OCII and the members of the financing team, including Public Financial Management, Kitahata and Company, Jones Hall, and Curls Bartling. These amendments would modify the Scopes of Service and Budgets to reflect the proposed bond issuances but the contract not-to-exceed amounts and term of the contracts would remain the same. As per the Commission's original contract approval, as the changes in the Scopes of Service and the Budgets can be made at the direction of the Executive Director, these changes do not require the Commission to take action.

The proposed bond issuances are planned under the provisions of OCII's Debt Policy, which was last updated on August 19, 2014. Pending Commission approval, staff will seek approval from the Oversight Board and the Department of Finance. Pending approval of these two bodies, the Commission will be required to approve the Preliminary Official Statement before the proposed bonds can be issued. OCII plans to issue the proposed bonds in February 2017.

Staff recommends the Commission approve Resolutions 53-2016, 54-2016, and 55-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

CREDIT STRUCTURE

A bond is a financial instrument where the borrower issues a loan in order to borrow money. The borrower, known as the issuer, borrows money from the purchaser of the bond. In exchange, the issuer pays the purchaser interest, at a fixed rate, throughout the term of the bond. When the bond matures, the issuer pays the purchaser the original amount borrowed from the purchaser, which is known as the principal. The revenue stream the issuer will draw upon to make interest and principal payments is known as the credit. OCII issues bonds against a number of credits, which are described below.

Cross Collateralized Credit

Prior to the dissolution of redevelopment agencies, the San Francisco Redevelopment Agency issued the majority of its bonds utilizing a cross-collateralized credit, which combined the unpledged property tax increment generated by most Project Areas, creating a large, diverse, and therefore strong credit. However, because Redevelopment Law required that property tax increment generated in a Project Area be expended in the same Project Area, the former Redevelopment Agency utilized the Financing Authority to issue the bonds and enter into loan agreements relating to each Project Area. Section 33334.2(g) of the Health and Safety Code contained an exception for using

increment outside of the Project Area from which it was derived, as long as the increment was used to provide low and moderate income housing. Accordingly, each loan agreement contained cross-collateralized provisions that allowed for all debt service relating to housing projects and programs to be paid from any property tax increment of the former Redevelopment Agency, which allowed for the cross-collateralization that was the hallmark of these financings. This credit structure is referred to as the cross-collateralized credit.

RPTTF Credit

After the State dissolution of redevelopment agencies, the cross-collateralized credit has been replaced by the Redevelopment Property Tax Trust Fund (RPTTF) credit (Section 34177.5(g) of the Health and Safety Code). Like the cross-collateralized credit, the RPTTF credit combines the unpledged property tax increment generated by most Project Areas. However, because Redevelopment Dissolution Law eliminated the general requirement of Redevelopment Law that property tax increment generated in a Project Area be expended in the same Project Area, (Section 34177.5(g) of the Health and Safety Code), the RPTTF credit does not utilize the loan structure and authority utilized by the cross-collateralized credit. In 2014, OCII issued 2014B and 2015C against the RPTTF credit.

SB107 Credit

Prior to passage of SB107, the Dissolution Act only allowed Successor Agencies to issue bonds to refund outstanding debt or, as described below with respect to the Mission Bay North and Mission Bay South Project Areas, to issue new money bonds in specialized cases where property tax increment had been irrevocably pledged in an arrangement with a third party. In September 2015, the Governor signed SB107, which added Section 34177.7 of the Health and Safety Code and authorized OCII to issue bonds to finance affordable housing required under enforceable obligations related to the Mission Bay North and Mission Bay South Projects, the Hunters Point Shipyard/Candlestick Point Projects, and certain infrastructure for the Transbay Project, and to repay these bonds with property tax increment. OCII has not yet issued against the SB107 credit but plans to do so in 2017, as described below. The SB107 credit is identical to the RPTTF credit, but is subordinate to the 2014B and 2014C bonds which are secured by the RPTTF credit.

Mission Bay North and Mission Bay South Infrastructure Credits

Post-Dissolution, when issuing Mission Bay Infrastructure debt, OCII has utilized two credits, the Mission Bay North Infrastructure credit and the Mission Bay South Infrastructure credit, both of which are affirmed by Health and Safety Code Section 34177.5(a)(4) and supported by Mission Bay pledged property tax increment which is defined in the Mission Bay North Tax Allocation Agreement and Mission Bay South Tax Allocation Agreement. The Mission Bay North and South Tax Allocation Agreements irrevocably pledge 80 percent of net available property tax increment in Mission Bay North and Mission Bay South, to fund infrastructure obligations in Mission Bay North and South, respectively. Proceeds from bonds issued against the Mission Bay North or Mission Bay South Infrastructure credits are restricted and may only be used to fund infrastructure in Mission Bay North or Mission Bay South, respectively. Bonds issued under the Mission Bay North and Mission Bay South Infrastructure credits are supported by the Mission Bay pledged property tax increment and, should the Mission Bay pledged property tax increment be insufficient to make debt service payments, may also draw up on unpledged property tax increment generated in most other Project.

In the past, bonds issued to fund affordable housing obligations in Mission Bay were issued in the pool with other cross-collateralized loans. However, property tax increment has now grown to a sufficient size that OCII can issue

bonds supported only by the Mission Bay pledged increment, which ensures that property tax increment generated in Mission Bay will be spent in furtherance of Mission Bay. In 2014, OCII issued its 2014A bonds against the Mission Bay South Infrastructure credit and in 2016, OCII issued its 2016A bonds against the Mission Bay North Infrastructure credit and its 2016B, 2016C, and 2016D bonds against the Mission Bay South Infrastructure credit.

Mission Bay Housing Credit

Post-Dissolution, when issuing Mission Bay Housing debt, OCII will utilize the Mission Bay Housing credit, which is affirmed by Health and Safety Code Section 34177.7(a)(1)(A) and supported by Mission Bay pledged property tax increment, which is defined in the Mission Bay North Tax Allocation Agreement and Mission Bay South Tax Allocation Agreement. The Mission Bay North and South Tax Allocation Agreements irrevocably pledge 20 percent of net available property tax increment in Mission Bay North and South to fund affordable housing obligations in Mission Bay. Proceeds from bonds issued under the Mission Bay Housing credit are restricted and may only be used to fund affordable housing obligations in Mission Bay. Bonds issued under the Mission Bay Housing credit are supported by the Mission Bay pledged property tax increment and, should the Mission Bay pledged property tax increment be insufficient to make debt service payments, may also draw up on unpledged property tax increment generated in most other Project Areas (Health and Safety Code Section 34177.7).

In the past, bonds issued to fund affordable housing obligations in Mission Bay were issued in the pool with other cross-collateralized loans. However, property tax increment has now grown to a sufficient size that OCII can issue bonds supported only by the Mission Bay pledged increment, which ensures that property tax increment generated in Mission Bay will be spent in furtherance of Mission Bay. OCII has not yet issued against the Mission Bay Housing credit but plans to do so in 2017, as described below.

PROPOSED BOND ISSUANCES

OCII plans to issue four bonds in 2017. As described below, the proposed issuances differ from those named in the FY16-17 budget because OCII proposes to issue against different credits than were originally contemplated in the budget. However, because the total amount of the proposed bonds is the same or less than the total amount authorized in the budget and because the proposed issuances neither increase nor decrease the enforceable obligations, the proposed issuances are consistent with the FY16-17 budget approved by the Commission and the Board of Supervisors.

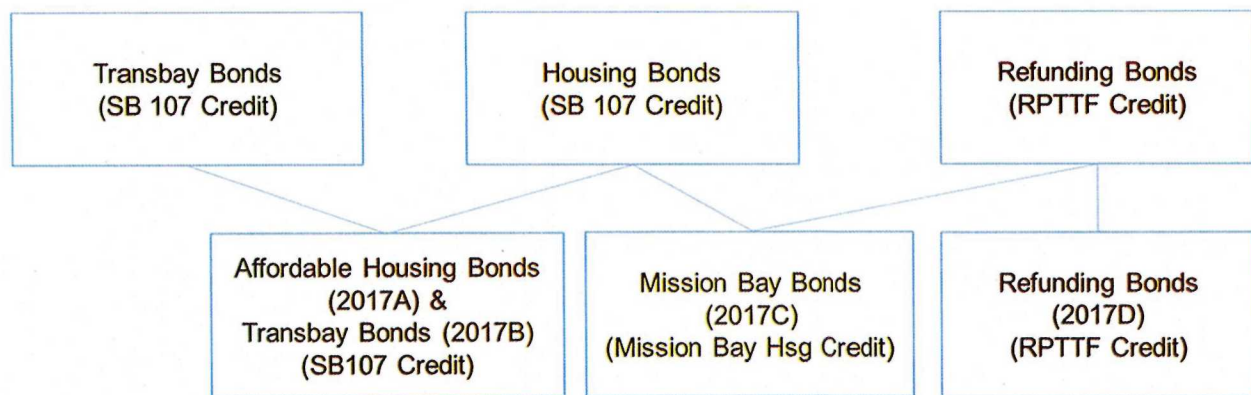
OCII's FY16-17 budget authorizes OCII to issue \$185,000,000 in bonds: \$103,000,000 to fund Affordable Housing Obligations (Housing Bonds), \$37,000,000 to fund infrastructure in Transbay (Transbay Infrastructure Bonds), and \$45,000,000 to fund infrastructure in Mission Bay South (Mission Bay South Infrastructure Bonds). In addition, the FY16-17 budget authorizes OCII to issue refunding debt where savings can be achieved. When the Commission approved the budget in April, OCII made assumptions about the credits against which the bonds would be issued, but had not yet fully vetted these assumptions because OCII had not yet engaged a financing team.

The FY16-17 budget assumed that all bonds would be issued against the SB107 credit. However, when the financing team, which is a team of consultants with specialized financial and legal expertise who advise entities on issuing bonds, analyzed the bond issuances authorized by the FY16-17 budget, the team determined that the

Affordable Housing and Transbay Bonds should be issued against the SB107 credit, but that the bonds whose proceeds would be used to fund housing in Mission Bay should be issued against the Mission Bay Housing credit, ensuring that the Mission Bay pledged property tax increment is spent in furtherance of meeting affordable housing obligations in Mission Bay. As shown in the chart below, this new understanding of the credit structure, requires different issuances than those named in the budget.

Based on this new understanding of the credit structure, the financing team recommended that OCII issue Affordable Housing Bonds (2017A), which would be \$112,000,000 in new money taxable bonds to finance Affordable Housing Obligations and Transbay Bonds (2017B) which would be \$50,000,000 in new money tax-exempt bonds to finance infrastructure in Transbay. As both 2017A and 2017B would be issued against the SB107 credit, they would be issued under a single Official Statement. The financing team also recommended that OCII issue Mission Bay Housing Bonds (2017C), which would be \$55,000,000 in taxable bonds, \$28,000,000 in new money bonds to finance Affordable Housing Obligations in Mission Bay and \$27,000,000 in refunding bonds to refund existing Mission Bay debt, against the Mission Bay Housing credit. Last the financing team recommended that OCII issue a Refunding Bond (2017D) to refund existing housing bonds outside of Mission Bay. The Commission is now considering 2017A, 2017B, 2017C. The Commission will consider issuance of 2017D at a later date.

Exhibit A Bond Flow Chart



Affordable Housing Bonds (2017A)

As described above, 2017A is \$112,000,000 in taxable new money bonds issued against the SB107 credit to finance affordable housing obligations in Hunters Point Shipyard and Candlestick Point. Based on current information on development timing, staff anticipates using the proceeds on the following projects:

Hunters Point Shipyard

Blocks 52/54:

60 units for low-income families

Candlestick Point

Alice Griffith Phase 5:	36 units for public housing replacement and low-income families
Alice Griffith Phase 6:	131 units for low-income families
Candlestick Pt Block 10a:	140 units for low-income families and homeless families
Candlestick Pt Block 11a:	150 units for low-income and homeless families

The bonds will be issued in FY16-17, but the proceeds will be expended in both FY16-17 and FY17-18. OCII expects to issue additional SB107 bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

Transbay Infrastructure Bonds (2017B)

As described above, 2017B is \$50,000,000 in tax-exempt new money bonds issued against the SB107 credit to finance infrastructure in Transbay. Infrastructure improvements include: Folsom streetscape improvements, Essex Park, Transbay Park, and Under-ramp Park. The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY17-18. OCII expects to issue additional SB107 bonds to fund infrastructure in Transbay in FY17-18, for expenditure in FY18-19.

Mission Bay Housing Bonds (2017C)

As described above, 2017C is \$55,000,000 in taxable bonds issued against the Mission Bay Housing credit. 2017C will contain a \$28,000,000 new money component to fund affordable housing obligations in Mission Bay. Based on current information on development timing, staff anticipates using the proceeds on the following projects.

Mission Bay Block 3 East:	119 units for homeless veterans and low-income families
Mission Bay Block 9:	100 units for homeless individuals
Mission Bay Block 4:	101 units for low-income families

The bonds will be issued in FY16-17, but the proceeds will be expended in FY16-17 and FY 17-18. OCII expects to issue additional Mission Bay Housing Bonds to fund affordable housing obligations in FY17-18, for expenditure in FY18-19.

2017C will also contain a \$27,000,000 refunding component to refinance outstanding taxable housing bonds issued prior to Dissolution. The attached Debt Service Savings Analysis prepared by the OCII's financial advisors, PFM and Kitahata & Co., demonstrates that the Refunding Bonds are within the parameters set forth in Section 34177.5(a)(1) of the California Code, specifically: 1) the total repayment amount of the refunding bonds does not exceed that of the refunded bonds; and 2) the principal amount of the refunding bonds is no greater than needed to defease the outstanding bonds, fund debt service reserves and pay costs of issuance.

The final size of the refunding component will depend on market conditions and the economics of each refunding under consideration. As per OCII's debt policy, and consistent with the Redevelopment Dissolution Law, each refunding should achieve an approximate minimum of three percent in net present value savings of par for each refunded bond. Current refunding candidates include 2006A, 2009E, and 2011E. The final size of the refunding may increase or decrease depending on market conditions.

BOND STRUCTURE

The critical financial details for each of the above described bonds are summarized below.

Exhibit B Financial Details of Proposed Bond Issuances

Bond	Series	Not-to-Exceed Limits in Resolution			
		Par Amount	Project Fund	True Int.	Underwriter's
				Cost	Discount
Affordable Housing Bond	2017A	\$ 112,000,000	\$ 86,400,000	8%	0.60%
Transbay Bond	2017B	\$ 50,000,000	\$ 37,000,000	7%	0.60%
Mission Bay Housing Bond	2017C	\$ 55,000,000	\$ 23,000,000	8%	0.60%

The true interest cost listed above is the real cost of taking on the proposed additional debt. As the true interest cost includes all ancillary fees and costs, the true interest cost is higher than the market interest rate. The underwriter's discount is the difference between the price the underwriter pays the issuer and the price at which it sells the offering to the public and reflects the underwriter's fee for issuing the bonds. The underwriter's discount was established on the advice of OCII's financial advisor, based on current industry practice and to accommodate a reasonable range of market conditions.

UNDERWRITER SELECTION

The underwriter is a critical member of the bond financing team. The underwriter markets, purchases, and sells the bonds. OCII utilized a competitive selection process, administered according to OCII's Purchasing Policy, which authorizes OCII staff to select a Contractor from a City and County of San Francisco (CCSF) panel established using the City's competitive selection process, to make the underwriter recommendations described below.

OCII staff directed Public Financial Management (PFM), the financial advisor for the proposed transactions, to issue a Request for Proposals (RFP) for bond underwriting services. On October 21, 2016, PFM issued the RFP and sent it to the members of the City's underwriter panel, giving the panel members ten business days to respond. PFM received nine responses: Backstrom McCarley Berry & Co. (Backstrom), Blaylock Beal Van, LLC (Blaylock), Citigroup Global Markets, FTN Financial Capital Markets, Mesirow Financial, Inc., Piper Jaffray & Co (Piper), Stern Brothers & Co, Stifel, Nicolaus & Company, Inc., Stinson Securities, LLC (Stinson). A panel that included Bob Gamble of PFM, Jamie Querubin of the City Controller's Office of Public Finance, and John Daigle, OCII Senior Financial Analyst evaluated the proposals on the following criteria: experience in selling California tax allocation bonds, especially since January 1, 2012 (i.e. post dissolution); the number and size of financings in which the firm and the primary service providers participated; the relevance of that experience to the proposed transactions; the depth and quality of the discussion of the structure, credit and marketing of the proposed transactions; and the proposed underwriter's discount. The panel also considered OCII's Local Business Enterprise and Small Business Enterprise contracting goals.

The panel recommended one senior manager and two co-managers for the Affordable Housing (2017A) and Transbay Bonds (2017B). Based on its dominant position in the sale of post-dissolution redevelopment debt, as

well as its prior experience with OCII issuances, the panel recommended Stifel as senior manager. Based on its prior performance working on OCII issuances and its broad market experience, the panel recommended Backstrom as co-manager. Pursuant to OCII's SBE and LBE policy goals, the panel also recommended Stinson as co-manager. Stinson has provided OCII satisfactory service as a co-manager in the past year and, of firms in the SBE category, was ranked highest by the panel.

The panel recommended one senior manager and one co-manager for the Mission Bay Housing Bonds (2017C). Based on its experience with similar credits, as well as its experience with prior OCII issuances, the panel recommended Piper as the senior manager. Pursuant to OCII's SBE and LBE policy goals, the panel recommended Stinson as co-manager. As stated above, Stinson has provided OCII satisfactory service as co-manager in the past year and, of firms in the SBE category, was ranked highest by the panel.

PROPOSED ACTION

Approving the above described bond issuances requires the Commission approve the following two resolutions.

Resolution 44-2016 authorizes the issuance of the \$112,000,000 Affordable Housing Bonds (2017A) and \$50,000,000 Transbay Infrastructure Bonds (2017B). In support of these issuances, the Resolution approves the indenture of trust and the bond purchase agreements. An indenture of trust is a written agreement between the issuer of a bond and the bondholders that specifies the terms of the bond, including the interest rate and maturity date. A bond purchase agreement is a written agreement between the issuer and the underwriter that establishes the terms of the bond sale, including sale price, bond interest rate, bond maturity, and redemption provisions. Both the indenture of trust and the bond purchase agreements are required for Oversight Board and Department of Finance review. The resolution also affirms the selection of underwriters for the bonds.

Resolution 45-2016 authorizes the issuance of the \$50,000,000 Mission Bay Housing Bonds (2017C). Like Resolution 44-2016, Resolution 45-2016 approves the indenture of trust and the bond purchase agreements and affirms the underwriter selection. In addition, because the Mission Bay Housing Bonds (2017C) include a refunding component, Resolution 45-2016 also approves the Redemption Agreements. The Redemption Agreement defines the terms under which each bond can be refunded.

Staff recommends the Commission approve Resolutions 53-2016 and 54-2016 in support of the Affordable Housing Bonds, Transbay Bonds, and Mission Bay Housing Bonds to fund Affordable Housing Obligations, infrastructure in Transbay, and refund outstanding debt to achieve debt service savings.

FISCAL CONSULTANT CONTRACT AMENDMENT

The fiscal consultant is a critical member of the bond financing team. The fiscal consultant assembles and prepares the Fiscal Consultant's Report, which is one of the components of the Official Statement. The Official Statement is the prospectus for the bond issuance and discloses the finances surrounding the issue of the bond and identifies how the bond will be repaid. Post-issuance, the Financial Consultant prepares Securities and Exchange (SEC)-mandated continuing annual disclosure reports for each credit against which bonds have been issued.

On October 23, 2015, OCII staff issued to the City's panel of qualified fiscal consultants, a RFP for fiscal consultant services for a Mission Bay North refunding bond (2016A), a Mission Bay South new money infrastructure bond (2016B), a Mission Bay South refunding infrastructure bond (2016C), a Mission Bay South new money subordinate infrastructure bond (2016D), and a housing bond, issued against the SB107 credit, as well as the related SEC-mandated continuing annual disclosures, and additional as-needed bond-related tax work. On December 15, 2015, the Commission passed Resolution 80-2015, which approved Urban Analytics as the fiscal consultant for the above mentioned Scope of Service.

OCII has issued 2016A, 2016B, 2016C, and 2016D, but has not issued the housing bond. As described above, instead of issuing a single housing bond against the SB107 credit, OCII now proposes to issue Affordable Housing Bonds (2017A) against the SB107 credit and Mission Bay Housing Bonds (2017C) against the Mission Bay Housing credit. In addition, OCII proposes to issue a bond to fund infrastructure in Transbay (2017B) and a bond to refund existing housing debt outside Mission Bay (2017D).

As these proposed issuances differ from the bonds OCII planned to issue when the Commission approved the contract with Urban Analytics in December 2015, OCII's contract with Urban Analytics must be amended. The proposed amendment would modify the Scope of Service to replace preparation of Fiscal Consultant Reports for all unissued bonds with preparation of Fiscal Consultant Reports for the Affordable Housing and Transbay Bonds, the Mission Bay Housing Bonds, and any Refunding Bonds. The proposed amendment would also modify the Scope of Service to replace preparation of SEC-mandated continuing annual disclosures for all unissued bonds with preparation of SEC-mandated continuing annual disclosures for the bonds being considered today. This modified Scope of Service would result in a \$27,500 increase, which increases the contract not-to-exceed amount from \$170,000 to \$197,000. The contract budget, as amended, is reflected in Exhibit C.

Exhibit C Urban Analytics Budget, As Amended

Fiscal Consultant's Report (FCR)	
Mission Bay North 2016A (complete)	\$ 25,000
Mission Bay South 2016B & 2016C (complete)	\$ 25,000
Mission Bay South 2016D (complete)	\$ 25,000
SB107 Bonds: Affordable Housing Obligations 2017A & Transbay Infrastructure 2017B	\$ 25,000
Mission Bay Bonds: New for Affordable Housing Obligations and Refunding Existing Mission Bay Debt 2017C	\$ 25,000
Refunding Bonds 2017D	\$ 25,000
Fiscal Consultant Report Subtotal	\$ 150,000
Continuing Annual Disclosure Reports	
Continuing Annual Disclosure Reports (4x3 years @\$2,500 each)	\$ 30,000
Continuing Annual Disclosure Reports (2x2 years @\$2,500 each)	\$ 10,000
Continuing Annual Disclosure Report Subtotal	\$ 40,000
Additional Bond-Related Work	\$ 7,500
Total	\$ 197,500

PROPOSED ACTION

Resolution 55-2016 authorizes a first amendment to the personal services contract with Urban Analytics, to expand the Scope of Service to include preparation of Fiscal Consultant Reports and SEC-mandated annual continuous disclosure filings for the Affordable Housing, Transbay, Mission Bay Housing Bonds and Refunding Bonds. Increasing the Scope of Service requires a \$27,500 increase to the contract, increasing the total contract not-to-exceed amount from \$170,000 to \$197,500.

Staff recommends the Commission approve Resolution 55-2016 in support of the Affordable Housing Bonds, Transbay Bonds, Mission Bay Housing Bonds, and Refunding Bonds to fund Affordable Housing Obligations, infrastructure in Transbay and refund outstanding debt to achieve debt service savings.

FINANCING TEAM CONTRACTS

The underwriter and the fiscal consultant are only two of the members of the financing team. The financing team also includes a financial advisor ("FA") who oversees the financing process and opines on the pricing, bond counsel, who ensures and opines that all required steps are taken to ensure the bonds are compliant with legal and regulatory requirements, and disclosure counsel, who drafts and guides the content of the disclosure document used in marketing the bonds.

Issuing the Affordable Housing, Transbay Infrastructure Bonds, and Mission Bay Housing Bonds rather than the bonds OCII planned to issue when the Commission approved the contracts for the FA, bond counsel, and disclosure counsel requires amending the contracts to revise the Scope of Services and the Budgets. None of these revisions require an increase in the contract not-to-exceed amount or an extension of the contract term. As per the Commission's original approval, the changes to the Scope of Services and the Budgets can be made at the direction of the Executive Director; therefore, the Commission is not required to take action. These changes are summarized below.

Financial Advisor

On July 18, 2016, OCII staff issued an RFP for financial advisor (FA) services to the City's panel of qualified municipal financial advisory firms. On October 4, 2015, the Commission approved Resolutions 45-2016 and 46-2016 which approved Public Financial Management (PFM) as lead FA and Kitahata and Company (Kitahata) co-FA, for the Housing Bonds and the Transbay Bonds. As OCII is no longer issuing the planned Housing Bonds, but is instead issuing the Affordable Housing Bonds (2017A) and the Mission Bay Housing Bonds (2017C), OCII's contracts with PFM and Kitahata must be amended to reflect this change in the Scope of Service and to revise the Budget accordingly. The changes in the Scopes of Service are reflected in below.

Exhibit D
Changes to Financial Advisors' Scopes of Service

Bond Issuance @ Time of Contract		
Scope of Service	FA	Co-FA
Housing	PFM	Kitahata
Transbay	PFM	Kitahata
Refunding	CSG	NA

Proposed Issuances		
Revised Scope of Service	FA	Co-FA
2017A: Affordable Housing	PFM	Kitahata
2017B: Transbay	PFM	Kitahata
2017C: Mission Bay Housing	PFM	NA

The changes in the Budgets are reflected below.

Exhibit E
Changes to Financial Advisors' Budgets

PFM					
Existing Budget			Revised Budget		Diff
Housing	\$	127,000	Affordable Housing and Transbay (2017A & 2017B)	\$	76,000
Transbay	\$	63,000	Mission Bay Housing (2017C)	\$	66,000
Refunding			Refunding (2017D)		
Contingency	\$	36,000	Contingency	\$	84,000
Max	\$	226,000		\$	226,000
				\$	-

Kitahata					
Existing Budget			Revised Budget		Diff
Housing	\$	43,200	Affordable Housing and Transbay (2017A & 2017B)	\$	30,200
Transbay	\$	23,760	Mission Bay Housing (2017C)	\$	20,000
Refunding			Refunding (2017D)		
Contingency	\$	13,000	Contingency	\$	29,760
Max	\$	79,960		\$	79,960
				\$	-

Staff will present changes to the contract for financial advisor services with CSG, who is assigned to the Refunding Bonds (2017D), concomitant with the issuance of the 2017D bonds.

Bond and Disclosure Counsel

On February 25, 2016, OCII staff issued an RFP to the City's panel of qualified bond and disclosure counsels for bond and disclosure counsel services. On August 2, 2015, the Commission approved Resolutions 37-2016 and

38-2016 which approved Erica Curls Bartling and Jones Hall as disclosure counsel and bond counsel, respectively, for both the Transbay Bonds and the Housing Bonds. As OCII is no longer issuing the Housing Bonds, but is instead issuing Affordable Housing Bonds (2017A) and Mission Bay Housing Bonds (2017C), OCII's contracts with Curls Bartling and Jones Hall must be amended to reflect this change in the Scopes of Service and to revise the Budgets accordingly. The changes in Scope of Service are reflected below.

Exhibit F
Changes to Bond and Disclosure Counsels' Scopes of Service

Bond Issuance @ Time of Contract		
Scope of Service	Bond Counsel	Disclosure Counsel
Housing	Jones Hall	Curls Bartling
Transbay	Jones Hall	Chiu
Refunding	Jones Hall	Curls Bartling

Proposed Issuances		
Revised Scope of Service	Bond Counsel	Disclosure Counsel
2017A: Affordable Housing	Jones Hall	Curls Bartling
2017B: Transbay	Jones Hall	Curls Bartling
2017C: Mission Bay Housing	Jones Hall	Curls Bartling

The changes in the Budgets are reflected below.

Exhibit G
Changes to Bond and Disclosure Counsels' Budgets

Jones Hall					
Existing Budget			Revised Budget		Diff
Housing	\$	48,000	Affordable Housing and Transbay (2017A & 2017B)	\$	83,000
Transbay	\$	68,000	Mission Bay Housing (2017C)	\$	58,000
Refunding	\$	58,000	Refunding (2017D)	\$	58,000
Contingency	\$	33,000	Contingency	\$	8,000
Max	\$	207,000		\$	207,000
				\$	-

Curls Bartling					
Existing Budget			Revised Budget		Diff
Housing	\$	40,500	Affordable Housing and Transbay (2017A & 2017B)	\$	50,000
Transbay			Mission Bay Housing (2017C)	\$	45,000
Refunding	\$	44,500	Refunding (2017D)		
Contingency	\$	16,800	Contingency	\$	6,800
Max	\$	101,800		\$	101,800
				\$	-

The Commission will consider changes to the contract for disclosure counsel services with Alexis Chiu, who is now assigned to the Refunding Bonds (2017D), concomitant with the issuance of the 2017D bonds. Consistent with the existing contract, Alexis Chiu will participate in all discussions regarding the SB107 and Mission Bay Housing credits and will be compensated for this participation on an hourly basis.

NEXT STEPS

Pending approval of the above described Resolutions, next steps are:

Month	Date	Action
December	12	Consideration by Oversight Board
December	12	Submission of documents to California Department of Finance
February	21	Consideration by Commission of issuance, related staff action and transaction documents, including preliminary offering statements
February	21	Consideration by City and County of San Francisco Redevelopment Financing Authority
February	TBD	Bond pricing
March	TBD	Bond closing

California Environmental Quality Act

Authorization of bonds and contracting for services related to the sale and issuance of bonds is a Successor Agency fiscal activity that does not constitute a "Project," as defined by the California Environmental Quality Act ("CEQA") in CEQA Guidelines Section 15378(b) (4) and will not independently result in a physical change in the environment, and is not subject to environmental review under CEQA.

(Originated by Bree Mawhorter, Deputy Director Finance and Administration)



Tiffany Bohee
Executive Director

**AGREEMENT REGARDING
THE REDEMPTION, DEFEASANCE AND PAYMENT OF
2006 SERIES A BONDS AND 2006 SERIES A LOAN AGREEMENT**

By and Among

**CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING
AUTHORITY**

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

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Trustee**

Dated as of March 1, 2017

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SCHEDULE A - Escrowed Securities

EXHIBIT A - Refunded Bonds

**AGREEMENT REGARDING
THE REDEMPTION, DEFEASANCE AND PAYMENT OF
2006 SERIES A BONDS AND 2006 SERIES A LOAN AGREEMENT**

THIS AGREEMENT REGARDING THE REDEMPTION, DEFEASANCE AND PAYMENT OF 2006 SERIES A BONDS AND 2006 SERIES A LOAN AGREEMENT, dated as of March 1, 2017 (this "Agreement Regarding Redemption"), by and among the CITY AND COUNTY OF SAN FRANCISCO REDEVELOPMENT FINANCING AUTHORITY, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Authority"), the SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO, a public entity existing under the laws of the State of California (the "Successor Agency"), as successor agency to the Redevelopment Agency of the City and County of San Francisco (the "Former Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as escrow trustee (the "Escrow Trustee").

W I T N E S S E T H:

WHEREAS, the Successor Agency is, simultaneously with the execution of this Agreement Regarding Redemption, issuing \$_____ aggregate principal amount of its 2017 Series C Taxable Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the "2017 Series C Bonds");

WHEREAS, the 2017 Series C Bonds are being issued, in part, for the purpose of providing moneys to refund a portion of the outstanding 2006 Series A Bonds (as hereinafter defined) and provide for the prepayment of the amounts owed by the Successor Agency under the 2006 Series A Loan Agreement (as hereinafter defined);

WHEREAS, in order to accomplish the refunding of a portion of the 2006 Series A Bonds and the 2006 Series A Loan Agreement, the Successor Agency will deposit, or cause to be deposited, a portion of the proceeds of the 2017 Series C Bonds and certain other moneys of the Successor Agency with the Escrow Trustee in accordance with this Agreement Regarding Redemption; and

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement Regarding Redemption shall have the respective meanings which such terms are given in Section 1.01 of the Indenture (hereinafter defined). In addition, the following terms defined in this Section 1 shall, for all purposes of this Agreement Regarding Redemption, have the respective meanings herein specified.

"Eligible Securities" shall have the meaning assigned to such term in Section 3 hereof.

"Escrowed Securities" shall have the meaning assigned to such term in Section 3 hereof.

"Indenture" means the Indenture of Trust, dated as of March 1, 2017, by and between the Successor Agency and U.S. Bank National Association, as trustee thereunder, relating to the issuance of the 2017 Series C Bonds.

"Refunded 2006 Series A Bonds" means the 2006 Series A Bonds being refunded hereby, as identified in Exhibit A hereto.

"2006 Series A Bonds" means the Authority's \$50,731,330.80 initial aggregate principal amount of 2006 Series A Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects).

"2006 Series A Indenture" means the Indenture of Trust dated as of August 1, 2006, between the Authority and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as trustee.

"2006 Series A Loan Agreement" means the Loan Agreement dated as of August 1, 2006, by and among the Former Agency, The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority relating to the Mission Bay North Redevelopment Project Area and entered into in connection with the 2006 Series A Bonds.

Section 2. Creation of Escrow Fund. There is hereby created and established with the Escrow Trustee a special and irrevocable escrow fund designated "2006 Series A Escrow Fund" (the "Escrow Fund") to be held in the custody of the Escrow Trustee in trust under this Agreement Regarding Redemption for the benefit of the beneficial owners of the Refunded 2006 Series A Bonds.

Moneys on deposit in the Escrow Fund shall be held in the custody of the Escrow Trustee solely for the benefit of the owners of the Refunded 2006 Series A Bonds. Except to the extent of any excess to be released as provided in Section 12 hereof, neither the Authority nor the Successor Agency shall have any interest in the funds held in the Escrow Fund. The moneys held hereunder shall be irrevocably pledged and set aside for the payment of the Refunded 2006 Series A Bonds and the 2006 Series A Loan Agreement as provided in Section 6 hereof.

Section 3. Deposit to the Escrow Fund. [DISCUSS USE OF RESCINDABLE NOTICE TO SHORTEN ESCROW PERIOD] Concurrently with the execution and delivery of this Agreement Regarding Redemption, the Successor Agency shall deposit, or cause to be deposited, with the Escrow Trustee \$_____ to be derived from the proceeds of the 2017 Series C Bonds, \$_____ to be derived from funds held under reserve and debt service accounts established under the 2006 Series A Loan Agreement [and \$_____ of funds held by the Successor Agency], for a total deposit of \$_____, which amounts the Successor Agency hereby instructs the Escrow Trustee to hold and use as provided in this Agreement Regarding Redemption.

The Escrow Trustee shall, on _____, 2017, use \$_____ of such amounts to purchase the security listed on Schedule A attached hereto and made a part hereof (the "Escrowed Securities") (which security the Successor Agency represents are Eligible Securities as hereinafter defined) maturing on the dates and in the amounts necessary to make the transfers described in Section 6 hereof. The remaining \$_____ shall be held uninvested in cash.

For purposes of this Agreement Regarding Redemption, the term "Eligible Securities" means non-callable Federal Securities (as defined in the 2006 Series A Indenture), including, without limitation, State and Local Government Series issued by the United States Treasury ("SLGS"), United States Treasury bills, notes and bonds, as traded on the open market, and/or Zero Coupon Treasury Bonds ("STRIPS").

Section 4. Investment of Escrow Fund. The Escrow Trustee will purchase the Escrowed Securities in the name of the Escrow Trustee as provided in Section 3 above and will hold such Escrowed Securities, and any earnings received thereon and any reinvestment thereof in the Escrow Fund and disburse such amounts as provided herein. The Escrow Trustee shall collect amounts due and shall sell or otherwise liquidate investments in the Escrow Fund as needed to make the payments and transfers required by this Agreement Regarding Redemption and may sell, liquidate or otherwise dispose of the Escrowed Securities in accordance with Section 8 hereof and may substitute, upon the written direction of the Successor Agency, Eligible Securities subject to the terms and limitations of Section 8 hereof but otherwise shall have no power or duty to sell, transfer or otherwise dispose of the Escrowed Securities.

If the Escrow Trustee learns that the Department of the Treasury or the Bureau of Fiscal Service will not, for any reason, accept a subscription of SLGS that is to be submitted pursuant to this Agreement Regarding Redemption, the Escrow Trustee shall promptly request alternative written investment instructions from the Successor Agency with respect to funds which were to be invested in SLGS. The Escrow Trustee shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Trustee shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the Successor Agency. In the absence of investment instructions from the Successor Agency, the Escrow Trustee shall not be responsible for the investment of such funds or interest thereon. The Escrow Trustee may conclusively rely upon the Successor Agency's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

Section 5. Creation of Lien on Escrow Fund. The Escrow Fund created hereby shall be irrevocable, and the Escrow Trustee is hereby appointed to act for the benefit of the owners of the Refunded 2006 Series A Bonds, which are hereby granted an express lien on the Escrow Fund, and all moneys from time to time held therein, for the payment of amounts described in Section 6 below. The Escrow Trustee shall hold the moneys on deposit in the Escrow Fund separate and apart from, and not commingled with, any other moneys or investments.

Section 6. Use of Escrow Fund. The Escrow Trustee shall use the maturing Escrowed Securities, the interest earnings thereon, and amounts deposited in cash in the Escrow Fund to pay the redemption price of the Refunded 2006 Series A Bonds maturing on and after August 1, 2017, on _____, 2017. All amounts remaining in the Escrow Fund after the payment of all such debt service shall be transferred to or upon the direction of the Successor Agency and used to pay debt service on the 2017 Series C Bonds.

As a result of the deposit into and use of the Escrow Fund as described herein, all payment obligations of the Successor Agency under the 2006 Series A Loan Agreement have been discharged in full.

Section 7. Notice of Redemption. [The Escrow Trustee has heretofore mailed to the owners of the Refunded 2006 Series A Bonds a notice of redemption as required by the 2006 Series A Indenture.]

Section 8. Reinvestment; Substitution; Liquidation. Interest income and other amounts received by the Escrow Trustee as payments on the Escrowed Securities shall be held as part of the Escrow Fund to be used for the purposes set forth in Section 6 of this Agreement Regarding Redemption and shall be invested by the Escrow Trustee in Eligible Securities but only at the written direction of the Authority and the Successor Agency, provided that (i) such amounts may only be invested in Eligible Securities and (ii) such investments shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make the transfers required by Section 6 of this Agreement Regarding Redemption.

If the Successor Agency and the Authority, at any time, deliver to the Escrow Trustee written instructions instructing the Escrow Trustee to liquidate, sell or otherwise dispose of any or all securities or investments in the Escrow Fund, purchase or otherwise acquire Eligible Securities, and/or to release any moneys or securities therein to the Successor Agency, and further delivers to the Escrow Trustee, each of the following:

(a) a revised Schedule A (together with a certification by the Successor Agency that the securities or investments described therein are Eligible Securities); and

(b) a report of a nationally recognized firm of independent certified public accountants verifying that the securities or investments described on such Schedule A will provide moneys (excluding reinvestment earnings), available in both time and amount, to enable timely payment of all amounts required in accordance with Section 6; and

(c) an opinion of nationally recognized bond counsel to the effect that the liquidation, sale or other disposition of securities or investments in the Escrow Fund, the purchase or other acquisition of securities or investments and the deposit thereof in the Escrow Fund, or the release of amounts from the Escrow Fund as described in this Section 8 will not result in loss of the exemption of interest on any of the 2006 Series A Bonds or the 2017 Series C Bonds from State of California personal income taxes;

then the Escrow Trustee shall liquidate, sell or otherwise dispose of the securities in the Escrow Fund, shall purchase (or retain) the securities or investments described in such revised Schedule A and transfer to the Successor Agency, free and clear of the lien of this Agreement Regarding Redemption, any and all amounts in the Escrow Fund not required for the purchase of the investments described on such revised Schedule A, all in accordance with such instructions from the Successor Agency referred to above.

No such substitution of Escrowed Securities shall be effective without the prior written consent of the Insurer (as such term is defined in the 2006 Series A Indenture).

Section 9. Liability of Escrow Trustee. The Successor Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to the extent permitted by law to indemnify, protect, save and keep harmless the Escrow Trustee and its respective successors, assigns, agents, officers, directors, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and

disbursements) of whatever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Trustee at any time (whether or not also indemnified against the same by the Successor Agency or by any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement Regarding Redemption, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein, and any payment, transfer or other application of moneys by the Escrow Trustee in accordance with the provisions of this Agreement Regarding Redemption; provided, however, that the Successor Agency shall not be required to indemnify the Escrow Trustee against the Escrow Trustee's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Trustee's agents and employees or the willful breach by the Escrow Trustee of the terms of this Agreement Regarding Redemption. In no event shall the Successor Agency or the Escrow Trustee be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement Regarding Redemption and the resignation or removal of the Escrow Trustee.

The Escrow Trustee undertakes to perform only such duties as are expressly and specifically set forth in this Agreement Regarding Redemption and no implied duties or obligations shall be read into this Agreement Regarding Redemption against the Escrow Trustee.

The Escrow Trustee shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Trustee be liable for any special indirect or consequential damages.

The Escrow Trustee may consult with counsel of its own choice and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

The Escrow Trustee shall not be responsible for any of the recitals or representations contained herein.

Whenever in the administration of this Agreement Regarding Redemption the Escrow Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Trustee, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Successor Agency, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Trustee, be full warrant to the Escrow Trustee for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

The Escrow Trustee may at any time resign by giving written notice 30 days' prior to the proposed effective date of the resignation to the Authority and the Successor Agency of such resignation. The Authority and the Successor Agency shall promptly appoint a successor Escrow Trustee by the resignation date. Resignation of the Escrow Trustee will be effective upon acceptance of appointment by a successor Escrow Trustee. If the Authority and the Successor Agency do not appoint a successor within 45 days of the Escrow Trustee's delivery of its notice of resignation, the Escrow Trustee may petition any court of competent jurisdiction for the appointment of a successor Escrow Trustee, which court may thereupon, after such

notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Trustee.

The liability of the Escrow Trustee to make the payments required by Agreement Regarding Redemption shall be limited to the cash in the Escrow Fund.

The Escrow Trustee shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal, interest, or premiums, if any, on the Refunded 2006 Series A Bonds.

No provision of this Agreement Regarding Redemption shall require the Escrow Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Trustee, or another method or system specified by the Escrow Trustee as available for use in connection with its services hereunder); provided, however, that the Successor Agency shall provide to the Escrow Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Successor Agency whenever a person is to be added or deleted from the listing. If the Successor Agency elects to give the Escrow Trustee Instructions using Electronic Means and the Escrow Trustee in its discretion elects to act upon such Instructions, the Escrow Trustee's understanding of such Instructions shall be deemed controlling. The Successor Agency understands and agrees that the Escrow Trustee cannot determine the identity of the actual sender of such Instructions and that the Escrow Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Trustee have been sent by such Authorized Officer. The Successor Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Trustee and that the Successor Agency and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Successor Agency. The Escrow Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Successor Agency agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Trustee, including without limitation the risk of the Escrow Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the

protections and risks associated with the various methods of transmitting Instructions to the Escrow Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Successor Agency; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 10. Sufficiency of Escrow. The Successor Agency agrees that if for any reason the moneys and other funds in the Escrow Fund are insufficient or otherwise unavailable to pay timely principal and premium of, and interest on, the Refunded 2006 Series A Bonds identified in Exhibit A hereto, the Successor Agency shall continue to be liable therefor in accordance with the terms of the indentures of trust relating to the Refunded 2006 Series A Bonds.

Section 11. Successor Escrow Trustee. Any corporation, bank or association into which the Escrow Trustee and the trust created by this Agreement Regarding Redemption may be merged or converted or with which it may be consolidated, or any corporation, bank or association resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Trustee shall be a party or any corporation, bank or association succeeding to all or substantially all of the corporate trust business of the Escrow Trustee, shall, if satisfactory to the Successor Agency, be the successor Escrow Trustee under this Agreement Regarding Redemption without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 12. Termination. This Agreement Regarding Redemption shall terminate when all transfers and payments required to be made by the Escrow Trustee under the provisions of Section 6 hereof shall have been made and any moneys remaining in the Escrow Fund at the time of such termination shall have been distributed to the Successor Agency and the Escrow Trustee has made a final report to the Successor Agency.

Section 13. [Reserved].

Section 14. Severability. If any one or more of the covenants and agreements provided in this Agreement Regarding Redemption on the part of the Successor Agency or the Escrow Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement Regarding Redemption.

Section 15. Successors and Assigns. All of the covenants and agreements in this Agreement Regarding Redemption contained by or on behalf of the Successor Agency, the Authority and the Escrow Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Compensation of Escrow Trustee. For acting under this Agreement Regarding Redemption, the Escrow Trustee shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Escrow Trustee in connection with its services under this Agreement Regarding Redemption; however, such amount shall never be payable from or become a lien

upon the Escrow Fund, which fund shall be held solely for the purposes and subject to the lien set forth in Section 5 of this Agreement Regarding Redemption.

The Successor Agency covenants to indemnify and hold harmless the Escrow Trustee against any loss, liability or expense, including legal fees in connection with the performance of any of its duties hereunder, except the Escrow Trustee shall not be indemnified against any loss, liability or expense resulting from its negligence or willful misconduct. Such indemnification shall survive the termination of this Agreement Regarding Redemption.

Section 17. Governing Law. This Agreement Regarding Redemption shall be governed by the applicable laws of the State of California.

Section 18. Headings. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement Regarding Redemption, nor shall they affect its meaning, construction or effect.

Section 19. Amendments. This Agreement Regarding Redemption may be amended or supplemented in writing by the Successor Agency, the Authority and the Escrow Trustee, but only if the Successor Agency and the Authority comply with the provisions of Section 8, if applicable. No such amendment or supplement shall affect the lien or application of amounts in the Escrow Fund for the payment of the Refunded 2006 Series A Bonds, as contemplated hereby, and shall not otherwise materially adversely affect the interests of the holders of the Refunded 2006 Series A Bonds, all as evidenced by an opinion of counsel delivered to the Escrow Trustee, unless the holders of a majority in aggregate principal amount of the Refunded 2006 Series A Bonds and the Insurer consent to such amendment or supplement.

Section 20. Counterparts. This Agreement Regarding Redemption may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the City and County of San Francisco Redevelopment Financing Authority, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco and The Bank of New York Mellon Trust Company, N.A., as Escrow Trustee, have each caused this Agreement Regarding Redemption to be executed, and The Bank of New York Mellon Trust Company, N.A., as trustee for the 2006 Series A Bonds, has caused this Agreement Regarding Redemption to be acknowledged, by their duly authorized officers as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO
REDEVELOPMENT FINANCING
AUTHORITY

By: _____
Treasurer

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

By: _____
Deputy Director,
Finance and Administration

THE BANK OF NEW YORK TRUST
MELLON TRUST COMPANY, N.A., as
Escrow Trustee

By: _____
Authorized Officer

ACKNOWLEDGEMENT OF
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
AS TRUSTEE FOR THE 2006 SERIES A BONDS

The Bank of New York Mellon Trust Company, N.A., as Trustee for the 2006 Series A Bonds hereby acknowledges the provisions of this Agreement Regarding Redemption and, in particular, Section 7 hereof and, as such provisions are applicable to The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee for the 2006 Series A Bonds agrees to comply therewith. The Bank of New York Mellon Trust Company, N.A., as Trustee for the 2006 Series A Bonds, hereby also waives, pursuant to Section 2.03 of the 2006 Series A Loan Agreements, receipt of the forty-five day advance written notice of the Successor Agency's intention to prepay the outstanding loans made from the proceeds of the 2006 Series A Loan Agreements. This waiver is limited solely to the timing of which the Successor Agency's notice was required to be delivered to the Trustee under Section 2.03 of the 2006 Series A Loan Agreements. The Trustee is not waiving any other provision of the 2006 Series A Loan Agreements, or any provision of the 2006 Series A Indenture, under this waiver.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
as Trustee for the 2006 Series A Bonds

By: _____
Authorized Officer

SCHEDULE A

Escrowed Securities

<u>Maturity</u>	Rate (%)	<u>Par Amount</u>	<u>Price (%)</u>	Purchase <u>Cost</u>	Accrued <u>Interest</u>	Total Purchase <u>Cost</u>
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EXHIBIT A

\$50,731,330.80
City and County of San Francisco
Redevelopment Financing Authority
2006 Series A Taxable Tax Allocation Revenue Bonds
(San Francisco Redevelopment Projects)

Pre-Refunded Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>(Base: 79771P)</u>
2021*			D36
2036*			D44

_____, 2017 at a price of 100% of the principal amount thereof plus accrued interest thereon, without premium.

CB Draft 02/14/2017

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY [22], 2017**NEW ISSUE
BOOK-ENTRY ONLY****Underlying Rating: Standard & Poor's: “__”
(See “RATING” herein)****DAC Bond®**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject however to certain qualifications described herein, under existing law, the interest on the 2017 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. The interest, however, on the 2017 Series A Taxable Bonds is not intended to be excluded from federal income taxation. In the further opinion of Bond Counsel, interest on the 2017A/B Bonds is exempt from California personal income taxes. See “TAX MATTERS” herein.

\$90,000,000*

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2017 Series A Taxable Third Lien
Tax Allocation Bonds
(Affordable Housing Projects)**

\$34,000,000*

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2017 Series B Third Lien
Tax Allocation Bonds
(Transbay Infrastructure Projects)**

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

This cover page contains information for quick reference only. It is *not* intended to be a complete summary of all factors relevant to an investment in the 2017A/B Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2017 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (the “**2017 Series A Taxable Bonds**”) and the 2017 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects) (the “**2017 Series B Bonds**”) and together with the 2017 Series A Taxable Bonds, the “**2017A/B Bonds**” and individually, each a “**Series**”) are being issued by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “**Successor Agency**”) pursuant to an Indenture of Trust, dated as of March 1, 2017 (the “**Indenture**”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”) and anticipated to be sold by the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) on behalf of the Successor Agency to the Underwriters (defined herein) for the purposes described herein.

Interest on the 2017A/B Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2017. Principal of the 2017A/B Bonds will be payable on the dates and in the respective principal amounts set forth on the inside cover page.

The 2017A/B Bonds of each Series will be issued in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the 2017A/B Bonds. Beneficial ownership interests in the 2017A/B 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 2017A/B 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 DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Direct Participants and Indirect Participants as more fully described herein. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

* Preliminary, subject to change.

The 2017A/B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “THE 2017A/B BONDS – Redemption Provisions.”

The 2017 Series A Taxable Bonds are being issued for the purpose of providing funds to (i) finance certain affordable housing, as described herein under “PLAN OF FINANCE,” (ii) make a deposit in the subaccount of the Reserve Account established for 2017 Series A Taxable Bonds or purchase a reserve surety for such Series of Bonds to satisfy such Series’ reserve requirement, and (iii) pay costs associated with the issuance of the 2017 Series A Taxable Bonds.

The 2017 Series B Bonds are being issued for the purpose of providing funds to (i) finance certain infrastructure, as described herein under “PLAN OF FINANCE,” (ii) make a deposit in the subaccount of the Reserve Account established for 2017 Series B Bonds or purchase a reserve surety for such Series of Bonds to satisfy such Series’ reserve requirement, and (iii) pay costs associated with the issuance of the 2017 Series B Bonds.

The Successor Agency has solicited bids for a reserve surety bond and a municipal bond insurance policy and will make a decision on whether to purchase such insurance at the pricing of the 2017A/B Bonds. If a municipal bond insurance policy is obtained, it would guarantee the scheduled payment of the principal of and interest on all or a portion of a Series of the 2017A/B Bonds. No assurance can be given as to whether the Successor Agency will purchase a municipal bond insurance policy or a reserve surety bond. See “INTRODUCTION – Reserve Account” and “– Bond Insurance” herein.

The 2017A/B Bonds are payable from and secured solely by Pledged Tax Revenues (defined herein) and moneys held in certain funds and accounts by the Trustee under the Indenture. No funds or properties of the Successor Agency, other than the Pledged Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the 2017A/B Bonds. Pledged Tax Revenues consist primarily of tax increment revenues generated within the Project Areas remaining after the payment of the Existing Loan Agreements, the 2014 Bonds and 2014 Parity Debt (as such terms are defined herein) and, accordingly, the payment of debt service on the 2017A/B Bonds is subordinate to payments due on such obligations as described under “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Security for the 2017A/B Bonds; Equal Security” and “– Senior Obligations.”

The 2017A/B Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Pledged Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2017A/B Bonds are not a debt of the Authority, the City and County of San Francisco (the “City”), the State of California (the “State”) or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2017A/B Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues or property or its full faith and credit to the payment of debt service on the 2017A/B Bonds. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.

The 2017A/B Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Curls Bartling P.C., Oakland, California is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the 2017A/B Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York on or about March 20, 2017.

STIFEL

Backstrom McCarley Berry & Co., LLC Stinson Securities, LLC

Dated: _____, 2017

MATURITY SCHEDULES

\$ _____
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2017 Series A Taxable Third Lien Tax Allocation Bonds
(Affordable Housing Projects)**

\$ _____ **Serial Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> <u>(Base: 79770G)[†]</u>
--------------------------------------	-----------------------------------	--------------------------------	--------------	--------------	---

\$ _____ % Term Bonds due August 1, 20 __, Yield ____ %, Price ____, CUSIP No.[†] 79770G ____

\$ _____
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2017 Series B Third Lien Tax Allocation Bonds
(Transbay Infrastructure Projects)**

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> <u>(Base: 79770G)[†]</u>
--------------------------------------	-----------------------------------	--------------------------------	--------------	--------------	---

\$ _____ % Term Bonds due August 1, 20 __, Yield ____ %, Price ____, CUSIP No.[†] 79770G ____

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS). CGS is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CGS database and are included solely for convenience. None of the Successor Agency, the Authority or the Underwriters assume any responsibility for the accuracy of the CUSIP data.

[Map to Come.]

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

Commission Members

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

Successor Agency Staff

Nadia Sesay, *Interim Executive Director*
Bree Mawhorter, *Deputy Director of Finance and Administration*
James Morales, *Deputy Director and General Counsel*
Sally Oerth, *Deputy Director, Projects and Programs*

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee, *Mayor*

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

BOARD OF SUPERVISORS

London Breed, *President, District 5*
Sandar Fewer, *District 1*
Mark Farrell, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Jane Kim, *District 6*
Norman Yee, *District 7*
Jeff Sheehy, *District 8*
Hillary Ronen, *District 9*
Malia Cohen, *District 10*
Ahsha Safai, *District 11*

SPECIAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisors

Public Financial Management, Inc.
San Francisco, California
Kitahata & Company
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

Disclosure Counsel

Curls Bartling P.C.
Oakland, California

Fiscal Consultant

Urban Analytics LLC
San Francisco, California

No dealer, broker, salesperson or other person has been authorized by the Successor Agency, the Authority or the City to give any information or to make any representations in connection with the offer or sale of the 2017A/B 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 2017A/B Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. This Official Statement is not to be construed as a contract with the purchasers of the 2017A/B Bonds.

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

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

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

The Successor Agency and the City maintain a website. However, the information presented therein is not a part of this Official Statement and must not be relied upon in making an investment decision with respect to the 2017A/B Bonds.

The issuance and sale of the 2017A/B Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017A/B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$90,000,000*
**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO**
**2017 Series A Taxable Third Lien
Tax Allocation Bonds
(Affordable Housing Projects)**

\$34,000,000*
**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO**
**2017 Series B Third Lien
Tax Allocation Bonds
(Transbay Infrastructure Projects)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2017A/B Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2017A/B Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents. Capitalized terms used in this Official Statement and not defined herein shall have the meanings assigned to them in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Authority and Purpose

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (collectively, the “**Official Statement**”), is to provide certain information in connection with the offering by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “**Successor Agency**”) of its \$90,000,000* aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) (the “**2017 Series A Taxable Bonds**”) and its \$34,000,000* aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects) (the “**2017 Series B Bonds**” and together with the 2017 Series A Taxable Bonds, the “**2017A/B Bonds**” and individually, each a “**Series**”), which will be sold by the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) on behalf of the Successor Agency for the purposes described herein. The 2017A/B Bonds are being issued in accordance with a resolution of the Successor Agency adopted on December 6, 2016 (the “**Resolution**”), and an Indenture of Trust, dated as of March 1, 2017 (the “**Indenture**”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”), and, as applicable, pursuant to authority contained in the Redevelopment Law (defined herein) and Sections 34177.7(a)(1)(A) and (B) of the Redevelopment Dissolution Act (defined herein). See “– The Successor Agency.”

The 2017 Series A Taxable Bonds are being issued for the purpose of providing funds to: (i) finance certain affordable housing required under the Candlestick DDA (defined herein), as described herein under “PLAN OF FINANCE;” (ii) make a deposit in the subaccount of the Reserve Account established for 2017 Series A Taxable Bonds or purchase a reserve surety for the 2017 Series A Taxable Bonds to satisfy such Series’ reserve requirement; and (iii) pay costs associated with the issuance of the 2017 Series A Taxable Bonds.

* Preliminary, subject to change.

The 2017 Series B Bonds are being issued for the purpose of providing funds to: (i) finance certain infrastructure required by the Transbay Redevelopment Project Implementation Agreement, dated as of January 20, 2005 (the “**Transbay Implementation Agreement**”), between the former Redevelopment Agency of the City and County of San Francisco (the “**Former Agency**”), as succeeded by the Successor Agency, and the Transbay Joint Powers Authority (“**TJPA**”), as hereafter may be amended, as further described herein under “PLAN OF FINANCE;” (ii) make a deposit in the subaccount of the Reserve Account established for 2017 Series B Bonds or purchase a reserve surety for such Series of Bonds to satisfy such Series’ reserve requirement; and (iii) pay costs associated with the issuance of the 2017 Series B Bonds. See also “– The Successor Agency,” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The City and County of San Francisco

The City and County of San Francisco (the “**City**”) is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the San Francisco Bay to the east, the entrance to the San Francisco Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about 45 miles to the south, and the wine country is about 65 miles to the north. The California Department of Finance Demographic Research Unit estimated the City’s population at 866,583 as of January 1, 2016.

The 2017A/B Bonds are not a debt of the City and the General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2017A/B Bonds. Neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2017A/B Bonds. The 2017A/B Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City.

The Successor Agency

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

As a result of Assembly Bill No. 1X26 (“**AB 26**”) enacted on June 29, 2011, and the decision of the State Supreme Court in *California Redevelopment Association, et al. v. Matosantos, et al.* (the “**California Redevelopment Association Case**”), as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. The California legislature has amended AB 26 several times, including on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012, and on September 22, 2015 by Senate Bill No. 107 (“**SB 107**”), enacted as Chapter 325, Statutes of 2015.

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

Agency. The Redevelopment Law, and the acts amendatory thereof and supplemental thereto, including the Redevelopment Dissolution Act, is collectively referred to herein as the “**Law**.”

In amending the Redevelopment Dissolution Act, SB 107 (i) clarified the Successor Agency’s authority to issue bonds for affordable housing and certain infrastructure (California Health & Safety Code § 34177.7) in certain of its project areas, (ii) removed certain time limits that had previously applied to the issuance of debt and the collection of tax increment by former redevelopment agencies (California Health & Safety Code § 34189 (a)), and (iii) authorized the Successor Agency to secure new debt with the property tax revenues (former tax increment) from project areas that had generated tax increment upon the dissolution of the Former Agency on February 1, 2012 (Stats. 2015, ch. 325, § 27(e)). Significantly, these project areas include those with redevelopment plans that may have expired for other purposes but that continue to be a source of funds for repayment of indebtedness.

Section 34177.7(a)(1)(A) of the Redevelopment Dissolution Act authorizes the Successor Agency to issue bonds and other indebtedness to finance affordable housing required by certain of its enforceable obligations, including the Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated for reference purposes only as of June 3, 2010, between CP Development Co. LP, and the Former Agency, as succeeded by the Successor Agency, as heretofore amended and as hereafter may be amended (the “**Candlestick DDA**”). Section 34177.7(a)(1)(B) of the Redevelopment Dissolution Act authorizes the Successor Agency to issue bonds and other indebtedness to finance infrastructure required by the Transbay Implementation Agreement.

The Successor Agency is issuing the 2017 Series A Taxable Bonds to provide funds to finance certain affordable housing set forth in the Candlestick DDA to be developed in Candlestick Point (defined herein). The Successor Agency is issuing the 2017 Series B Bonds to provide funds to finance infrastructure required by the Transbay Implementation Agreement. See “PLAN OF FINANCE.”

The issuance of the 2017A/B Bonds was subject to the approval of the Successor Agency Commission (as defined herein), the Successor Agency’s oversight board (the “**Oversight Board**”) and the Department of Finance of the State of California (the “**California Department of Finance**”) pursuant to the Redevelopment Dissolution Act. All such approvals have been obtained. See “THE 2017A/B BONDS – Authority for Issuance.”

The Authority

The Authority is a joint powers authority originally formed in 1989 pursuant to a Joint Power Agreement between the Former Agency and the City to facilitate the long-term financing of the Former Agency’s redevelopment activity by issuing bonds to provide financing assistance to the Former Agency. Pursuant to the Law and the Joint Powers Agreement, the Authority has the power to purchase bonds of the Successor Agency and has the further power to sell bonds so purchased to public or private purchasers at a public or negotiated sale. Pursuant to the Redevelopment Dissolution Act, the Successor Agency assumed the rights and obligations of the Former Agency under the Joint Powers Agreement.

The Project Areas

At the time of dissolution of the Former Agency, twelve (12) project areas generated tax increment for redevelopment activities. (See reference to Federal Office Building Redevelopment Project Area in “– Excluded Project Areas” below regarding its lack of tax increment). Two (2) of these project areas (Mission Bay North Redevelopment Project Area and Mission Bay South Redevelopment Project Area and portions of three (3) other project areas: (i) the State Parcels (defined herein) in the Transbay Redevelopment Project Area; (ii) Zone 1 of the Bayview Hunters Point Redevelopment Project Area B also referred to as

“**Candlestick Point**” (further described herein); and (iii) all portions of the Hunters Point Shipyard Project Area except the Hunters Point Hill Residential District, were, and continue to be, subject to agreements that irrevocably commit the property tax increment from those areas to specific purposes. See “– Excluded Project Areas” below. Accordingly, and pursuant to the Redevelopment Dissolution Act, only tax increment from the following ten (10) project areas (the “**Project Areas**”) will provide the source of funds for debt service on the 2017A/B Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS.” The Project Areas consist of the redevelopment project areas (except any portion thereof included in the Excluded Project Areas defined below) described in the following redevelopment plans:

- Redevelopment Plan – Bayview Hunters Point Redevelopment Project Area – Zone 2 of Project Area B (the “**Bayview Hunters Point Project Area B – Zone 2**”)
- Redevelopment Plan – Embarcadero-Lower Market (“**Golden Gateway**”) Approved Redevelopment Project Area E-1 (the “**Golden Gateway Project Area**”)
- Redevelopment Plan – Bayview Hunters Point Redevelopment Project Area – Project A (formerly known as the Hunters Point Redevelopment Project Area) (the “**Bayview Hunters Point Project Area A**”)
- Redevelopment Plan – Hunters Point Shipyard Redevelopment Project Area – Hunters Point Hill Residential District (the “**Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area**”)
- Redevelopment Plan – India Basin Industrial Park Redevelopment Project Area (the “**India Basin Industrial Park Project Area**”)
- Redevelopment Plan – Rincon Point – South Beach Redevelopment Project Area (the “**Rincon Point – South Beach Project Area**”)
- Redevelopment Plan – South of Market Redevelopment Project Area (previously known as the South of Market Earthquake Recovery Project Area) (the “**South of Market Project Area**”)
- Redevelopment Plan – Transbay Redevelopment Project Area (the “**Transbay Project Area**”)
- Redevelopment Plan – Western Addition Redevelopment Project Area A-2 (the “**Western Addition Project Area A-2**”)
- Redevelopment Plan – Yerba Buena Center Redevelopment Project Area D-1 (the “**Yerba Buena Center Project Area D-1**”)

As described in this Official Statement, the 2017A/B Bonds are secured by a pledge and lien on Pledged Tax Revenues (defined herein), which consists primarily of tax increment revenues generated in the Project Areas. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – General.” Tax increment revenues from the Excluded Project Areas are not pledged as security for the payment of the 2017A/B Bonds; therefore, the description of the project areas of the Former Agency set forth in this Official Statement is limited to only the Project Areas.

Excluded Project Areas

Tax increment revenues from the following project areas are not pledged as security to pay debt service on the 2017A/B Bonds: (i) the Mission Bay North Redevelopment Project Area; (ii) the Mission Bay South Redevelopment Project Area; and (iii) the Federal Office Building Redevelopment Project Area (the parcels in which are owned by the Federal Government which does not pay property tax and therefore do not generate tax revenues). In addition, tax increment revenues: (x) from Candlestick Point; (y) from parcels in the Hunters Point Shipyard Project Area (other than the Hunters Point Hill Residential District); and (z) that constitute State Parcel Net Tax Increment (defined herein) from certain parcels within the Transbay Project Area currently or previously owned by the State (referred to herein as the “**State Parcels**”) are not pledged as security to pay debt service on the 2017A/B Bonds. Collectively, the project areas listed in (i)-(iii) and the increment described in (x)-(z) above are referred to herein as “Excluded Project Areas.” See “THE PROJECT AREAS – Project Areas – *Transbay Project Area*” and “– Project Areas – *Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area*.” See also APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Tax Allocation Financing

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

Prior to the enactment of AB 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of such agency’s obligations.

The Redevelopment Dissolution Act, as amended by SB 107, authorizes bonds, including the 2017A/B Bonds, to be secured by a pledge of, and to be payable from and further secured by the project areas’ property tax revenues deposited from time to time in the Redevelopment Property Tax Trust Fund held by the auditor-controller of the City and County of San Francisco (the “**City Controller**”) with respect to the Successor Agency (the “**Redevelopment Property Tax Trust Fund**” or “**RPTTF**”) if those revenues are not otherwise obligated. These funds are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT OR TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND AND NOT OBLIGATED FOR OTHER PURPOSES.**

Security and Sources of Payment for the 2017A/B Bonds

The 2017A/B Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and payable from and secured by the Pledged Tax Revenues (defined herein). Pledged Tax Revenues, as more fully described herein, do not include tax increment revenues from, or amounts deposited in, the Redevelopment Property Tax Trust Fund attributable to the Excluded Project Areas constituting State Parcel Net Tax Increment or tax increment revenues committed to Senior Obligations

(defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Security for the 2017A/B Bonds; Equal Security” and “– Senior Obligations.”

The Redevelopment Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency had it not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Dissolution Act further provides that Successor Agency bonds authorized under Section 34177.7 “*may be secured by property tax revenues available in the successor agency’s Redevelopment Property Tax Trust Fund from those project areas that generated tax increment for the Redevelopment Agency of the City and County of San Francisco upon its dissolution if the revenues are not otherwise obligated*” (Stats. 2015, ch. 325, § 27(e)). Such bonds will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Property tax revenues pledged to any bonds authorized under the Redevelopment Dissolution Act are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law. Section 34177.7(g) of the Redevelopment Dissolution Act provides that the Successor Agency’s bonds will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB 26 and in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. The Successor Agency must include debt service payments for such bonds on its Recognized Obligation Payment Schedule (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Recognized Obligation Payment Schedule.”

The Redevelopment Dissolution Act requires compliance by the Successor Agency with a procedure for preparation of a Recognized Obligation Payment Schedule in order to receive funds for payment of debt service and submission thereof to the Oversight Board and the California Department of Finance for approval. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act.” Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various properties within the Project Areas, to the extent that such taxes constitute tax revenues, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund (the “**Retirement Fund**”) on January 2 and June 1 of each year (adjusted for weekends and holidays) to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Redevelopment Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Recognized Obligation Payment Schedule.” Moneys deposited by the City Controller into the Retirement Fund representing Pledged Tax Revenues will first be deposited by the Successor Agency in the “Third Lien Special Fund” which is to be held by the Successor Agency within the Retirement Fund (the “**Special Fund**”) and will then be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The 2017A/B Bonds are secured by and payable solely from the Pledged Tax Revenues and moneys on deposit in the Special Fund and the funds and accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act” and “PLEDGED TAX REVENUES AND DEBT SERVICE.” The Project Areas, and the real and personal property therein, do not serve as security for the 2017A/B Bonds.

The 2017A/B Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Pledged Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2017A/B Bonds are not a debt of the

Authority, the City, the State or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2017A/B Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues or property or its full faith and credit to the payment of debt service on the 2017A/B Bonds. None of the members of the Successor Agency, the Authority, the City, or any persons executing the 2017A/B Bonds are liable personally for the 2017A/B Bonds by reason of their issuance. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power. See “PLEGDED TAX REVENUES AND DEBT SERVICE.”

Senior Obligations

The pledge of tax increment revenues from the Project Areas to pay debt service on the 2017A/B Bonds is *subordinate* to the prior pledge, or priority of payment, of such tax increment revenue to the payment of the Existing Loan Agreements (defined herein), the 2014 Bonds and 2014 Parity Debt (each defined herein) and certain other obligations in certain Project Areas (collectively, the “**Senior Obligations**,” as further described herein). As of August 1, 2016, there was approximately \$513.4 million aggregate principal amount of Senior Obligations outstanding (*i.e.*, approximately \$409 million in Existing Loan Agreements and \$104.4 million in 2014 Bonds). See also “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – General” and “– Senior Obligations.”

Parity Debt

The Successor Agency has the right to issue additional indebtedness payable on a parity with the 2017A/B Bonds from Pledged Tax Revenues upon the satisfaction of certain conditions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Limitations on Additional Indebtedness – *Parity Debt*.” The Successor Agency currently anticipates issuing approximately \$192.9 million aggregate principal amount of additional bonds by 2030 on a parity with the 2017A/B Bonds.

Reserve Account

The Indenture establishes a Reserve Account for all bonds issued thereunder to be held by the Trustee and to be maintained in an amount at least equal to the Reserve Requirement (as defined herein) with respect to the 2017A/B Bonds. The Indenture also establishes a “**2017 Series A Taxable Subaccount**” and a “**2017 Series B Subaccount**” within the Reserve Account for the 2017 Series A Taxable Bonds and the 2017 Series B Bonds, respectively. The Reserve Requirement will be calculated separately for the 2017 Series A Taxable Bonds and the 2017 Series B Bonds. A portion of the proceeds of the 2017 Series A Taxable Bonds will fund a deposit of \$_____ to satisfy the Reserve Requirement with respect to the 2017 Series A Taxable Bonds; in the alternative, the Successor Agency may meet the Reserve Requirement with respect to the 2017 Series A Taxable Bonds with the deposit of a debt service reserve surety. A portion of the proceeds of the 2017 Series B Bonds will fund a deposit of \$_____ to satisfy the Reserve Requirement with respect to the 2017 Series B Bonds; in the alternative, the Successor Agency may meet the Reserve Requirement with respect to the 2017 Series B Bonds with the deposit of a debt service reserve surety. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Special Fund; Deposit of Pledged Tax Revenues – *Reserve Account*.”

The Successor Agency has solicited bids for a reserve surety bond to satisfy the Reserve Requirement for each Series of 2017A/B Bonds. No assurance can be given as to whether the Successor Agency will obtain a reserve surety bond to satisfy the Reserve Requirement. The Successor Agency’s

decision as to whether to deposit a reserve surety bond in the Reserve Account will be made at or about the time of the pricing of the 2017A/B Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the Successor Agency does not decide to obtain a reserve surety bond, then the reserve subaccount for each Series will be funded with proceeds from the sale of the applicable Series of 2017A/B Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Special Fund; Deposit of Pledged Tax Revenues – *Reserve Account*.”

Bond Insurance

The Successor Agency may obtain a municipal bond insurance policy to insure the principal of and interest on the 2017A/B Bonds when due. If a municipal bond insurance policy is obtained, it would guarantee the scheduled payment of the principal of and interest on all or a portion of the 2017A/B Bonds as determined by the Successor Agency prior to the issuance of the 2017A/B Bonds. No assurance can be given as to whether the Successor Agency will obtain a municipal bond insurance policy. The Successor Agency’s decision as to whether to purchase a municipal bond insurance policy if offered by a municipal bond insurer will be made at or about the time of the pricing of the 2017A/B Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the Successor Agency purchases a municipal bond insurance policy to insure all or a portion of the principal of and interest on the 2017A/B Bonds, information regarding the municipal bond insurer will be included in the final Official Statement.

Certain Risk Factors

Certain events could affect the ability of the Successor Agency to pay debt service on the 2017A/B Bonds when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2017A/B Bonds.

Continuing Disclosure

The Successor Agency has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Successor Agency not later than six (6) months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2017 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the specified events will be filed with the Municipal Securities Rulemaking Board (the “**MSRB**”) through the Electronic Municipal Market Access website (“**EMMA**”) of the MSRB. The specific nature of the information to be contained in the Annual Report and the notice of events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

See “CONTINUING DISCLOSURE” for additional information.

Available Information

This Official Statement contains brief descriptions of the 2017A/B Bonds, the security for the 2017A/B Bonds, the Indenture, the Successor Agency, the Former Agency, the Authority, the City, the Project Areas and certain other information relevant to the issuance of the 2017A/B Bonds. All references herein to the Indenture, the Redevelopment Law, the Redevelopment Dissolution Act, the Constitution and laws of the State are qualified in their entirety by reference to the complete text thereof and all references to the 2017A/B Bonds are further qualified by reference to the form thereof contained in the Indenture. Capitalized terms used and not otherwise defined in this Official Statement shall have the meanings given to such terms in the Indenture.

The Successor Agency's audited financial statements for the period ended June 30, 2016 are included in APPENDIX A – "SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016." Urban Analytics, LLC, San Francisco, California (the "**Fiscal Consultant**") is providing consulting services to the Successor Agency with respect to the Project Areas and their projected taxable values and anticipated tax increment revenues. The Fiscal Consultant's report is attached hereto as APPENDIX B – "REPORT OF FISCAL CONSULTANT." The proposed form of legal opinion of Bond Counsel relating to the 2017A/B Bonds is set forth in APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

The information set forth herein and in the Appendices hereto has been furnished by the Successor Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Successor Agency or the Underwriters and is not to be construed as a representation by the Underwriters. Copies of documents referred to herein and information concerning the 2017A/B Bonds are available upon written request from the Trustee, U.S. Bank National Association, One California Street, Suite 1000, Mail Code: SF-CA-SFCT, San Francisco, California 94111. Within the City, the Successor Agency, which is constituted as the Office of Community Investment and Infrastructure or "OCII," may be contacted at: Office of Community Investment and Infrastructure, One South Van Ness Avenue, 5th Floor, San Francisco, California 94103; telephone: (415) 749-2465. The Successor Agency will respond to requests by any Bondowner for public information. The Successor Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

A portion of the net proceeds from the sale of the 2017 Series A Taxable Bonds will be used to finance the development and/or construction of affordable housing in Candlestick Point required by the Candlestick DDA. Said housing is expected to be comprised of five multifamily rental housing developments that will be dedicated to low-income families and low-income seniors. Two of the projects will restrict household incomes to no more than 50% AMI (defined herein) and three of the projects will restrict household incomes to no more than 60% AMI. "**AMI**" is defined by the Successor Agency to mean the median gross income for the area, as determined in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 122 Stat 2654), including adjustments for household size. All of the projects will have some households with even lower incomes. None of the housing described above will be located in the Project Areas.

Collectively, these five projects are expected to provide 536 units of affordable housing. Construction of two of these developments is expected to begin in February 2018 with an anticipated completion date of January 2019. Construction of the other three developments is expected to begin in 2019 (in February, May and July) with expected construction completion dates in 2020 (September and December).

Proceeds of the 2017 Series A Taxable Bonds will also be used to pay costs associated with the issuance of the 2017 Series A Taxable Bonds, including the purchase of a bond insurance policy and/or a reserve surety, if any. If no reserve surety is purchased, then the proceeds of the 2017 Series A Taxable Bonds will also be used to fund a deposit to the 2017 Series A Taxable Reserve Subaccount.

A portion of the net proceeds of the 2017 Series B Bonds will be used to finance infrastructure, specifically, improvements in the Transbay Project Area in the form of streetscapes along Folsom Street and parks, including Essex Park, Transbay Park, and Under-ramp Park, required by the Transbay Implementation Agreement. Proceeds of the 2017 Series B Bonds will also be used to pay costs associated with the issuance of the 2017 Series B Bonds including the purchase of a bond insurance policy and/or a

reserve surety, if any. If no reserve surety is purchased, then the proceeds of the 2017 Series B Bonds will also be used to fund a deposit to the 2017 Series B Reserve Subaccount.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2017A/B Bonds are as follows:

Sources:	2017 Series A Taxable Bonds	2017 Series B Bonds	Total
Par Amount			
Original Issue Premium/(Discount)			
Total Sources			
 Uses:			
2017 Series A (Taxable) Project Fund			
2017 Series B Project Fund			
Costs of Issuance Fund ⁽¹⁾			
Underwriters' Discount			
Total Uses			

⁽¹⁾ Amounts deposited in this fund will be used to pay legal, financing and consultant fees, rating agency fees, the fees for the reserve sureties and bond insurance policies, if any, and other miscellaneous expenses incurred in connection with the issuance of the 2017A/B Bonds.

THE 2017A/B BONDS

Authority for Issuance

The 2017A/B Bonds were authorized for issuance pursuant to the Indenture, the Redevelopment Law and the Redevelopment Dissolution Act. See "INTRODUCTION – The Successor Agency." Issuance of the 2017A/B Bonds and the execution of the related documents were authorized by the Successor Agency pursuant to a resolution adopted on December 6, 2016 (the "**Resolution**"), and approved by the Oversight Board pursuant to a resolution of the Oversight Board adopted on December 12, 2016 (the "**Oversight Board Resolution**").

Written notice of the Oversight Board Resolution was provided to the California Department of Finance, as required by the Redevelopment Dissolution Act, on December 12, 2016. On February [17], 2017, which is [within] the time period allotted under the Redevelopment Dissolution Act for the California Department of Finance to review the Oversight Board Resolution, the California Department of Finance provided a letter to the Successor Agency stating that, based on the California Department of Finance's review of the Oversight Board Resolution and application of applicable law, the California Department of Finance approved of the issuance of the 2017A/B Bonds. A copy of the California Department of Finance's letter is attached hereto as APPENDIX G.

Description of the 2017A/B Bonds

The 2017A/B 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. No 2017A/B Bond shall have more than one maturity date.

The 2017A/B Bonds will be dated, and shall bear interest from, their date of delivery to the original purchasers thereof. The 2017A/B Bonds will be issued in the respective aggregate amounts, will bear

interest at the respective rates and will mature, subject to redemption provisions set forth hereinafter, on the respective dates and in the amounts all as set forth on the inside cover page hereof.

Interest on the 2017A/B Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2017 (each, an “**Interest Payment Date**”). Interest on the 2017A/B Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each 2017A/B Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after the close of business on the fifteenth (15th) calendar day of the month preceding an Interest Payment Date whether or not such fifteenth (15th) calendar day is a business day (the “**Record Date**”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to July 15, 2017, in which event it shall bear interest from the date of delivery of the 2017A/B Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a 2017A/B Bond, interest thereon is in default, such 2017A/B Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Book-Entry Only System

Each Series of 2017A/B Bonds will be initially issued as fully registered bonds without coupons for each maturity of the 2017A/B Bonds. Upon initial delivery, the ownership of the 2017A/B Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as a securities depository for the 2017A/B Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their beneficial ownership interest in the 2017A/B Bonds so purchased. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2017A/B Bonds, payments of principal, premium, if any, and interest evidenced by the 2017A/B Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2017A/B Bonds and references herein and in the Indenture to the Owners or Bondowners mean Cede & Co. and do not mean the Beneficial Owners of the 2017A/B Bonds. In this Official Statement, the term “**Beneficial Owner**” means the person for whom a DTC Participant acquires an interest in the 2017A/B Bonds. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Successor Agency or the Trustee with respect to the principal or redemption price of or interest on the 2017A/B Bonds to the extent of the sum or sums so paid. The Successor Agency and the Trustee cannot and do not give any assurance that DTC’s Direct Participants or Indirect Participants will distribute to Beneficial Owners (i) payments of interest, principal or premium, if any, with respect to the 2017A/B Bonds, (ii) confirmation of ownership interests in the 2017A/B Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the 2017A/B Bonds, or that DTC’s Direct Participants or Indirect Participants will do so on a timely basis.

Neither the Successor Agency nor the Trustee will have any responsibility or obligation to DTC Direct Participants, Indirect Participants or Beneficial Owners with respect to the payments or the providing of notice to DTC Direct Participants, Indirect Participants or Beneficial Owners or the selection of the 2017A/B Bonds for redemption. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

In the event that either (i) DTC or a successor securities depository determines not to continue to act as a securities depository for the 2017A/B Bonds, or (ii) the Successor Agency determines to terminate DTC or a successor securities depository as such, then the Successor Agency shall discontinue the book-entry system. Thereupon, DTC or the then current securities depository shall furnish the Trustee with the

names and addresses of the book-entry system Participants and their respective ownership interests thereof and the Trustee shall issue replacement 2017A/B Bonds thereto.

Redemption Provisions*

Optional Redemption. The 2017 Series A Taxable Bonds maturing on or prior to August 1, 20[27], are not subject to optional redemption. The 2017 Series A Taxable Bonds maturing on or after August 1, 20[28], are subject to optional redemption at the option of the Successor Agency, prior to their respective maturity dates as a whole, or in part by a lot, on any date on or after August 1, 20[27], by such maturity or maturities as shall be directed by the Successor Agency (or in the absence of such direction, pro rata by maturity and by lot within a maturity), from any source of available funds. Such optional redemption shall be at a redemption price equal to 100% of the principal amount of the 2017A/B Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

The 2017 Series B Bonds maturing on or prior to August 1, 20[27], are not subject to optional redemption. The 2017 Series B Bonds maturing on or after August 1, 20[28], are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, on any date on or after August 1, 20[27], by such maturity or maturities as shall be directed by the Successor Agency (or in absence of such direction, pro rata by maturity and by lot within a maturity), from any source of available funds. Such optional redemption shall be at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2017 Series A Taxable Bonds that are Term Bonds maturing on August 1, 20__, and August 1, 20__, are also subject to mandatory sinking fund redemption in whole, or in part by lot, on August 1 in each year, commencing on August 1, 20__ and August 1, 20__, respectively, as set forth below, from sinking fund payments made by the Successor Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years set forth in the following tables; provided, however, that (a) in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below, and (b) if some but not all of such Term Bonds have been redeemed by optional redemption as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2017 Series A Taxable Term Bonds maturing on August 1, 20__

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
--	------------------------------------

* Maturity

* Preliminary, subject to change.

2017 Series A Taxable Term Bonds maturing on August 1, 20__

Sinking Account
Redemption Date
(August 1)

Principal Amount
to be Redeemed

*Maturity

The 2017 Series B Bonds that are Term Bonds maturing on August 1, 20__, and August 1, 20__, are also subject to mandatory sinking fund redemption in whole, or in part by lot, on August 1 in each year commencing on August 1, 20__ and August 1, 20__, respectively, as set forth below, from sinking fund payments made by the Successor Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following tables; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below, and if some but not all of such Term Bonds have been redeemed by optional redemption as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2017 Series B Term Bonds maturing on August 1, 20__

Sinking Account
Redemption Date
(August 1)

Principal Amount
to be Redeemed

*Maturity

2017 Series B Term Bonds maturing on August 1, 20__

Sinking Account
Redemption Date
(August 1)

Principal Amount
to be Redeemed

*Maturity

Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, the Successor Agency may purchase such Term Bonds at public or private sale as and

when and at such prices (including brokerage and other charges) as the Successor Agency may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Successor Agency in any twelve-month period ending on June 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed on the next succeeding August 1.

Selection of Bonds for Redemption. Whenever any 2017A/B Bonds or any Parity Debt (defined herein) issued pursuant to a supplement to the Indenture (such Parity Debt and 2017A/B Bonds hereinafter together referred to as, “**Bonds**”) or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds that were assigned the numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

Notice of Redemption; Rescission. Notice of redemption will be mailed by the Trustee by first class mail no less than thirty (30) and nor more than sixty (60) days prior to the redemption date (i) to any insurer of the Bonds and to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services designated in a Written Request of the Successor Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state, in the case of an optional redemption, that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, the redemption price of and interest on the Bonds so called for redemption

shall have been duly deposited with the Trustee, such Bonds so called shall be cancelled and cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Transfer and Exchange. The Bonds may be transferred or exchanged for a bond of the same tenor, maturity and principal amount at the Principal Corporate Trust Office of the Trustee by the person in whose name it is registered, provided that the Trustee shall not be required to register the transfer or exchange of (i) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for selection of the Bonds for redemption, or (ii) any Bonds selected by the Trustee for redemption pursuant to the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” 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 F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Mutilated, Lost, Destroyed or Stolen Bonds. The Successor Agency and the Trustee will, under certain circumstances, replace Bonds which have been mutilated, lost, destroyed or stolen. The Successor Agency may require payment of a reasonable fee and of the expenses which may be incurred by the Successor Agency and the Trustee in connection with the issuance of a new Bond to replace a Bond which has been mutilated, lost, destroyed or stolen. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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DEBT SERVICE SCHEDULE

Set forth below is a table showing scheduled principal, interest and total debt service for the Existing Loan Agreements, the 2014 Bonds and the 2017A/B Bonds.

Bond Year ending August 1	Existing Loan Agreements⁽¹⁾	2014 Bonds⁽²⁾	2017 Series A Taxable Bonds			2017 Series B Bonds			Total Debt Service
			Principal	Interest	Debt Service	Principal	Interest	Debt Service	

⁽¹⁾ Preliminary, subject to change. Amount shown includes debt service in the aggregate principal amount of \$17.6 million of Existing Loan Agreements relating to the Mission Bay North Redevelopment Plan and the Mission Bay South Redevelopment Plan that are expected to be refunded with proceeds of the Successor Agency's 2017C Bonds (defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Senior Obligations – *Existing Loan Agreements*."

⁽²⁾ Reflects debt service on the 2014 Bonds.

Sources: Stifel, Nicolaus & Company, Incorporated and the Successor Agency.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS

General

The 2017A/B Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture, and are payable solely from and equally secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues and moneys in the Special Fund and all the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account established under the Indenture. Except for the Pledged Tax Revenues, which constitute the amounts deposited in the Redevelopment Property Tax Trust Fund that are not pledged to other obligations of the Former Agency or the Successor Agency, and such moneys in the funds and accounts described above, no funds or properties of the Successor Agency shall be pledged to, or otherwise be liable for, the payment of principal of or interest or redemption premium (if any) on the 2017A/B Bonds. See “– Security for the 2017A/B Bonds; Equal Security.” See also APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

“**Pledged Tax Revenues**” are defined in the Indenture as all taxes that were eligible for allocation to the Former Agency with respect to the Project Areas and are allocated to the Successor Agency pursuant to the Redevelopment Law and the Redevelopment Dissolution Act, or pursuant to other applicable State laws and that are deposited in the Redevelopment Property Tax Trust Fund, excluding (i) amounts payable pursuant to Existing Loan Agreements, any debt issued on parity with the Existing Loan Agreements, the 2014 Bonds and any 2014 Parity Debt but only to the extent such amounts are pledged as security therefor, (ii) 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 on the 2017A/B Bonds or any additional bonds issued pursuant to the Indenture or to the payments owed under any Parity Debt Instrument pursuant to Section 33607.5(e) of the Redevelopment Law and Section 34177.5(c) of the Redevelopment Dissolution Act, and (iii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan - Transbay Redevelopment Project Area. See also “– Security for the 2017A/B Bonds; Equal Security.”

The 2017A/B Bonds are not a debt of the Authority, the City, the State, or any of its political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and neither the Authority, the City, the State, nor any of its political subdivisions is liable therefor, nor in any event will the 2017A/B Bonds be payable out of any funds or properties other than those of the Successor Agency and only to the limited extent set forth in the Indenture. The 2017A/B Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. None of the members of the Successor Agency, the Authority, the City, or any persons executing the 2017A/B Bonds are liable personally for the 2017A/B Bonds by reason of their issuance. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.

Tax Increment Financing Generally

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

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

improvement of real property and approved on or after January 1, 1989, is paid into the funds of the respective Taxing Agencies; and

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

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

Allocation of Taxes Pursuant to the Redevelopment Dissolution Act

Prior to the enactment of the Redevelopment Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects by permitting the pledge of tax increment revenues derived from the applicable project area to repayment of tax allocation bonds. After enactment of the Redevelopment Dissolution Act, the Redevelopment Law authorizes the financing of certain projects that are subject to irrevocable pledges of property tax revenues, including specific Successor Agency affordable housing and infrastructure projects described in Section 34177.7(a) of the California Health and Safety Code. The Redevelopment Dissolution Act requires that all property tax increment derived from all former project areas be deposited in a Redevelopment Property Tax Trust Fund for the Successor Agency held and maintained by the City Controller. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT OR TAX REVENUES REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND AND NOT OBLIGATED FOR OTHER PURPOSES.** Pursuant to the Redevelopment Dissolution Act, the pledge of the Pledged Tax Revenues (as defined herein) to pay the 2017A/B Bonds is made as if the 2017A/B Bonds had been issued prior to the effective date of the Redevelopment Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Redevelopment Dissolution Act authorizes bonds, including the 2017A/B Bonds, to be secured by property tax revenues available in the Successor Agency’s Redevelopment Property Tax Trust Fund from the Project Areas, which generated tax increment for the Former Agency upon its dissolution if those revenues are not otherwise obligated (Stats. 2015, ch. 325, § 27(e)). The Redevelopment Dissolution Law establishes that the funds in the Redevelopment Property Tax Trust Fund are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Redevelopment Dissolution Act for permitted administrative costs of the City Controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

The Redevelopment Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the City Controller pursuant to the Redevelopment Dissolution Act. The Redevelopment Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued

prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the 2017A/B Bonds. Pursuant to the Redevelopment Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the 2017A/B Bonds will be included in each of the Successor Agency's Recognized Obligation Payment Schedules as prepared from time to time under the Redevelopment Dissolution Act. See "– Recognized Obligation Payment Schedule" below.

The Successor Agency tax rate calculated by the City is one percent (1.000%) for the secured roll and the unsecured roll. See APPENDIX B – "REPORT OF FISCAL CONSULTANT" for more information. In accordance with Section 33670(e) of the Redevelopment Law, the Successor Agency tax rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Successor Agency receives, on an annual basis, only those tax increment revenues required by it to pay debt service or other enforceable obligations. See the tables for the Project Areas under "PLEDGED TAX REVENUES AND DEBT SERVICE – Historical and Current Assessed Valuation and Tax Revenues for the Project Areas."

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent they constitute tax revenues, less administrative costs, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Retirement Fund established pursuant to the Redevelopment Dissolution Act on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Redevelopment Dissolution Act. See "– Recognized Obligation Payment Schedule" below.

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

Teeter Plan. The City has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et. seq.* of the State Revenue and Taxation Code. Generally, under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county would receive and retain delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without

regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan remains in effect in the City unless and until the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the 2017A/B Bonds.

As of October 8, 2016, the overall delinquency rate for Fiscal Year 2015-16 for all secured properties in the Project Areas was 0.5%. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Housing Fund. Prior to the Redevelopment Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund not less than twenty percent (20%) of all tax revenues allocated to such agencies. This twenty percent (20%) set-aside requirement was eliminated by the Redevelopment Dissolution Act and is no longer in effect. However, the Successor Agency has outstanding housing bonds that are secured by a pledge of that portion of tax increment revenue that had formerly been the housing set-aside. The Successor Agency maintains a fund for the pledged housing set-aside revenue and anticipates that it will continue to deposit at least the required amounts in the housing fund.

Under Section 34177.7 of the California Health and Safety Code, the Successor Agency is permitted to issue debt to meet the affordable housing required by the Candlestick DDA and the Transbay Implementation Agreement and certain other agreements enumerated therein.

Assembly Bill 1290; Statutory Pass-Throughs. Assembly Bill 1290 (being Chapter 942, Statutes of 1993) (“**AB 1290**”) was adopted by the California Legislature and became law on January 1, 1994 (adding, among other things, Sections 33607.5 and 33607.7 to the Redevelopment Law).

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

There are nine taxing entities (the “**Taxing Entities**”) within the Project Areas. Four of these Taxing Entities are entities of the City and County of San Francisco: the General Fund, the Children’s Fund, the Library Fund, and the Open Space Fund. The remaining five Taxing Entities are: the San Francisco Community College District, the San Francisco Superintendent of Schools, the San Francisco Unified School District, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit District (“**BART**”). In addition to the Taxing Entities, the Controller allocates a portion of revenue to the Educational Revenue Augmentation Fund (“**ERAF**”) for distribution to the schools. The proportion of the Statutory Pass-Through Amounts received by each of these Taxing Entities and ERAF is shown in the following table.

Statutory Pass-through Shares By Taxing Entity

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

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

Source: City Controller.

The Redevelopment Dissolution Act requires the City Controller to distribute from the Redevelopment Property Tax Trust Fund the Statutory Pass-Through Amounts required to be distributed to the Taxing Entities on each January 2 and June 1 before amounts are distributed by the City Controller from the Redevelopment Property Tax Trust Fund to the Retirement Fund, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency (*see discussion below relating to subordination of Statutory Pass-Through Amount payments to the 2017A/B Bonds*), or (ii) (a) the Successor Agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, Statutory Pass-Through Amounts, and the Successor Agency's administrative cost allowance for the applicable period, and (b) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

If the requirements stated in the above paragraph have been met, the Redevelopment Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the Taxing Entities under the Redevelopment Dissolution Act after payment of the Successor Agency's enforceable obligations, Statutory Pass-Through Amounts, and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed as Statutory Pass-Through Amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. See "– Recognized Obligation Payment Schedule" for further information regarding applicable periods and dates.

The process prescribed by the Redevelopment Dissolution Act of administering the tax revenues and the Statutory Pass-Through Amounts may affect the availability of an adequate amount of Pledged Tax Revenues for the payment of principal and interest on the 2017A/B Bonds when due. See "– Recognized Obligation Payment Schedule." See also "PLEDGED TAX REVENUES AND DEBT SERVICE" for additional information regarding the Statutory Pass-Through Amounts applicable to the Successor Agency and the tax revenues derived from the Project Areas.

Statutory Pass-Through Amounts are Subordinated to Payment of Debt Service on the 2017A/B Bonds. Section 33607.5(e) of the Redevelopment Dissolution Act sets forth a process pursuant to which such payments may be subordinated to debt service on newly-issued bonds or loans. Accordingly, the Successor Agency notified the Taxing Entities of its intent to subordinate the Statutory Pass-Through Amounts to debt service on the 2017A/B Bonds. With the expiration of the requisite 45-day period on February 3, 2017 and no disapproval notices from the Taxing Entities, the Successor Agency is deemed to have the approval of all Taxing Entities to subordinate the payment of the Statutory Pass-Through Amounts to debt service on the 2017A/B Bonds. The Statutory Pass-Through Amount paid through ERAF to the schools is assumed to be subordinated with the Statutory Pass-Through Amount paid directly to the schools. See also “CERTAIN RISK FACTORS – Subordination of ERAF.” The total Statutory Pass-Through Amounts for the Taxing Entities (including ERAF) for Fiscal Year 2016-17 is estimated to be \$28.2 million.

Property Tax Administration Fees. Pursuant to the Redevelopment Dissolution Act, the City Controller charges the Successor Agency a fee to recover property tax administration costs. This administration fee is approximately 0.017% of tax increment and is allocated among all of the Successor Agency’s project areas as determined at the discretion of the Successor Agency. For Fiscal Year 2015-16, the County’s administrative charge to the Successor Agency for all of its project areas was \$34,000. For Fiscal Year 2016-17, it is expected to be approximately \$29,281. See also “LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedure – *Property Tax Administrative Costs.*”

Security for the 2017A/B Bonds; Equal Security

Pursuant to Section 34177.7(g) of the Redevelopment Dissolution Act, and except as provided in the Indenture and subject to the prior and senior pledge of and security interest in and lien in favor of the Existing Loan Agreements, the 2014 Bonds and any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt will be equally secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues and the moneys in the Special Fund, and shall also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys in the funds and accounts described herein, no funds or properties of the Successor Agency will be pledged to, or otherwise be liable for, the payment of principal of or interest on the 2017A/B Bonds.

The 2017A/B Bonds are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund from tax revenues from the Project Areas, on a subordinate basis to the Senior Obligations. See “– Senior Obligations.” No amounts deposited into the Redevelopment Property Tax Trust Fund reflecting tax revenues from the Excluded Project Areas or constituting State Parcel Net Tax Increment are pledged to, or anticipated to be available for, payment of debt service on the 2017A/B Bonds.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control (e.g., any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies) could affect the amount of Pledged Tax Revenues available to pay the principal of and interest on the 2017A/B Bonds. See “– Tax Increment Financing - Generally,” “– Recognized Obligation Payment Schedule,” “LIMITATIONS ON TAX REVENUES” and “CERTAIN RISK FACTORS.”

In consideration of the acceptance of the 2017A/B Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Successor Agency and the Owners from time to time of the 2017A/B Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all owners of the 2017A/B Bonds, without preference, priority or distinction as to security or otherwise of any of the 2017A/B Bonds over any of the others by reason of the number or date thereof, or the time of sale, execution

and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the 2017A/B Bonds or in the Indenture.

Special Fund; Deposit of Pledged Tax Revenues

The Indenture establishes the Special Fund to be held by the Successor Agency within the Retirement Fund. On each June 1, commencing June 1, 2017, the Successor Agency shall transfer all of the Pledged Tax Revenues received in connection with the immediately succeeding July 1 through December 31 period ratably to the Special Fund and to any other special fund created with respect to any additional Parity Debt that is not issued as bonds under the Indenture, promptly upon receipt thereof by the Successor Agency, until such time as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred in the Bond Year commencing on the immediately succeeding August 1 (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture and (ii) if applicable, with respect to any additional Parity Debt (other than additional bonds issued pursuant to a Supplemental Indenture) for deposit into the funds and accounts that may be required pursuant to the applicable Parity Debt Instruments. If the amount of Pledged Tax Revenues received on June 1 in connection with the immediately succeeding July 1 through December 31 period shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Successor Agency shall deposit the Pledged Tax Revenues received in connection with the next succeeding Recognized Obligation Payment Schedule in the Special Fund in order to make the remainder of the transfers and deposits described above. If there nonetheless remains insufficient Pledged Tax Revenues to make the transfers and deposits required above, then the Successor Agency shall transfer such Pledged Tax Revenues for deposit pro rata based on the full amounts required to be so deposited. Additionally, if the Successor Agency determines it is necessary to ensure timely payment of debt service on the Bonds, the Successor Agency may also collect on each June 1 a reserve to be held for debt service on the Bonds on the January 2 or June 1 of the next succeeding calendar year. See also “– Recognized Obligation Payment Schedule.”

All Pledged Tax Revenues received by the Successor Agency with respect to any Bond Year in excess of the amount required to be deposited into the Special Fund and the other special funds mentioned in the preceding paragraph during such Bond Year will be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Successor Agency for any lawful purpose of the Successor Agency. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

There has been established under the Indenture a fund to be known as the Debt Service Fund, which will be held by the Trustee in trust in accordance with the Indenture. The Indenture requires the Successor Agency to transfer from the Special Fund to the Trustee (i) on or before the fifth (5th) business day preceding each Interest Payment Date, commencing with the Interest Payment Date of August 1, 2017, the amount necessary to pay the interest becoming due and payable on the 2017A/B Bonds and each Series of Parity Debt issued in the form of bonds (together, “**Outstanding Bonds**”) on such Interest Payment Date, (ii) on or before the fifth (5th) business day preceding August 1 in each year, beginning August 1, 2017, the necessary amount to pay the principal then due on the Outstanding Serial Bonds and Outstanding Term Bonds, (iii) at any time that the amount on deposit in the Reserve Account or any subaccount is less than the Reserve Requirement, unless there is a reserve policy on deposit, the amount necessary to maintain the Reserve Requirement for the applicable Series of Bonds on deposit in the applicable subaccount of the Reserve Account, and (iv) on or before the business day preceding any date on which Bonds are to be optionally redeemed, the amount required to pay the principal of and premium, if any, on the Series of

Bonds and any other Bonds to be redeemed on such date pursuant to the Indenture or the applicable Supplemental Indenture.

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

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

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

Reserve Account. The Indenture establishes a “**2017 Series A Taxable Subaccount**” and a “**2017 Series B Subaccount**” within the Reserve Account for the 2017 Series A Taxable Bonds and the 2017 Series B Bonds, respectively. The amount on deposit in the Reserve Account is required to be maintained at the “**Reserve Requirement**”, which is defined in the Indenture to mean, with respect to a Series of Outstanding Bonds, the lesser of (i) one hundred and twenty five percent (125%) of average Annual Debt Service with respect to that series of Bonds, (ii) Maximum Annual Debt Service with respect to that Series of Bonds, or (iii) with respect to an individual Series of Bonds, ten percent (10%) of the original principal amount of such Series of Bonds (or, if such Series of Bonds has more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of such Series of Bonds); subject to the limitations and conditions in the Indenture.

The Reserve Requirement for the 2017 Series A Taxable Bonds is \$_____ and the Reserve Requirement for the 2017 Series B Bonds is \$_____. Amounts on deposit in the 2017 Series A Taxable Subaccount will be available only to pay debt service on the 2017 Series A Taxable Bonds, and amounts on deposit in the 2017 Series B Subaccount will be available only to pay debt service on the 2017 Series B Bonds. The Reserve Requirement with respect to the 2017 Series A Taxable Bonds and the Reserve Requirement with respect to the 2017 Series B Bonds may be satisfied by the delivery of a surety bond with respect to such Series of 2017A/B Bonds to the Trustee on the date the 2017A/B Bonds are delivered.

The Successor Agency has solicited bids for reserve surety bonds to satisfy the Reserve Requirement with respect to the 2017 Series A Taxable Bonds and the Reserve Requirement with respect to the 2017 Series B Bonds. No assurance can be given as to whether the Successor Agency will obtain such reserve surety bonds. The Successor Agency’s decision as to whether to purchase such reserve surety bonds will be made at or about the time of the pricing of the 2017A/B Bonds and will be based upon, among other things, market conditions at the time of such pricing.

If the Reserve Requirement for any Series of 2017A/B Bonds is satisfied by the delivery of a reserve surety for such Series by the surety provider to the Trustee on the Closing Date for deposit in the applicable Reserve Subaccount for the 2017A/B Bonds, the Trustee will draw on the reserve surety in accordance with its terms and conditions and the terms of the Indenture. The amounts available under the reserve surety for the applicable Series of 2017A/B Bonds will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts, or for the retirement, of such Series of 2017A/B Bonds then Outstanding. The Trustee will comply with all documentation relating to the reserve surety as required to maintain the reserve sureties in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. The Successor Agency has no obligation to replace any reserve surety bond or to fund a Reserve Subaccount with cash if, at any time that any such Series of 2017A/B Bonds are Outstanding, amounts are not available under the reserve surety. Additionally, the Successor Agency will have no obligation to replace a reserve surety bond or to deposit any cash in the applicable Reserve Subaccount in the event that any rating assigned to the surety provider by S&P or Moody's is lowered or withdrawn. If the Successor Agency obtains a reserve surety bond to satisfy the Reserve Requirement with respect to one or both Series of 2017A/B Bonds, information regarding the municipal bond insurer issuing the reserve surety will be included in the final Official Statement. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" relating to use of a reserve surety. Amounts on deposit in the Reserve Account are not available to pay debt service on any Senior Obligations.

Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2017 Series A Taxable Bonds, the 2017 Series B Bonds and such other Bonds to be optionally redeemed on the date set for such redemption. Interest due on the 2017 Series A Taxable Bonds, the 2017 Series B Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such 2017 Series A Taxable Bonds, such 2017 Series B Bonds or such other Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of all or a portion of the 2017 Series A Taxable Bonds, the 2017 Series B Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such 2017 Series A Taxable Bonds, such 2017 Series B Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

Senior Obligations

Existing Loans and 2014 Bonds. Payment of debt service on the 2017A/B Bonds from tax increment revenues from the Project Areas is subordinate to the Successor Agency's obligations to pay debt service on certain loans (the "**Existing Loans**") made to the Former Agency by the Authority pursuant to certain loan agreements between the Former Agency and the Authority to fund redevelopment activities (the "**Existing Loan Agreements**"). The loans made by the Authority to the Former Agency were made with proceeds of certain bonds issued by the Authority (the "**Authority Bonds**"). Of the Existing Loan Agreements, approximately \$17.6 million is expected to be refunded with the proceeds of the Successor Agency's 2017 Series C Taxable Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the "**2017C Bonds**").

Payment of debt service on the 2017A/B Bonds is also subordinate to the Successor Agency's obligation to pay debt service on its 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) and its 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (together the "**2014 Bonds**") and any "**2014 Parity Debt**"

(which is defined in the Indenture as any indebtedness issued on parity with the 2014 Bonds in accordance with the indenture pursuant to which they were issued).

As of August 1, 2016, the Existing Loan Agreements were outstanding in the aggregate principal amount of \$409 million and the 2014 Bonds were outstanding in the principal amount of approximately \$104.4 million. Currently, there is no outstanding 2014 Parity Debt.

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

**Table of Senior Obligations
(The Project Areas)
As of 08/01/2016**

Lien	Series	Project Area	Outstanding Par Amount	Final Maturity
Senior Lien (Existing Loans)	1998C	Non-Mission Bay (RP)	\$ 1,072,519	8/1/2024
	1998D	Non-Mission Bay (GS, HP, WA, YB)	11,869,002	8/1/2024
	2003A	Non-Mission Bay (GS)	6,110,000	8/1/2018
	2003B	Non-Mission Bay (GS, RP, WA, YB)	7,585,000	8/1/2018
	2006A*	Mission Bay	3,225,000	8/1/2036
		Non-Mission Bay (GG)	31,211,331	8/1/2036
	2007A	Mission Bay	11,915,000	8/1/2037
		Non-Mission Bay (BV, RP, SM, TB, YB)	93,750,000	8/1/2037
	2007B	Non-Mission Bay (GS, HP, IB, RP, WA, YB)	25,225,000	8/1/2022
	2009A	Mission Bay	2,850,000	8/1/2019
		Non-Mission Bay (BV, RP, TB, WA, YB)	39,930,000	8/1/2024
	2009B	Non-Mission Bay (BV, SM, TB, YB)	11,350,000	8/1/2039
	2009E*	Mission Bay	5,820,000	8/1/2025
		Non-Mission Bay (BV, RP, WA, YB)	65,860,000	8/1/2039
	2009F	Non-Mission Bay (BV, SM, TB)	6,325,000	8/1/2039
	2010A	Non-Mission Bay (GG, TB, WA)	38,390,000	8/1/2040
	2011A	Non-Mission Bay (BV, GG, HP, SM, TB, WA)	21,070,000	8/1/2041
	2011B	Non-Mission Bay (BV, SM, TB)	16,020,000	8/1/2041
	2011E*	Mission Bay	9,445,000	8/1/2031
		Mission Bay	\$ 33,255,000	
	Non-Mission Bay	375,767,852		
	Total Senior Lien Existing Loans	\$ 409,022,852		
Sub. Lien (2014 Bonds)	2014B	Non-Mission Bay	\$ 52,780,000	8/1/2035
	2014C	Non-Mission Bay	51,615,000	8/1/2029
	Total Subordinate Lien		\$ 104,395,000	
Total Senior Obligations			\$ 513,417,852	

Legend: BV - Bayview Hunters Point RP - Rincon Point South Beach
GG - Golden Gateway SM - South of Market
HP - Hunters Point TB - Transbay
IB - India Basin Industrial Park WA - Western Addition
YB - Yerba Buena Center

* Some of the outstanding amounts of these Authority Bonds are expected to be refunded with proceeds of the Successor Agency's 2017C Bonds which the Successor Agency anticipates issuing at or around the same time it issues the 2017A/B Bonds.

In addition, certain Project Areas have prior obligations to which tax increment from its Project Area is committed on a basis senior to debt service on the 2017A/B Bonds. For the Fiscal Year 2016-17,

collectively, these amounts were approximately \$3,026,262. See “– *Project Area Specific Senior Obligations*” below.

The Successor Agency has covenanted that, so long as any Bonds are Outstanding, the Successor Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues or Pledged Tax Revenues on a basis senior to the payment of debt service on the 2017A/B Bonds and any other Bonds, except for obligations issued to refund any of the Existing Loan Agreements, the 2014 Bonds or any 2014 Parity Debt, but only if the debt service in any Bond Year does not increase as a result of such refunding. Further, the Successor Agency covenants that, so long as any Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, except any Parity Debt meeting the requirements of the Indenture, and any Subordinate Debt.

Project Area-Specific Senior Obligations. Tax increment revenue from certain of the Project Areas is subject to other obligations that are senior to the payment of debt service on the 2017A/B Bonds.

Golden Gateway and South of Market Project Areas. The Golden Gateway Project Area and the South of Market Project Areas have been fiscally merged with the Federal Office Building Redevelopment Project Area (one of the Excluded Project Areas) and the City Controller’s office aggregates tax increment revenue from all three areas when calculating tax increment, which generally results in a negative tax increment revenue of approximately \$47,000. See “REPORT OF FISCAL CONSULTANT” attached hereto as APPENDIX B. Negative tax increment generated from the Federal Office Building Redevelopment Project Area is applied to the tax increment revenues from the Golden Gateway Project Area and the South of Market Project Areas, which results in a reduction. This reduction is applied prior to the calculation of tax increment available for payment of debt service on the 2017A/B Bonds. The negative tax increment from the Federal Office Building Redevelopment Project Area for Fiscal Year 2016-17 was \$47,090.

South of Market Project Area. A portion of the tax increment revenue from the Original Sub-Area of the South of Market Project is allocable to school districts under Section 33676(a) of the Redevelopment Law and the Santa Ana Section 33676 Decision described in the REPORT OF FISCAL CONSULTANT attached hereto as APPENDIX B. This portion is payable on a basis senior to the payment of debt service on the 2017A/B Bonds. The amount of tax revenue payable to the school entities is estimated to be \$59,000 for Fiscal Year 2016-17.

Transbay Project Area. The redevelopment plan for the Transbay Project Area requires that tax increment from the State Parcels, including land previously occupied by the Transbay Terminal and related freeway ramps, less the amount required to meet the Successor Agency’s Statutory Pass-Through Amounts, property tax administration fees and required low- and moderate-income housing fund contributions, be paid to the TJPA for construction costs associated with the new Transbay Terminal. The total Fiscal Year 2016-17 assessed valuation from the State Parcels is approximately \$481.5 million and the estimated tax increment allocable to the TJPA from these parcels is \$2.9 million in Fiscal Year 2016-17. The Successor Agency retains the remainder of the tax increment from the State Parcels for payment of required City Controller property tax administration fees, Statutory Pass-Through Amounts and contribution to the low- and moderate-income housing fund.

Yerba Buena Center Project Area D-1. In the Yerba Buena Center Project Area D-1, consistent with an amendment to its redevelopment plan, a portion of the tax increment revenues (i.e., 2% of growth) from the Emporium Sub-Area is allocated to certain Taxing Entities. Distribution of this 2% occurs prior to calculation of tax increment revenue available for payment of debt service on the 2017A/B Bonds. The portion of assessed valuation excluded from tax increment in this manner is approximately \$26.1 million in Fiscal Year 2016-17 or approximately \$261,000 in tax increment.

Limitations on Additional Indebtedness

Senior Debt. As previously described, under the Indenture, the Successor Agency has covenanted that it will not issue additional bonds or incur additional obligations which is in any case payable from all or any part of the Tax Revenues (as defined in the Existing Loan Agreements) or Pledged Tax Revenues on a basis senior to debt service on the Bonds except for obligations issued to refund any of the Senior Obligations, so long as the debt service in any Bond Year does not increase as a result of such refunding. Further, the Successor Agency covenants that, so long as the Bonds are Outstanding, the Successor Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, other than Parity Debt meeting the requirements of the Indenture or Subordinate Debt. See also “– Senior Obligations” above. The Successor Agency has also covenanted that it will not otherwise encumber, pledge or place any charge or lien upon any of the Pledged Tax Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien herein created for the benefit of the Bonds.

Parity Debt. In addition to the 2017A/B Bonds, the Successor Agency may issue additional bonds (including pursuant to a Supplemental Indenture) or incur other loans, advances or indebtedness, which are secured by and payable from Pledged Tax Revenues on a parity with the Bonds (“**Parity Debt**”) for any purpose provided for in the Redevelopment Dissolution Act, including, but not limited to, refunding existing indebtedness of the Successor Agency in accordance with Section 34177.5(a) of the Redevelopment Dissolution Act, and funding the affordable housing obligations and the infrastructure obligations described in Section 34177.7(a)(1)(A) and (B) of the Redevelopment Dissolution Act, in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions which are all conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture or under any Parity Debt Instrument shall have occurred and be continuing unless such event of default will be cured by the issuance of such Parity Debt;

(b) Pledged Tax Revenues (after adding back amounts payable pursuant to the Existing Loan Agreements, any debt issued on parity with the Existing Loan Agreements, the 2014 Bonds and 2014 Parity Debt) received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Areas as evidenced in a written document from an appropriate official of the City and County, exclusive of State subventions and taxes levied to pay voter approved outstanding general obligation bonded indebtedness, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on the Existing Loan Agreements, the 2014 Bonds, the 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt, provided that, in the case of a refunding, in whole or in part, of Existing Loans, the 2014 Bonds, any debt issued on parity with the Existing Loan Agreements, 2014 Parity Debt, the 2017A/B Bonds or any Parity Debt, the requirements of this section (b) do not need to be met if the debt service on the Parity Debt in each Bond Year either will be less than the debt service in each Bond Year on the Existing Loans, the 2014 Bonds, 2014 Parity Debt, the 2017A/B Bonds or any Parity Debt being refunded;

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

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

The Successor Agency currently anticipates issuing approximately \$192.9 million aggregate principal amount of additional bonds by 2030 on a parity with the 2017A/B Bonds.

Subordinate Debt. Under the Indenture “**Subordinate Debt**” is defined as loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Pledged Tax Revenues; or (b) secured by a pledge of or lien upon the Pledged Tax Revenues that is expressly subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the 2017A/B Bonds and any Parity Debt. The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Pledged Tax Revenues, on a subordinate basis to the payment of debt service on the Bonds.

Recognized Obligation Payment Schedule

The Redevelopment Dissolution Act requires successor agencies to annually prepare and approve, and submit to the successor agency’s oversight board, the county auditor-controller, and the California Department of Finance for approval, a Recognized Obligation Payment Schedule (the “**Recognized Obligation Payment Schedule**” or “**ROPS**”) pursuant to which enforceable obligations (as defined in the Redevelopment Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. A reserve may be included on the ROPS and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

Per SB 107, commencing on February 1, 2016, successor agencies transitioned to an annual Recognized Obligation Payment Schedule process pursuant to which successor agencies are required to file their Recognized Obligation Payment Schedule with their oversight board and the California Department of Finance for approval each February 1 for the July 1 through June 30 period immediately following such February 1. If the Successor Agency does not timely submit a ROPS to the Oversight Board and the California Department of Finance, then the Successor Agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a ROPS to the Oversight Board and the California Department of Finance within ten (10) days of the deadline, then the Successor Agency’s maximum administrative cost allowance may be reduced by up to twenty-five percent (25%). For additional information regarding procedures under the Redevelopment Dissolution Act relating to late ROPSs and implications thereof for the 2017A/B Bonds, see “CERTAIN RISK FACTORS – Recognized Obligation Payment Schedule.” Also see “– Last and Final Recognized Obligation Payment Schedule” below for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Redevelopment Dissolution Act pursuant to SB 107.

In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Law and the Redevelopment Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Redevelopment Dissolution Act to assure compliance by the Successor Agency with its covenants hereunder.

Further, the Successor Agency covenants to take all actions required under the Redevelopment Dissolution Act to include

(i) scheduled debt service on the Existing Loans, the 2014 Bonds, any 2014 Parity Debt, and any amounts required to replenish any reserve account establish under an Existing Loan Agreement, the 2014 Indenture or any instrument pursuant to which 2014 Parity Debt is issued,

(ii) scheduled debt service on the 2017A/B Bonds and any Parity Debt and any amount required under the Indenture or any Parity Debt Instrument to replenish the Reserve Account or the reserve account established under any Parity Debt Instrument, and

(iii) amounts due to any Insurer under an insurance or surety bond agreement,

in each annual Recognized Obligation Payment Schedule so as to enable the City Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period and to pay amounts owed to any bond insurer, as well as the other amounts set forth above.

These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and California Department of Finance the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Redevelopment Dissolution Act, that are necessary to comply with the Indenture. In particular, the Successor Agency shall, not later than October 1, 2017 (or at such earlier time as may be required by the Redevelopment Dissolution Act), submit to the California Department of Finance and to the City Controller an Oversight Board-approved amendment to the Recognized Obligation Payment Schedule previously submitted by the Successor Agency relating to the June 1, 2017 and January 2, 2018 disbursement dates, amending the amounts to be distributed on January 2, 2018 to include all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient for the payment of debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt on February 1, 2018 and August 1, 2018. Not later than February 1, 2018 and each February 1 thereafter (or at such other time as may be required by the Redevelopment Dissolution Act) for so long as any of the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt or the Bonds remain outstanding, (a) the Successor Agency will place on the Recognized Obligation Payment Schedules relating to the January 2 disbursement date all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient to pay debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt on the immediately succeeding August 1 and February 1, and (b) if the Successor Agency determines it is necessary to do so to ensure receiving sufficient tax increment revenues from the Project Areas to pay debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt on a timely basis, the Successor Agency will place on Recognized Obligation Payment Schedules relating to the June 1 disbursement date amounts required to pay debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt on the next succeeding August 1. Additionally, if the Successor Agency determines it is necessary to ensure timely payment of debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt, the Successor Agency may also collect on each January 1 a reserve to be held for debt service on the Existing Loan Agreements, any debt issued on a parity with the Existing Loan Agreements, the 2014 Bonds, any 2014 Parity Debt, the 2017A/B Bonds and any Parity Debt on February 1 and August 1 of the next succeeding calendar year.

The Successor Agency further covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the City Controller if the amount of Pledged Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming July 1 or January 2, as applicable, is insufficient to pay debt service on the 2017A/B Bonds, to pay debt service on any Parity Debt and to deposit into the Reserve Account an amount required in order to maintain in the Reserve Account the amount of the Reserve Requirement.

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Redevelopment Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a “**Last and Final ROPS**”). In particular, successor agencies that have received a Finding of Completion and the concurrence of the California Department of Finance as to the items that qualify for payment, among other conditions, may at their option, file a Last and Final ROPS. If approved by the California Department of Finance, the Last and Final ROPS will be binding on all parties, and the successor agency will no longer submit a Recognized Obligation Payment Schedule to the California Department of Finance or its oversight board. The county auditor-controller will continue to allocate moneys in the successor agency’s Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Redevelopment Dissolution Act; however, the county auditor-controller will allocate such moneys in each fiscal period, after deducting the county auditor-controller’s administrative costs, in the following order of priority: (A) pass-through payments pursuant to Section 34183(a)(1) of the Redevelopment Dissolution Act; (B) scheduled debt service payments on tax allocation bonds listed and approved in the Last and Final ROPS; (C) scheduled payments on revenue bonds listed and approved in the Last and Final ROPS, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the successor agency’s tax increment revenues were also pledged for the repayment of bonds; (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund; (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods; (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency’s housing functions and assets that are listed and approved on the Last and Final ROPS; and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in (A) to (F), above, will be distributed to taxing entities in accordance with Section 34183(a)(4) of the Redevelopment Dissolution Act. A Last and Final ROPS may only be amended twice, and only with approval of the California Department of Finance and the county auditor-controller.

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

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

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THE SUCCESSOR AGENCY

The Redevelopment Dissolution Act established, by operation of law, the Successor Agency with all authority, rights, powers, duties, and obligations previously vested with the Former Agency under the Redevelopment Law, as amended by the Redevelopment Dissolution Act. The Successor Agency is a separate public entity from the City, but the Board of Supervisors of the City serves as the legislative body of the Successor Agency and delegated, by Ordinance No. 215-12 adopted on Oct. 4, 2012, its authority under the Redevelopment Dissolution Act to the Successor Agency Commission. Within City government, the Successor Agency is titled “The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency.” Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Redevelopment Dissolution Act, and the limitations thereon.

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

Authority and Personnel

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

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

<u>Name</u>	<u>Occupation</u>	<u>First Appointed</u>	<u>Term Expires</u>
Marily Mondejar	Community Organizer	2012	November 3, 2018
Mara Rosales	Attorney	2012	November 3, 2018
Darshan Singh	Businessman	2012	November 3, 2020
Miguel Bustos	Banker	2014	November 3, 2020
Leah Pimentel	Consultant	2015	November 3, 2020

The Successor Agency has 47 full-time equivalent positions budgeted, approximately 40 of which are filled. The Successor Agency Commission appointed Nadia Sesay to serve as Interim Executive Director on January 17, 2017. The other principal full-time staff positions are: the Deputy Director of Finance and Administration; the Deputy Director of Project and Programs; and the General Counsel and Deputy Director. Each project area in which the Successor Agency continues to implement enforceable obligations is managed by a designated project manager. There are separate staff support divisions with real estate and housing development specialists as well as planning and other technical staff. The Successor Agency has its own fiscal, legal, and administrative staff.

Effect of the Redevelopment Dissolution Act

AB 26. As a result of AB 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agencies all under the supervision of new oversight boards, the California Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 adopted by the Board of Supervisors on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors: (i) officially gave the following name to the Successor Agency: the “**Successor Agency to the Redevelopment Agency of the City and County of San Francisco**”; (ii) created the Successor Agency Commission as the policy body of the Successor Agency; (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency’s Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency; and (iv) established the composition and terms of the members of the Successor Agency Commission. As discussed below, many actions of the Successor Agency are subject to approval by the Oversight Board and review or approval by the California Department of Finance, including the issuance of bonds such as the 2017A/B Bonds.

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

SB 107. On September 22, 2015, the Redevelopment Dissolution Act was further amended by SB 107, which, among other things: a) clarified the authority of the Successor Agency to issue bonds for affordable housing and certain infrastructure (California Health & Safety Code § 34177.7); b) removed, for purposes of payment of enforceable obligations, certain time limits that had previously applied to the issuance of debt, the receipt of tax increment, the repayment of debt and any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law; and c) authorized the Successor Agency to secure new debt with the property tax revenues (former tax increment) from project areas that had generated tax increment upon the dissolution of the Former Agency on February 1, 2012 (Stats. 2015, ch. 325, § 27(e)). Significantly, these project areas include those with redevelopment plans that may have expired for other purposes but that continue to be a source of funds for repayment of indebtedness. Accordingly, the Successor Agency will continue to be allocated revenue from all former project areas until such time as all enforceable obligations have been repaid, even if such time extends beyond such project area plan’s stated last day to repay indebtedness. SB 107 did not however change a redevelopment plan’s limit on the amount of bonds that can be outstanding at any one time or restore or continue funding for projects whose contractual terms specified that project funding would cease once the limits in the Redevelopment Law were realized. See “– Continuing Activities” below for more information relating to Section 34177.7.

Oversight Board

The Redevelopment Dissolution Act established special provisions for the composition of a seven-member oversight board operating in a jurisdiction that is both a charter city and a county, such as the City (California Health & Safety Code § 34179(a)(10)). These provisions require that four (4) members of the oversight board be appointed by the mayor, one of whom must represent the largest number of former redevelopment agency employees, one member appointed by the largest special district as determined by property tax share, one member appointed by the superintendent of education, and one member appointed by the chancellor of the state community colleges. The Successor Agency’s Oversight Board is comprised of the four (4) members appointed by the Mayor, the one (1) member appointed by the BART, the one (1) member appointed by the County Superintendent of Education, and the one (1) member appointed by the Chancellor of the California Community Colleges.

Department of Finance Finding of Completion

The Redevelopment Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities. This determination process was required to be completed through the final step (review by the California Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affordable housing funds, determined by the California Department of Finance in the amount of \$10,577,932, plus \$1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the California Department of Finance in the amount of \$959,147. The Successor Agency has made all payments required under AB 1484 and received its finding of completion from the California Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

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

Continuing Activities

The Former Agency was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for fourteen (14) redevelopment project areas of which only thirteen (13) continue, including the Project Areas. The Successor Agency only has the authority to complete work related to approved enforceable obligations.

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

In addition, the Successor Agency continues to manage the Former Agency's assets such as the Yerba Buena Center and other real property and assets of the Former Agency that ultimately must be disposed of, or transferred to the City, under a long range property management plan required by the Redevelopment Dissolution Act and approved by the California Department of Finance on December 7, 2015.

THE PROJECT AREAS

General

As discussed under "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS," the 2017A/B Bonds are secured by Pledged Tax Revenues comprised of certain tax revenues from ten (10) Project Areas, specifically:

- Bayview Hunters Point Project Area B*
- Bayview Hunters Point Project Area A
- Golden Gateway Project Area
- Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area*
- India Basin Industrial Park Project Area
- Rincon Point – South Beach Project Area
- South of Market Project Area
- Transbay Project Area*
- Western Addition Project Area A-2
- Yerba Buena Center Project Area D-1

* Tax increment revenues from certain portions of these Project Areas is excluded and not pledged for payment of the 2017A/B Bonds. Bayview Hunters Point Project Area B excludes Zone 1/Candlestick Point. See "– Project Areas – *Bayview Hunters Point Project Area B*." References to Hunters Point Shipyard Project Area excludes tax increment from areas other than the Hunters Point Hill Residential District. See "– Project Areas – *Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area*." References to Transbay Project Area herein exclude the State Parcels to the extent of State Parcel Net Tax Increment. See "– Project Areas – *Transbay Project Area*."

The 2017A/B Bonds are not secured by a lien on tax increment revenues generated in the Excluded Project Areas or constituting State Parcel Net Tax Increment and therefore information in the Official Statement regarding the project areas of the Former Agency is limited to these Project Areas. See also "INTRODUCTION – Excluded Project Areas."

Redevelopment Plans

Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could only undertake those activities within a redevelopment project area specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word. The Former Agency adopted a redevelopment plan for each of the Project Areas, each of which originally included separate time and financial limitations applicable to their respective Project Area. However, SB 107 provides that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Successor Agency as set forth in these redevelopment plans are not effective for purposes of paying the Successor Agency's enforceable obligations. As a result, the projections set forth in this Official Statement and in the Fiscal Consultant's Report attached hereto as APPENDIX B were prepared

without regard to the time and financial limitations set forth in any of the redevelopment plans. Certain information regarding the redevelopment plans for these Project Areas can be found in the REPORT OF FISCAL CONSULTANT attached hereto as APPENDIX B.

Project Areas

A brief description of each of the Project Areas follows.

Bayview Hunters Point Project Area B. The 1,081-acre Bayview Hunters Point Project Area B consists of residential, commercial, industrial, and public uses in the Bayview Hunters Point community, which is located in the southeast quadrant of San Francisco. As defined herein, this project area includes Zone 2 of the larger Bayview Hunters Point Project Area B, but excludes Zone 1 referred to as “**Candlestick Point.**” Tax increment revenue from Zone 1/Candlestick Point is not pledged to the payment of the 2017A/B Bonds and is part of what is referred to herein as the “Excluded Project Areas.”

The Bayview Hunters Point Project Area B includes the majority of the length of Bayview’s portion of the Third Street commercial corridor, which extends from Cesar Chavez Street on the north side, to Meade Street and Highway 101 on the south side. The project area also includes large portions of industrial and residential areas west of Third Street towards Bayshore Boulevard, east of Third Street, roughly between Palou Street and Jamestown Street, towards the Yosemite Slough, and a residential district near the India Basin shoreline adjacent to the Bayview Hunters Point Project Area A.

Bayview Hunters Point Project Area A. The Bayview Hunters Point Project Area A is a 137-acre hilly residential tract located in Bayview Hunters Point on a site formerly occupied by temporary federal wartime housing. 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. Pursuant to the redevelopment plan for this project area, over 1,760 new rental, co-op, condominium and ownership units have been constructed and 122 homes have been rehabilitated in this project area. Community improvements include major new roadways and their associated streetscape improvements, a number of neighborhood parks, community facilities and schools.

Golden Gateway Project Area. The Golden Gateway Project Area is a 51-acre high density district located along the Embarcadero, largely north of Market Street and east of Battery Street. This project area is developed with 1,400 housing units, an 840-room hotel, approximately 3.5 million square feet of office and commercial space (including the Embarcadero Center) and twelve acres of public parks and open space, as well as the Embarcadero Station of the BART.

Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area. The Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area is approximately 74 acres that consists of residential, retail, and community uses in the Bayview Hunters Point community located in the southeast quadrant of San Francisco. As defined herein, this project area includes the Hunters Point Residential District of the Hunters Point Shipyard Project Area, but excludes the remaining land use districts within the Hunters Point Shipyard Redevelopment Plan. Tax increment revenue from the remaining land use districts within the Hunters Point Shipyard Project Area is not pledged to the payment of the 2017A/B Bonds. See also “INTRODUCTION – Excluded Project Areas.”

The Hunters Point Hill Residential District is comprised of two geographic areas, the “Hilltop” and the “Hillside”. The two sites are entitled for 1,600 housing units, of which between twenty-five percent (25%) and forty percent (40%), respectively, will be below-market rate, and 80,000 square feet of retail. The Hilltop consists of Block 1 and Blocks 49 to 57. Vertical developers have received major phase approvals for all private development blocks on the Hilltop, with the exception of Block 1, for a total of 579 units of housing of which 111 are below market rate. To date, 298 units of housing including 82 below-

market rate units, have been completed on Blocks 49, 50, 51, 53, and 54. Site permits for construction have been issued on an additional 272 units of housing of which 27 are below-market rate units. The Hillside consists of Block 48, which will be developed in 6 phases. To date, vertical developers have received major phase approvals for all private development blocks on the Hillside, for a total of 404 housing units of which 56 are below-market rate units. Block 48 will start construction in fall of 2017.

Within the Hunters Point Hill Residential District, the Successor Agency has an enforceable obligation to build an additional 218 units of affordable housing, of which 143 below-market rate units will be located on the Hilltop and 75 below-market rate units will be located on the Hillside.

India Basin Industrial Park Project Area. The India Basin Industrial Park Project Area encompasses approximately 126 acres of commercial and light industrial development in Bayview Hunters Point. 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. This project area includes a large United States Postal Service distribution facility, several light industrial, commercial service and multimedia businesses and some retail businesses.

Rincon Point-South Beach Project Area. The Rincon Point-South Beach Project Area is a 115-acre area consisting of two noncontiguous subareas located within the northeastern waterfront area of San Francisco, immediately south of the Ferry Building. The major artery through this project area is the Embarcadero Roadway, which connects the project area to the City's financial district to the north and to the Mission Bay district to the south. Over 2,800 residential units and over one million square feet of mid- and high-rise office space have been constructed in this project area. In 2000, the 43,000-seat major league baseball park for the San Francisco Giants (AT&T Park) opened in the project area on land owned by the Port of San Francisco. Public improvements completed in the project area include the 700-berth South Beach Harbor, two major waterfront parks and roadway and streetscape improvements.

South of Market Project Area. The South of Market Project Area, which is comprised of two areas: the Original Sub-Area and the Western Expansion Sub-Area, is approximately sixty-nine acres in size and located in the central city area of San Francisco. This project area is roughly bounded by Stevenson, Mission and Natoma Streets on the north, Fifth Street on the east, Harrison Street on the south and Seventh Street on the west. Its focus is the Sixth Street corridor, a mixed-use community located between Market and Harrison Streets.

Transbay Project Area. The Transbay Project Area is approximately 40 acres in size and roughly bounded by Mission Street on the north, Main Street on the east, Folsom Street on the south, and Second Street on the west. This project area is currently composed of transportation-related infrastructure, high-rise and mid-rise commercial and residential development, and a number of vacant public and private parcels entitled for high-rise and mid-rise commercial and residential development. The area includes a mix of market rate and affordable housing, new parks and open space, a new public library and retail to serve residents and the larger community.

Major development within the Transbay Project Area began in 2011. Recently completed in this project area is Rene Cazenave Apartments which is 120 units of permanent affordable housing for formerly homeless individuals, and Solaire, which consists of 479 residential units of which 70 units are affordable. Within the Transbay Project Area, there are nearly 1,700 units currently under construction, 767,000 square feet of office space under construction at Howard and Beale Streets, 1.4 million square feet of office space under construction at Mission and First Streets, and 500,000 square feet of office space under construction on Fremont Street. In addition, a new construction project along Folsom Street totaling 391 units is expected to break ground in early 2017.

Land Use Entitlement and Construction. The table below sets forth the land use entitlements and construction in the Transbay Project Area, as of January 31, 2017.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Current Entitlements and Construction Status in the Transbay Project Area**

<u>Entitlement</u>	<u>Completed</u>	<u>Under Construction</u>	<u>Total Completed or Under Construction</u>	<u>Additional Construction Approved or in Process</u>	<u>% Completed or Under Construction</u>
Residential					
<i>Affordable Housing</i>	190 units	420 units	610 units	869 units	42%
<i>Market Rate Housing</i>	409 units	1,300 units	1,709 units	1,015 units	62%
Retail	12,592 sq. ft.	45,116 sq. ft.	47,708 sq. ft.	35,392 sq. ft.	57%
Office	-	2.7 million sq. ft.	2.7 million sq. ft.	325,000 sq. ft.	89%
Open Space	-	-	-	4 acres	0%

Source: Successor Agency.

Excluded Tax Increment. Pursuant to the redevelopment plan for the Transbay Project Area, State Parcel Net Tax Increment from certain parcels within the Transbay Project Area totaling approximately 10 acres of land currently or previously owned by the State (referred to herein as the “**State Parcels**”) has been pledged to the Transbay Joint Powers Authority to help pay the cost of replacing the former Transbay Terminal. “**State Parcel Net Tax Increment**” as used herein means all property and tax increment revenues attributable to the parcels acquired by the City and/or the Authority pursuant to the Cooperative Agreement, dated as of July 11, 2003, by and among the City, the State and the TJPA, allocated to and received by the Successor Agency, but specifically excluding (i) charges for County administrative charges, fees or costs; (ii) the portion of the tax increment revenues that the Former Agency was required by law to set-aside in the Former Agency’s affordable housing fund, pursuant to the Redevelopment Law; (iii) a portion of the tax increment revenues equal to the percentage of such revenue required to pay all governmental entities as required under the Redevelopment Law; and (iv) the portion of tax increment revenues equal to the percentage of such revenues that the State may mandate the Successor Agency, as successor the Former Agency, to pay from time to time in the future. Therefore, State Parcel Net Tax Increment is not available for payment of debt service on the 2017A/B Bonds. See also “INTRODUCTION – Excluded Project Areas.” State Parcel Net Tax Increment revenue for Fiscal Year 2016-17 is approximately \$4.8 million. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Western Addition Project Area A-2. The Western Addition Project Area A-2 is an approximately 277-acre area located in the northeast quadrant of San Francisco. It encompasses portions of the area bounded by Van Ness Avenue, Bush Street, Broderick Street and Grove Street. Its land uses are predominantly multi-family residential, with retail, commercial, public and institutional uses concentrated along the project area’s main commercial corridors.

Yerba Buena Center Project Area D-1. The Yerba Buena Center Project Area D-1 comprises an approximately 87-acre area in the central city area of San Francisco. This project area contains, in addition to its Moscone Center convention center, cultural institutions of regional importance, such as the Yerba Buena Center for the Arts and the SFMOMA, as well as the Yerba Buena Gardens, recreational uses and the Children’s Creativity Museum. The project area is located in the southwest portion of San Francisco’s downtown office, hotel and retail district and is developed with high-rise and mid-rise hotel, residential and commercial buildings. It 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, and includes the Emporium Sub-Area, which contains

the Westfield San Francisco Centre regional shopping mall, located between Market Street and Mission Street and Fourth Street and Fifth Street.

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Assessed Valuation and Other Information Regarding the Project Areas

The assessed valuation of each of the Project Areas for the current Fiscal Year by land use category is set forth on the following Table 1.

Table 1
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Assessed Value by Land Use in the Project Areas, Fiscal Year 2016-17

Category by Value	Bayview Hunters Point Project Area B	Golden Gateway Project Area	Bayview Hunters Point Project Area A	Hunters Point Hill Residential District	India Basin Industrial Park Project Area	Rincon Point - South Beach Project Area	South of Market Project Area
Commercial	\$ 164,933,283	\$2,242,889,993	-	-	\$ 34,221,663	\$ 686,621,499	\$168,875,908
Industrial	859,660,588	-	-	-	68,404,561	-	97,803,119
Residential							
<i>Single-Family</i>	460,354,681	-	\$ 90,084,935	-	-	-	14,908,321
<i>Condominiums</i>	160,068,110	191,220,866	36,828,274	\$ 52,619,584	-	979,575,834	237,079,130
<i>Apartments</i>	143,504,876	78,173,428	336,818	1,814,468	-	260,090,894	367,571,323
Vacant	50,920,531	901,052	402,239	64,716,040	6,142,874	-	13,174,005
Other Secured	16,515,523	1,220,402	36,444,711	10,886,810	-	49,378,090	7,311,941
SBE-Assessed Utilities ⁽¹⁾	1,010,600	181,329	-	-	-	907,500	-
Unsecured	150,131,901	321,071,399	178,134	392,866	23,860,618	579,363,419	31,137,347
Total	\$2,007,100,093	\$2,835,658,470	\$164,275,111	\$130,429,768	\$132,629,716	\$2,555,937,236	\$937,861,093
Acreage	1,361	51	137	N/A	126	115	69

Category by Value	Transbay Project Area	Western Addition Project Area A-2	Yerba Buena Center Project Area D-1	Total Value	% of Total Value	Number of Properties Levied ⁽²⁾
Commercial	\$2,350,575,323	\$	\$2,334,685,482	\$ 8,399,217,424	42.8%	1,815
Industrial	11,438,129	-	15,035,608	1,052,342,005	5.4	868
Residential						
<i>Single-Family</i>	-	85,252,419	-	650,600,356	3.3	1,881
<i>Condominiums</i>	893,620,836	961,660,502	994,272,834	4,506,945,969	23.0	5,203
<i>Apartments</i>	218,047,973	698,189,976	182,705,970	1,950,435,726	9.9	822
Vacant	335,772,146	1,047,760	2,345,089	475,421,737	2.4	727
Other Secured	316,653	146,745,339	82,420,367	351,239,837	1.8	263
SBE-Assessed Utilities ⁽¹⁾	-	-	209,648	2,309,077	0.0	-
Unsecured	257,547,651	49,962,566	831,966,673	2,245,612,574	11.4	-
Total	\$4,067,318,711	\$2,359,272,835	\$4,443,641,672	\$19,634,124,705	100.00%	11,579
Acreage	40	277	87	2,263		

⁽¹⁾ Non-unitary property assessed by the State Board of Equalization.

⁽²⁾ Excludes the totals for the SBE-Assessed Utilities and Unsecured value categories which represent duplicate parcel counts.

Sources: Assessor; Urban Analytics.

The top ten largest taxpayers by valuation in the Project Areas in Fiscal Year 2016-17 are set forth below in Table 2. Ownership concentration for these top assessees is 26.2% of total assessed valuation and 29.8% of incremental assessed valuation in the Project Areas.

Table 2
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Top Ten Taxpayers By Assessed Valuation in the Project Areas, Fiscal Year 2016-17

Assessee Name	Project Area	Use	Parcel Count	Fiscal Year 2016-17 Value	Percent of Total Aggregate Value	Percent of Incremental Value
BOSTON PROPERTIES	Golden Gateway	Office	4	\$1,444,643,549	7.4%	8.4%
EMPORIUM MALL LLC * (1: 2016-17)	YBC - Emporium	Commercial/Retail	5	734,473,916	3.7	4.3
CHINA BASIN BALLPARK CO* (1: 2016-17, 1: 2015-16)	Rincon	Sports Facility	3	481,951,404	2.5	2.8
UNION INVESTMENT REAL ESTATE G	Transbay	Office	2	473,828,265	2.4	2.8
MARRIOTT HOTEL	YBC - Original	Hotel	1	458,982,707	2.3	2.7
PPF OFF ONE MARITIME PLAZA LP	Golden Gateway	Office	4	395,679,063	2.0	2.3
TRANSBAY TOWER LLC ⁽¹⁾	Transbay	Office	1	331,139,656	1.7	1.9
HUDSON RINCON CENTER LLC	Rincon	Office/Retail	2	284,768,965	1.5	1.7
T-C FOUNDRY SQUARE II OWNER LLC	Transbay	Office	1	268,950,211	1.4	1.6
FILLMORE CENTER ASSOCS LP	Western Addition	Residential	77	264,543,368	1.3	1.5
TOTAL			100	\$ 5,138,961,104	26.2%	29.8%

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

⁽¹⁾ The Transbay Tower is located on the State Parcels; approximately 60% of the tax increment revenue from this property is obligated to the Transbay Joint Powers Authority to fund infrastructure.

Sources: Assessor; Urban Analytics.

The assessed valuation of the Millennium Tower (defined herein) condominium building in the Transbay Project Area is comprised of assessments on individual property owners which do not separately appear among the top ten largest assesses. Taken as a whole, the properties would appear as the second largest in the Project Areas; the 421 condominiums in the building total \$860,944,191 in Fiscal Year 2016-17 assessed valuation, or 4.4% of total valuation and 5.0% of incremental valuation for the Project Areas. As discussed under “PLEDGED TAX REVENUES AND DEBT SERVICE – Assessment Appeals” below, the Millennium Tower is currently subject to assessment appeals and a lawsuit related to the settling of the building.

The Project Areas includes three other residential condominium buildings in addition to the Millennium Tower whose constituent condominium assessments would, if taken in the aggregate, be included among the ten largest properties for Fiscal Year 2016-17. These buildings are located at 229 Brannan with an aggregate valuation of \$468.7 million, 765 Market (the Four Seasons) with an aggregate valuation of \$448.2 million, and 1880 Minna (the Saint Regis) with an aggregate valuation of \$316.3 million.

PLEDGED TAX REVENUES AND DEBT SERVICE

Pursuant to the Indenture, Pledged Tax Revenues are to be deposited by the Successor Agency into the Special Fund. Thereafter, moneys in the Special Fund shall be transferrable by the Successor Agency to the Trustee for deposit in the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the 2017A/B Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Special Fund; Deposit of Pledged Tax Revenues.” The Successor Agency has retained the Fiscal Consultant to provide projections of taxable assessed valuation, tax increment revenue and Pledged Tax Revenues from developments in the Project Areas.

Historical and Current Assessed Valuation and Tax Revenues

A summary of the projected total taxable valuation and tax increment for the Project Areas for Fiscal Year 2016-17 is set forth in Table 3 below. The total assessed valuation for Fiscal Year 2016-17 in the Project Areas, after deducting all exemptions, except the homeowner’s exemption which is reimbursed by the State, is approximately \$19.6 billion. Deducting the base year valuation for the Project Areas of approximately \$2.4 billion produces an incremental assessed valuation amount of approximately \$17.1 billion. The largest contributor to incremental assessed valuation, at 21.0%, is the Yerba Buena Center Project Area – Original Area, followed by the Transbay Project Area at 18.5% and the Golden Gateway Project Area at 16.3%. Gross tax increment, calculated by applying a one percent tax rate to the incremental assessed valuation, is \$172 million for Fiscal Year 2016-17.

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Table 3
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Tax Increment Estimates by Project Areas, Fiscal Year 2016-17

Project Area	Number of Acres	Total Valuation	Less Base Year Valuation	Incremental Valuation	% of Incremental Valuation	Gross Tax Increment
Bayview Hunters Point Project Area B ⁽¹⁾	1,361	\$ 2,007,100,093	\$1,165,228,645	\$ 841,871,448	4.9%	\$ 8,418,714
Golden Gateway Project Area	51	2,835,658,470	21,172,000	2,814,486,470	16.3	28,144,865
Bayview Hunters Point Project Area A	137	164,275,111	2,847,427	161,427,684	0.9	1,614,277
Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area	NA	130,429,768	6,526,793	123,902,975	0.7	1,239,030
India Basin Industrial Park Project Area	126	132,629,716	13,691,137	118,938,579	0.7	1,189,386
Rincon Point - South Beach Project Area	115	2,555,937,236	18,092,701	2,537,844,535	14.7	25,378,445
South of Market Project Area ⁽¹⁾⁽²⁾						
<i>Original Area</i>	63	914,799,180	108,585,675	806,213,505	4.7	8,062,135
<i>Western Expansion Area</i>	6	23,061,913	9,360,179	13,701,734	0.1	137,017
Transbay Project Area ⁽¹⁾	40	4,067,318,711	880,853,389	3,186,465,322	18.5	31,864,653
Western Addition Project Area A-2	277	2,359,272,835	61,239,180	2,298,033,655	13.3	22,980,337
Yerba Buena Center Project Area D-1 ⁽³⁾						
<i>Original Area</i>	74	3,669,344,876	52,656,706	3,616,688,170	21.0	36,166,882
<i>Emporium Site Area</i>	13	774,296,796	69,957,924	704,338,872	4.1	7,043,389
Total	2,263	\$19,634,124,705	\$2,410,211,756	\$17,223,912,949	100.0%	\$172,239,129

⁽¹⁾ In the Bayview Hunters Point Area B Project Area revenue from Candlestick Point (Zone 1) portion of the Project Area, estimated to be \$65,000 in Fiscal Year 2016-17, is not available to pay debt service on the 2017A/B Bonds. In the Transbay Terminal Project Area, revenue estimated to be \$2.9 million in Fiscal Year 2016-17 from the State-Owned Parcels is not available to pay debt service on the 2017A/B Bonds. Revenue from the South of Market and Golden Gateway project areas is offset by negative revenue of approximately \$47,000 from the Federal Office Building Redevelopment Project Area through a fiscal merger of these project areas.

⁽²⁾ In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 and the Santa Ana Section 33676 Decision.

⁽³⁾ In the Yerba Buena Center Project Area, a portion of the base-year value increases each year pursuant to that project area's redevelopment plan. This is calculated as a two percent (2%) increase 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.

Sources: Assessor, Successor Agency, and Urban Analytics,

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The following Table 4 shows the historic and current assessed valuation for the Project Areas. Net Available Tax Increment Revenue is determined by deducting from gross tax increment: the portion of tax increment, attributable to Candlestick Point and the State Parcels to the extent of State Parcel Net Tax Increment, the 2% Section 33676 Allocation, the 2% Emporium Amount, the Federal Building negative tax increment and the property tax administrative charge.

Table 4
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Historical and Current Assessed Valuations and Net Available Tax Increment Revenue by Project Areas

Project Area	Fiscal Year				
	2012-13	2013-14	2014-15	2015-16	2016-17
Bayview Hunters Point Project Area B	\$ 1,735,421,426	\$ 1,796,514,288	\$ 1,820,614,153	\$ 1,884,299,746	\$ 2,007,100,093
Golden Gateway Project Area	2,673,231,307	2,745,358,555	2,820,312,330	2,777,262,024	2,835,658,470
Bayview Hunters Point Project Area A	116,731,966	133,551,088	120,262,500	125,858,063	164,275,111
Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area	-	28,478,300	28,885,097	46,184,608	130,429,768
India Basin Industrial Park Project Area	129,473,668	125,414,075	125,065,713	129,218,189	132,629,716
Rincon Point - South Beach Project Area	1,931,283,999	1,960,405,398	2,334,310,589	2,456,783,561	2,555,937,236
South of Market Project Area	558,858,552	598,013,842	644,941,044	848,108,361	937,861,093
Transbay Project Area	2,546,582,119	2,670,324,353	3,296,924,967	3,508,811,066	4,067,318,711
Western Addition Project Area A-2	1,981,552,017	2,080,975,580	2,169,091,370	2,238,974,889	2,359,272,835
Yerba Buena Center Project Area D-1	3,764,329,891	3,852,697,238	4,119,616,940	4,181,559,300	4,443,641,672
Total Value⁽¹⁾	\$15,437,464,945	\$15,991,732,717	\$17,480,024,703	\$18,197,059,807	\$19,634,124,705
% Change	3.64%	3.59%	9.31%	4.10%	7.90%
Base year	2,410,211,756	2,410,211,756	2,410,211,756	2,410,211,756	2,410,211,756
Total Incremental Value	\$13,027,253,189	\$13,581,520,961	\$15,069,812,947	\$15,786,848,051	\$17,223,912,949
% Change	4.35%	4.25%	10.96%	4.76%	9.10%
Gross Tax Increment ⁽²⁾	\$ 130,272,532	\$ 135,815,210	\$ 150,698,129	\$ 157,868,481	\$ 172,239,129
Less Excluded Project Areas Revenue ⁽³⁾	378,817	458,999	1,467,649	2,003,096	3,026,262
Less Senior Obligations ⁽⁴⁾	274,212	296,287	302,412	324,795	348,922
Net Available Tax Increment Revenue	\$ 129,619,504	\$ 135,059,923	\$ 148,928,068	\$ 155,540,590	\$ 168,863,945
<i>Proposition 13 Inflationary Rate</i>	<i>2.00%</i>	<i>2.00%</i>	<i>0.45%</i>	<i>2.00%</i>	<i>1.53%</i>

⁽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⁾ In the Bayview Hunters Point Project Area B, revenue from Candlestick Point (Zone 1) portion of the Project Area, estimated to be \$65,000 in Fiscal Year 2016-17, is not available to pay debt service on the 2017A/B Bonds. In the Transbay Terminal Project Area, State Parcel Net Tax Increment is not available to pay debt service on the Bonds, estimated to be \$2.9 million Fiscal Year 2016-17. Revenue from the South of Market and Golden Gateway Project Areas is offset by negative revenue of approximately \$47,000 from the Federal Office Building Redevelopment Project Area through a fiscal merger of these project areas.

⁽⁴⁾ In the Yerba Buena Center Project Area D-1, a portion of the base-year value increases each year pursuant to that Project Area's redevelopment plan. This (the 2% Emporium Amount) is calculated as a two percent (2%) increase 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. In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 of the Redevelopment Law and the Santa Ana Section 33676 decision. Beginning in Fiscal Year 2012-13, the City Controller charges a property tax administration fee, per the Redevelopment Dissolution Act, of approximately 0.017% of tax increment. Amount does not reflect the bonds or loans (including the Existing Loans or the 2014 Bonds) payable from tax increment revenues on a senior basis to the 2017A/B Bonds.

Source: Urban Analytics.

Projected Pledged Tax Revenues and Debt Service Coverage

Set forth below is a table showing projected tax revenues and estimated debt service coverage for the 2017A/B Bonds, net available tax increment revenues from the Project Areas on an aggregate basis, projected Pledged Tax Revenues. The below projections assume approximately two percent (2%) annual growth in gross tax increment revenues beginning in Fiscal Year 2016-17 through the maturity of the 2017A/B Bonds. The projections do not take into consideration any changes in assessed valuation due to new construction, property sales, Proposition 8 reductions, assessment appeals or other factors. The actual growth rate in the Project Areas may be less than that which is projected.

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

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Table 5
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Projected Net Available Tax Increment
(The Project Areas)
(in thousands)

Fiscal Year	Assessed Valuation	Base Year Valuation	Incremental Valuation	Gross Tax Increment Revenues ⁽¹⁾	Excluded Revenue ⁽²⁾	County Admin Charge ⁽³⁾	Senior Obligations ⁽⁴⁾	Net Available Tax Increment Revenues
2016/17	\$ 19,634,125	\$ 2,410,212	\$ 17,223,913	\$ 172,239	\$ (3,026)	\$ (29)	\$ (320)	\$ 168,864
2017/18	19,980,544	2,410,212	17,570,332	175,703	(3,085)	(30)	(342)	172,247
2018/19	20,333,891	2,410,212	17,923,679	179,237	(3,144)	(30)	(364)	175,698
2019/20	20,694,306	2,410,212	18,284,094	182,841	(3,205)	(31)	(387)	179,218
2020/21	21,061,928	2,410,212	18,651,716	186,517	(3,267)	(32)	(411)	182,808
2021/22	21,436,903	2,410,212	19,026,692	190,267	(3,330)	(32)	(434)	186,470
2022/23	21,819,378	2,410,212	19,409,166	194,092	(3,394)	(33)	(459)	190,206
2023/24	22,209,502	2,410,212	19,799,290	197,993	(3,460)	(34)	(484)	194,016
2024/25	22,607,429	2,410,212	20,197,217	201,972	(3,527)	(34)	(509)	197,902
2025/26	23,013,314	2,410,212	20,603,102	206,031	(3,595)	(35)	(535)	201,866
2026/27	23,427,317	2,410,212	21,017,105	210,171	(3,665)	(36)	(561)	205,910
2027/28	23,849,599	2,410,212	21,439,388	214,394	(3,736)	(36)	(588)	210,034
2028/29	24,280,328	2,410,212	21,870,116	218,701	(3,808)	(37)	(615)	214,240
2029/30	24,719,671	2,410,212	22,309,459	223,095	(3,882)	(38)	(643)	218,531
2030/31	25,167,801	2,410,212	22,757,589	227,576	(3,958)	(39)	(672)	222,908
2031/32	25,624,894	2,410,212	23,214,682	232,147	(4,034)	(39)	(701)	227,372
2032/33	26,091,128	2,410,212	23,680,916	236,809	(4,113)	(40)	(731)	231,925
2033/34	26,566,687	2,410,212	24,156,475	241,565	(4,193)	(41)	(761)	236,570
2034/35	27,051,757	2,410,212	24,641,546	246,415	(4,275)	(42)	(792)	241,307
2035/36	27,546,529	2,410,212	25,136,317	251,363	(4,358)	(43)	(823)	246,139
2036/37	28,051,196	2,410,212	25,640,985	256,410	(4,436)	(44)	(855)	251,074
2037/38	28,565,957	2,410,212	26,155,745	261,557	(4,517)	(44)	(888)	256,108
2038/39	29,091,012	2,410,212	26,680,801	266,808	(4,598)	(45)	(922)	261,243
2039/40	29,626,569	2,410,212	27,216,358	272,164	(4,682)	(46)	(956)	266,480
2040/41	30,172,837	2,410,212	27,762,625	277,626	(4,767)	(47)	(990)	271,821
2041/42	30,730,031	2,410,212	28,319,819	283,198	(4,854)	(48)	(1,026)	277,270
2042/43	31,298,368	2,410,212	28,888,156	288,882	(4,943)	(49)	(1,062)	282,827
2043/44	31,878,072	2,410,212	29,467,860	294,679	(5,033)	(50)	(1,099)	288,496
Total	\$706,531,073	\$67,485,929	\$639,045,144	\$6,390,451	\$(110,884)	\$(1,086)	\$(18,929)	\$6,259,553

⁽¹⁾ Gross tax increment equals the tax rate times the increase over base year value and does not necessarily equal amounts collected.

⁽²⁾ In the Bayview Hunters Point Area B Project Area revenue from the Candlestick Point portion of the Project Area, estimated to be \$64,587 in Fiscal Year 2016-17, is not available to pay debt service or replenish any reserve account for parity debt after 2009. In the Transbay Terminal Project Area, revenue from designated parcels are not available to pay debt service on existing Successor Agency bonds, estimated to be \$2,888,806 in Fiscal Year 2016-17. Revenue from the South of Market and Golden Gateway project areas is offset by negative revenue of approximately \$47,000 from the Federal Office Building Redevelopment Project Area through a fiscal merger.

⁽³⁾ From Fiscal Year 2012-13, the City Controller charges a property tax administration fee, per the Redevelopment Dissolution Act, of approximately 0.017% of tax increment.

⁽⁴⁾ In the Yerba Buena Center Project Area D-1, a portion of the base-year value increases each year pursuant to that project area's redevelopment plan. This is calculated as a two percent (2%) increase 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. In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 and the Santa Ana Section 33676 decision.

Source: Urban Analytics.

Table 6
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Estimated All-In Debt Service Coverage (Senior Obligations and 2017A/B Bonds)
(The Project Areas)

Fiscal Year	Net Available Tax Increment Revenues	<i>Less</i> Existing Loan Agreements	<i>Less</i> 2014 Bonds	Pledged Tax Revenues	2017A/B Bonds	Total Payments for All-In Debt Service Coverage Calculation	All-In Debt Service Coverage

Assessment Appeals

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

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

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the Fiscal Year 2016-17 roll data used in the REPORT OF FISCAL CONSULTANT attached hereto as APPENDIX B.

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

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

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Table 7
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Assessment Appeals in the Project Areas

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate*
2016-17	Resolved	17	\$ 20,975,245	\$ 13,684,200	\$ 20,559,268	98.0%
2016-17	Pending**	190	1,889,867,962	954,996,645	TBD	TBD
2015-16	Resolved	49	1,225,659,301	844,564,173	1,224,708,074	99.9%
2015-16	Pending	6	1,068,317,463	468,715,978	TBD	TBD
2014-15	Resolved	104	3,146,177,536	2,196,734,020	3,101,228,690	98.6%
2014-15	Pending	6	406,774,372	223,827,683	TBD	TBD
2013-14	Resolved	156	3,492,261,248	2,048,302,566	3,486,359,423	99.8%
2013-14	Pending	6	349,937,747	217,204,944	TBD	TBD
2012-13	Resolved	272	3,615,400,149	2,357,540,179	3,604,536,426	99.7%
2012-13	Pending	4	185,362,641	66,537,809	TBD	TBD
2011-12	Resolved	301	4,169,515,772	2,426,875,034	4,048,130,559	97.1%
2011-12	Pending	1	149,531,660	65,004,384	TBD	TBD
All Years	Resolved	899	15,669,989,251	9,887,700,172	15,485,522,440	98.8%
All Years	Pending	213	4,049,791,845	1,996,287,443	TBD	-

Potential exposure to reductions in valuation from all pending appeals***: \$ 47,674,071

Potential exposure to reductions in valuation from all pending appeals assuming 100% of requested reduction is granted: \$2,053,504,402

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

**Includes 161 pending appeals filed on condominiums located in the Millennium Towers property within the Transbay Project Area. These pending appeals are on a total of \$370,471,294 in County Valuation with an Applicant Opinion of Value of \$160,141,529. The Millennium Tower property, including all condominiums within the building, had a Fiscal Year 2016-17 valuation of \$860,944,191.

*** Estimated based on the county valuation for pending appeals across all years multiplied by the difference between 100% and the retention rate for resolved appeals across all years. The potential reduction includes properties with appeals in multiple years and does not necessarily indicate an equivalent reduction in future revenue.

Source: San Francisco County Assessment Appeals Board. Data as of 12/2/2016.

There are two pending appeals by large property owners. Emporium Mall LLC has a pending appeal of its Fiscal Year 2016-17 valuation on one parcel assessed at \$21.5 million, with \$3.2 million under dispute; appeals filed by the owner on this property in Fiscal Year 2013-14 and Fiscal Year 2012-13 have been resolved with no change in valuation. China Basin Ballpark LLC, owner of the Giants baseball stadium, has a pending appeal of the property's Fiscal Year 2016-17 valuation of \$421.5 million with \$221.5 million under dispute and of the property's Fiscal Year 2015-16 valuation of \$415.1 million with \$269.4 million under dispute.

Additionally, in the Transbay Project Area, a residential tower at 301 Mission Street (the "Millennium Tower") is reported to have experienced greater settling than anticipated as well as tilting of the building. The property consists of 419 residential condominiums and 2 commercial condominiums with a combined Fiscal Year 2016-17 assessed valuation of \$860.9 million, which represents approximately 1.2% of the aggregate assessed valuation of the properties in the Project Areas shown in Table 3. Of these condominium owners in Millennium Tower, 161 have filed appeals requesting an overall reduction in Fiscal Year 2016-17 assessed valuation from \$370.5 million to \$160.1 million as of December 2, 2016. Neither the response of the Assessment Appeals Board to these appeals nor the possibility of other appeals is known at this time. If all of the requested reductions in assessed valuation were granted, a reduction of up to \$2.1 million in tax increment could occur if the City Controller's office also changed its policy of deducting

appeal-related tax refunds solely from Taxing Entities and not from the Successor Agency and if the Assessor were to extend any reductions to future rolls for properties granted prior-year reductions.

In addition to currently being subject to assessment appeals, the Millennium Tower is the subject of a lawsuit filed on August 17, 2016, by owners of the condominiums in the Millennium Tower (the “**Lawsuit**”) against the TJPA and the individual members of the TJPA, including the City. The TJPA is responsible under State law for developing the Transbay Transit Center, which will be a new regional transit hub located near the Millennium Tower. See “THE PROJECT AREAS – Project Area – *Transbay Project Area*.” The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has said that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. The City expects that other lawsuits will be filed against the TJPA relating to the subsidence and tilting of the Millennium Tower. Other than the Lawsuit, there is no other pending legal claim against the City regarding the Millennium Tower. The City cannot now make any prediction as to the outcome of the Lawsuit, or whether the Lawsuit, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances. The Successor Agency does not currently anticipate, even if the Lawsuit were to result in an adverse result for the City, that such an adverse result would materially impair the ability of the Successor Agency to pay debt service on the 2017A/B Bonds as it becomes due.

Were the City Controller to change its policy of deducting appeal-related tax refunds solely from Taxing Entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions, applying the retention rate of 98.8% to the valuation currently subject to pending appeals, the estimated reduction in prior-year assessed valuation would be approximately 0.2% or \$47.7 million, or approximately 0.3% or \$0.5 million in gross tax increment revenues. As this includes properties with appeals in multiple years, it does not necessarily indicate an equivalent reduction in future revenue. If the full amount of disputed valuation were to be granted by the Assessment Appeals Board across the Project Areas, and if the City Controller were to deduct the resulting tax refunds from the Successor Agency’s tax increment, the estimated reduction in prior-year assessed valuation would be approximately 10.5% or \$2.1 billion for the Project Areas and approximately 12% or \$20.5 million in gross tax increment revenues; this includes multi-year appeals and does not necessarily indicate an equivalent reduction in future revenue.

CERTAIN RISK FACTORS

In addition to the information set forth elsewhere in this Official Statement, potential investors should consider the following matters in evaluating an investment in the 2017A/B Bonds. The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2017A/B Bonds. No assurance can be given that additional risk factors will not become evident at any future time. The order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Recognized Obligation Payment Schedule

As described in greater detail above under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Recognized Obligation Payment Schedule,” the Redevelopment Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the City Controller

to the Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the distribution date, unless a Last and Final ROPS is filed in which event no periodic filing requirements apply. In instances where a Last and Final ROPS is not filed, if the Successor Agency were to fail to submit an approved Recognized Obligation Payment Schedule by the applicable date and the California Department of Finance does not provide a notice to the City Controller to withhold funds from distribution to Taxing Entities, amounts in the Redevelopment Property Tax Trust Fund for such period would be distributed to Taxing Entities as more fully described in the section of this Official Statement entitled, “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Recognized Obligation Payment Schedule,” and the availability of Pledged Tax Revenues for the Successor Agency to pay debt service on the 2017A/B Bonds could be adversely affected for such period. The Successor Agency does not currently plan to file a Last and Final ROPS. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Recognized Obligation Payment Schedule.”

Certain Uncertainties Regarding the Redevelopment Dissolution Act

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Redevelopment Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Redevelopment Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (such as the Former Agency) the Redevelopment Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Redevelopment Dissolution Act states: *“it is the intent that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.”* The implications of these provisions of the Redevelopment Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. Due to the pledge of Pledged Tax Revenues securing the 2017A/B Bonds, Pledged Tax Revenues will be used for such purposes prior to being used for any other purpose, including payment of any other indebtedness of the Former Agency now being paid by the Successor Agency (excluding Senior Obligations).

Estimates of Tax Revenues

To estimate the Pledged Tax Revenues ultimately available to pay debt service on the 2017A/B Bonds, the Successor Agency has made certain assumptions with regard to the present and future assessed valuation of taxable property in the Project Areas, future tax rates, growth in tax revenues over time, percentage of taxes collected and other senior obligations. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.” The Successor Agency believes these assumptions to be reasonable, but there are no assurances that these assumptions will be realized. To the extent that the assessed valuation, the tax rates and the percentages collected are less than the Successor Agency’s assumptions, the Pledged Tax Revenues would be less than those projected and may be insufficient to pay debt service on the 2017A/B Bonds.

Concentration of Property Ownership

The risk of reduction in assessed value as a result of factors described herein may increase where the assessed value within the Project Areas is concentrated among a relatively few number of property owners. Ownership of property in the Project Areas is significantly concentrated, with the ten largest property owners accounting for 26.2% of the Fiscal Year 2016-17 assessed valuation and 29.8% of the Project Areas' incremental assessed value. Significant reduction in the assessed values of these property owners could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the 2017A/B Bonds as such payments become due and payable. See "THE PROJECT AREAS – Table 1, Assessed Value by Land Use in the Project Areas" and " – Table 2, Top Ten Taxpayers by Assessed Valuation."

Subordination of ERAF

The Successor Agency has obtained the approval of the Taxing Entities to subordinate payment of their AB 1290 Statutory Pass-Through Amounts to the payment of debt service on the 2017A/B Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs*." As ERAF is not an entity, but a fund, there is not a mechanism to seek affirmative approval of the subordination of monies payable to ERAF. The Successor Agency believes that the Statutory Pass-Through Amounts to be deposited in ERAF have also been subordinated, given that the Taxing Entities, to whom the amounts deposited in ERAF will be distributed, have approved the subordination of the Statutory Pass-Through Amounts directly payable to them. Should a Taxing Entity or the State disagree with the Successor Agency's position with regards to the subordination of the ERAF and determine that the Statutory Pass-Through Amounts due to ERAF cannot be subordinated, such amounts would be a senior obligation and payment thereof would have to be made prior to payment of debt service on the 2017A/B Bonds. The Statutory Pass-Through Amount for ERAF for Fiscal Year 2016-17 is approximately \$___ million. The Successor Agency does not believe that an obligation to pay the ERAF amounts on a basis senior to the payment of debt service on the 2017A/B Bonds will have a materially adverse effect on its ability to pay debt service on the 2017A/B Bonds.

Reduction in Tax Base and Assessed Values

Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund constitute the ultimate source of payment for the 2017A/B Bonds and any Parity Debt. Such tax revenues are determined by the amount of the incremental taxable value of property in the Project Areas, the current rate or rates at which property in the Project Areas is taxed and the percentage of taxes collected in the Project Areas. A reduction of the taxable values of property in the Project Areas could occur as a result of numerous factors beyond the Successor Agency's control, including but not limited to, a general economic downturn, political and economic obstacles to additional development and redevelopment activities in the Project Areas, relocation out of the Project Areas by one or more major property owners or tenants, property becoming exempt from property taxes through condemnation or acquisition by certain entities such as nonprofit corporations, or the complete or partial destruction of property caused by, among other calamities, earthquake, fire, flood or other natural disaster. In addition, taxable values may be reduced pursuant to successful appeals of assessed valuations or by widespread temporary reduction in assessed valuation under Proposition 8. See also "PLEDGED TAX REVENUES AND DEBT SERVICE – Assessment Appeals" above.

The potential exposure of the Successor Agency's tax increment revenue to appeals were the City Controller to change its policy of deducting appeal-related tax refunds solely from Taxing Entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions may be seen by applying the overall retention rate for all years in a project area to the amount of roll valuation in pending appeals for the project area. Applying the retention rate of 98.8% to the aggregate valuation currently subject to pending appeals in the Project Areas, the Fiscal

Consultant estimates a reduction in valuation of approximately 0.2% or \$47.7 million or approximately 0.3% or \$0.5 million in gross tax increment revenues. If the full amount of disputed valuations were to be granted by the Assessment Appeals Board across the Project Areas, and if the City Controller were to deduct the resulting tax refunds from the tax increment allocated to the Successor Agency, the Fiscal Consultant estimates a reduction in assessed valuation of approximately 10.5% or \$2.1 billion and that the gross tax increment revenue for the Project Areas could be reduced by approximately 12% or \$20.5 million. Any such reductions in taxable values could cause a reduction in the Pledged Tax Revenues securing the 2017A/B Bonds and could have an adverse effect on the Successor Agency's ability to make timely payments with respect to the 2017A/B Bonds.

In general, because property on the unsecured tax roll includes personal property and leasehold interests, the values of property on the unsecured roll are more likely to fluctuate and are more susceptible to reduction due to adverse economic circumstances affecting the owner of the properties. Accordingly, unsecured assessed valuation may present special risks and may be more susceptible to fluctuation from year to year than valuation reflected on the secured roll. According to the Fiscal Consultant, the unsecured roll represents approximately eleven and a half percent (11.51%) of the overall assessed value for Fiscal Year 2016-17.

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Pledged Tax Revenues to be available to it to make payments with respect to the 2017A/B Bonds, the Successor Agency has assumed an annual two percent (2%) inflationary increase. The projected Pledged Tax Revenues are based on the latest actual amounts received by the Successor Agency. However, future deflation could cause decreases in property values, a reduction in tax revenues received by the Successor Agency and reduced Pledged Tax Revenues. See "PLEDGED TAX REVENUES AND DEBT SERVICE" and "LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution" herein.

In addition to the other limitations on and the required application under the Redevelopment Dissolution Act of tax revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing tax revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce Pledged Tax Revenues and adversely affect the source of repayment and security of the 2017A/B Bonds.

Appeals to Assessed Values

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

for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

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

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

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the Fiscal Year 2016-17 roll data shown in the tables under "PLEDGED TAX REVENUES AND DEBT SERVICE."

Two (2) of the top ten (10) largest property taxpayers in the Project Areas and a condominium property in one of the Project Areas have pending property tax appeals. See "PLEDGED TAX REVENUES AND DEBT SERVICE – Table 2, Top Ten Taxpayers by Assessed Valuation," and "– Assessment Appeals" for a description of pending appeals and the potential impact on allocable tax revenues if the appeals are granted.

Property Foreclosures

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

State Budget Issues; Changes in State Law

In general terms, the Redevelopment Dissolution Act implemented a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of \$1.5 billion). Subsequently, SB 107 was enacted, making additional changes to the Redevelopment Dissolution Act.

There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Pledged Tax Revenues. There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law, the Redevelopment Dissolution Act or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, or that otherwise have an adverse effect on the Successor Agency's ability to pay debt service on the 2017A/B Bonds.

The Redevelopment Dissolution Act is new and implementation of its provisions have been and will be subject to differing interpretations by different stakeholders, including the California Department of Finance, the State Controller, oversight boards, successor agencies, auditor-controllers, and others. Certain litigation is challenging some of the terms of the Redevelopment Dissolution Act and the Redevelopment Dissolution Act could be subject to further legislative or judicial review. The Successor Agency cannot predict the outcome or impact of any such litigation, interpretations or reviews on the availability of Pledged Tax Revenues to pay the 2017A/B Bonds.

Recent Executive Order; Changes in Federal Law

On January 25, 2017, President Donald Trump issued "Executive Order – Enhancing Public Safety in the Interior of the United States," which aims to address certain immigration policies of the administration, including among other things sanctuary jurisdictions. The order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable Federal law do not receive Federal funds, except as mandated by law." However, the City is a sanctuary jurisdiction, and on January 31, 2017, the City filed a lawsuit in United States District Court – Northern District of California challenging the President's executive order as unconstitutional. The Pledged Tax Revenues do not include any Federal funds and Federal funds constitute less than one percent of the Successor Agency's total budget.

There can be no assurance that the President will not execute executive orders in the future targeting sanctuary jurisdictions or that the federal government will not introduce or enact legislation that could impact the marketability, liquidity or market price for the 2017A/B Bonds or affect tax increment revenues, including Pledged Tax Revenues. See also "– Secondary Market."

Development Risks

Although the Project Areas are substantially developed, there remain undeveloped areas within certain Project Areas, particularly within the Transbay Project Area and Hunters Point Hill Residential District of the Hunters Point Shipyard Project Area.

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

or more large owners of property within the Project Areas could delay or impair the receipt of tax revenues by the Successor Agency.

Natural Disasters

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

Earthquake. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

Climate Change and Flooding. In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly \$100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

Sea level rise can lead not only to permanent inundation of land but it can also expand the 100-year floodplain. Land composed of fill near San Francisco Bay is at risk for inundation because of low elevation and subsidence over time due to compaction from buildings and soil desiccation. The Successor Agency is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the Project Areas.

Tsunamis. Tsunamis are large waves in the ocean generated by earthquakes, coastal or submarine landslides, or volcanoes. Damaging tsunamis are not common on the California coast. Most California tsunami are associated with distant earthquakes (most likely those in Alaska or South America, and recently in Japan), not with local earthquakes. Devastating tsunamis have not occurred in historic times in the San Francisco Bay Area. The Community Safety Element states that, because of the lack of reliable information about the kind of tsunami run-ups that have occurred in the prehistoric past, there is considerable uncertainty over the extent of tsunami run-up that could occur.

It should be assumed, therefore, that an earthquake or other natural event or man-made activity may occur and may cause damage to improvements on parcels in the Project Areas of varying degrees of severity, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the assessed value of taxable values of property in the Project Areas and could result in a significant reduction in Pledged Tax Revenues. Such reduction of Pledged Tax Revenues could have an adverse effect on the Successor Agency's payment of debt service on the 2017A/B Bonds.

Bond Insurance Risk Factors

The Successor Agency may obtain a bond insurance policy to guarantee the scheduled payment of principal and interest on one or both Series of 2017A/B Bonds. The Successor Agency has yet to determine whether an insurance policy will be purchased with the 2017A/B Bonds, which decision is at its sole and absolute discretion. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to a Series of 2017A/B Bonds when all or some becomes due, any owner of such Series of 2017A/B Bonds shall have a claim under the applicable bond insurance policy (the "**Policy**") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of a Series of 2017A/B Bonds by the Successor Agency which is recovered by the Successor Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absent such prepayment by the Successor Agency unless the bond insurer chooses to pay such amounts at an earlier date.

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

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the applicable Policy, the Series of 2017A/B Bonds insured by such Policy are payable solely from the moneys received pursuant to the Indenture. In the event the bond insurer becomes obligated to make payments with respect to any of the 2017A/B Bonds of such Series, no assurance is given that such event will not adversely affect the market price of the 2017A/B Bonds of such Series or the marketability (liquidity) of such 2017A/B Bonds.

The long-term ratings on the 2017A/B Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the 2017A/B Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2017A/B Bonds or the marketability (liquidity) of the 2017A/B Bonds. See description of "RATING" herein.

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

Neither the Successor Agency nor the Underwriters have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the 2017A/B Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

Reserve Surety Risk Factors

The Successor Agency may obtain a reserve surety in lieu of a cash deposit to the 2017 Series A Taxable Subaccount and/or the 2017 Series B Subaccount in the Reserve Account to satisfy the Reserve Requirement for such Series of 2017A/B Bonds. The Successor Agency has yet to determine whether to obtain one or more reserve surety bonds, which decision is at the sole and absolute discretion of the Successor Agency. If any reserve surety is obtained, the following are risk factors relating to reserve surety bonds.

In the event of insufficient Pledged Tax Revenues to pay the scheduled principal of or interest on a Series of 2017A/B Bonds when due, the Trustee shall draw upon the applicable reserve surety for all or a portion of such payments. The obligations of the surety provider are unsecured contractual obligations and in an event of default by the surety provider, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

The long-term ratings on the 2017A/B Bonds are dependent in part on the financial strength of the surety provider and its claim paying ability. The surety provider's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the surety provider and of the ratings on the 2017A/B Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2017A/B Bonds of such Series or the marketability (liquidity) of the 2017A/B Bonds. See description of "RATING" herein.

Neither the Successor Agency nor the Underwriters have made independent investigation into the claims paying ability of the surety provider and no assurance or representation regarding the financial strength or projected financial strength of the surety provider is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to make on the

2017A/B Bonds and the claims paying ability of the surety provider, particularly over the life of the investment.

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the 2017A/B Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Successor Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the 2017A/B Bonds. The Successor Agency and Bond Counsel have relied on the provisions of the Redevelopment Dissolution Act authorizing the issuance of the 2017A/B Bonds and specifying the related deadline for any challenge to the 2017A/B Bonds to be brought. Specifically, Section 34177.7(e) of the Redevelopment Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the 2017A/B Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.7, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the 2017A/B Bonds and the Oversight Board Resolution No. 11-2016 (Dec. 12, 2016) on January 11, 2017.

It is possible that a lawsuit challenging the Redevelopment Dissolution Act or specific provisions thereof based on the inability of successor agencies to meet their obligations to bondholders as those obligations become due, or to pay any other of their other obligations, could be successful and that the mechanisms currently provided for under the Redevelopment Dissolution Act to provide for distribution of tax revenues to the Successor Agency for payment on the 2017A/B Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the 2017A/B Bonds.

Any action by a court to invalidate provisions of the Redevelopment Dissolution Act required for the timely payment of principal of, and interest on, the 2017A/B Bonds could be subject to the same issues regarding an impairment of contract or unconstitutional taking without just compensation. The Successor Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Successor Agency and the availability of Pledged Tax Revenues for the payment of debt service on the 2017A/B Bonds in the event of successful challenges to the Redevelopment Dissolution Act or portions thereof. However, the Successor Agency does not guarantee that any lawsuit challenging the Redevelopment Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Successor Agency’s ability to timely pay debt service on the 2017A/B Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within any of the Project 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 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 (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2017A/B Bonds could reduce Pledged Tax Revenues. See “LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution.”

Delinquencies

The Successor Agency does not have any independent power to levy and collect property taxes. Delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency’s ability to make timely debt service payments. However, the City has adopted the Teeter Plan and provides one hundred percent (100%) of tax revenues to the Successor Agency regardless of delinquencies. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act – *Teeter Plan*.” Such plan may be discontinued at any time.

Investment Risk

All funds and accounts held by the Trustee under the Indenture and all funds held by the Successor Agency in the Special Fund, into which all allocable tax revenues are initially deposited, are required to be invested in Permitted Investments as provided in the Indenture. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the 2017A/B Bonds.

Bankruptcy and Foreclosure

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

The rights of the Owners of the 2017A/B Bonds and the enforceability of the obligation to make payments on the 2017A/B Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The various legal opinions to be delivered concurrently with the delivery of the 2017A/B Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the

application of equitable principles and by the exercise of judicial discretion in appropriate cases. See APPENDIX E – “FORM OF BOND COUNSEL FINAL OPINION.”

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2017A/B Bonds and the possibility of delinquent tax installments not being paid in full. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Retirement Fund from being applied to pay interest on the 2017A/B Bonds and/or to redeem 2017A/B Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

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

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

Levy and Collection of Taxes

The Successor Agency has no independent power to levy and collect property taxes. As discussed herein, the Successor Agency only receives, on an annual basis, that amount of tax increment revenue required for it to pay debt service and enforceable obligations. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency to pay debt service on the 2017A/B Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Successor Agency’s ability to make timely payments on the 2017A/B Bonds. The City allocates property taxes to the Successor Agency based on one hundred percent (100%) of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. If there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Pledged Tax Revenues received by the Successor Agency from the Project Areas.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2017 Series B Bonds, the Successor Agency has covenanted in the Indenture to comply with the

applicable requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”), and the Successor Agency has covenanted in the Indenture to comply with certain provisions of the Tax Code. The interest on the 2017 Series B Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the 2017 Series B Bonds as a result of acts or omissions of the Successor Agency in violation of these or other covenants in the Indenture applicable to the 2017 Series B Bonds. The 2017 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 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 2017 Series B Bonds was undertaken it would not adversely affect the market value of the 2017 Series B Bonds. See “TAX MATTERS.”

Secondary Market

There can be no guarantee that there will be a secondary market for the 2017A/B Bonds, or if a secondary market exists, that the 2017A/B 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 marketability, liquidity or market price for the 2017A/B Bonds will not be affected by the introduction or enactment of any future legislation or executive order (including, without limitation, amendments to or repeal of any portions of the Tax Code), or by any state constitutional amendments, court decisions, changes in interpretation of the Code (as defined below under “TAX MATTERS”), or actions of the IRS, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2017A/B Bonds for audit examination, or the course or result of any IRS audit or examination of the 2017A/B Bonds or obligations that present similar tax issues as the 2017A/B Bonds.

Senior Obligations

As discussed above, certain Project Areas have prior obligations to which tax increment from such Project Areas is committed on a basis senior to debt service on the 2017A/B Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Project Area-Specific Senior Obligations.” In addition, the payment of debt service on the 2017A/B Bonds from tax increment revenues from the Project Areas is subordinate to the Successor Agency’s obligations to pay debt service on the Existing Loan Agreements, the 2014 Bonds and any 2014 Parity Debt. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Senior Obligations.” Given its senior right to the tax increment revenue securing the 2017A/B Bonds, the issuance of 2014 Parity Debt could hinder the Successor Agency’s ability to pay debt service on the 2017A/B Bonds in the event of a decrease in the amount of Pledged Tax Revenues.

The Successor Agency has covenanted that, so long as Bonds are Outstanding, the Successor Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues (as defined in the Existing Loan Agreements) or Pledged Tax Revenues on a basis senior to the payment of debt service on

the 2017A/B Bonds and any other Bonds, except for obligations issued to refund any of the Existing Loan Agreements, the 2014 Bonds or any 2014 Parity Debt, but only if the debt service in any Bond Year does not increase as a result of such refunding. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Limitations on Additional Indebtedness – *Senior Bonds*.”

Parity Obligations

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS – Limitations on Additional Indebtedness – *Parity Debt*,” the Successor Agency may issue or incur additional obligations secured by a lien on Pledged Tax Revenues on a parity with its pledge of the lien on Pledged Tax Revenues in favor of the 2017A/B Bonds. The existence of and the potential for additional Parity Debt increases the risks associated with the Successor Agency’s payment of debt service on the 2017A/B Bonds in the event of a decrease in the Successor Agency’s collection of tax revenues. The Successor Agency currently anticipates issuing approximately \$192.9 million aggregate principal amount of additional bonds by 2030 on a parity with the 2017A/B Bonds.

Bonds are Limited Obligations

The 2017A/B Bonds are special, limited obligations of the Successor Agency and as such are not debt of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency, and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the 2017A/B Bonds are payable solely from Pledged Tax Revenues allocated to the Successor Agency from the Project Areas and certain other funds pledged therefor under the Indenture. The 2017A/B Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017A/B BONDS.” No Owner of the 2017A/B Bonds may compel exercise of the taxing power of the Authority, the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on, the 2017A/B Bonds.

Limited Recourse on Default

If the Successor Agency defaults on its obligations under the Indenture, the Trustee has the right to accelerate the 2017A/B Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the 2017A/B Bonds.

LIMITATIONS ON TAX REVENUES

The 2017A/B Bonds are secured by a pledge of Pledged Tax Revenues attributable to the Project Areas. The Successor Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Successor Agency for payment of the principal of and interest on the 2017A/B Bonds is affected by several factors, including but not limited to those discussed below. See also “CERTAIN RISK FACTORS.”

Property Tax Collection Procedure

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

a lien on secured property has priority over all other liens on the secured property, regardless of the time of creation of the other liens.

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

Collections. Secured property and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The Taxing Authority has four (4) ways of collecting unsecured personal property taxes in the case of delinquency: (i) initiating a civil action against the taxpayer; (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

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

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

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

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

SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund.

Taxation of Unitary Property

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

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

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization. The City Controller, following guidance from the State Board of Equalization does not share any of the City-wide unitary revenue with the Successor Agency. No unitary tax revenue is included in the projections of Pledged Tax Revenues.

Tax Limitations – Article XIII A of California Constitution

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

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent (2%) per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other

factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value. The legislation further establishes the method for allocating the taxes collected by each county among the taxing agencies in the county.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the no more than two percent (2%) annual adjustment (1.525% for Fiscal Year 2016-17 and projected to be two percent (2%) for Fiscal Year 2017-18) are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIII B of California Constitution

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

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

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service

on bonded indebtedness issued by a taxing entity (not the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Pledged Tax Revenues do not include any such amounts.

Articles XIIC and XIID of California Constitution

On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. The 2017A/B Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218 and are outside of the scope of taxes that are limited by Proposition 26.

Future Initiatives

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

TAX MATTERS

2017 Series A Taxable Bonds

General. The interest on the 2017 Series A Taxable Bonds is not intended by the Successor Agency to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the 2017 Series A Taxable Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2017 Series A Taxable Bonds to be delivered on the date of issuance of the 2017 Series A Taxable Bonds is set forth in APPENDIX E.

Owners of the 2017 Series A Taxable Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Series A Taxable 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 2017 Series A Taxable Bonds other than as expressly described above.

Form of Bond Counsel Opinion. At the time of issuance of the 2017 Series A Taxable Bonds, Bond Counsel expects to deliver an opinion for the 2017 Series A Taxable Bonds in substantially the form set forth in APPENDIX E.

2017 Series B Bonds

General. In the opinion of Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2017 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; provided, however, that, for the purpose of

computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2017 Series B Bonds. The Successor Agency has 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 2017 Series B Bonds.

California Tax Status. In the opinion of Bond Counsel, interest on the 2017 Series B Bonds is exempt from California personal income taxes.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a 2017 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 2017 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. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2017 Series B Bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2017 Series B Bond to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2017 Series B Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2017 Series B Bonds who purchase the 2017 Series B Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2017 Series B should consult their own tax advisors with respect to the tax consequences of ownership of 2017 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 2017 Series B Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2017 Series B Bond (said term being the shorter of the 2017 Series B Bond’s maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2017 Series B Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2017 Series B Bond is amortized each year over the term to maturity of the 2017 Series B Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2017 Series B Bond premium is not deductible for federal income tax purposes. Owners of premium 2017 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 2017 Series B Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2017 Series B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial

owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2017 Series B Bonds. Prospective purchasers of the 2017 Series B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Form of Bond Counsel Opinion. At the time of issuance of the 2017 Series B Bonds, Bond Counsel expects to deliver an opinion for the 2017 Series B Bonds in substantially the form set forth in APPENDIX E.

Owners of the 2017 Series B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, 2017 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 2017 Series B Bonds other than as expressly described above.

LITIGATION

There is no litigation now pending or, to the best knowledge of the Successor Agency, threatened to restrain or enjoin the execution or delivery of the 2017A/B Bonds or the Indenture or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the 2017A/B Bonds. In the opinion of counsel to the Successor Agency, there is no lawsuit or claim now pending against the Successor Agency, which if decided adversely to the Successor Agency would materially affect the Successor Agency's finances so as to impair the ability of the Successor Agency to pay debt service on the 2017A/B Bonds as it becomes due.

A number of other lawsuits have been filed in the State that challenge the Redevelopment Dissolution Act or the application of certain of its provisions. The Successor Agency is unable to predict the likely outcome of these actions or the possible impact, if any, of their outcomes on the distribution of property tax revenues or other moneys to the Successor Agency under the Redevelopment Dissolution Act or on the Successor Agency's ability to make payments of principal of and interest on the 2017A/B Bonds.

CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of the Owners of the 2017A/B Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than six (6) months after the end of the Successor Agency's Fiscal Year (presently June 30) in each year commencing with its Annual Report for the 2016-17 fiscal year and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed by the Successor Agency, or the Dissemination Agent, if any, on behalf of the Successor Agency, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

In the past five years, the Successor Agency believes that neither the Former Agency nor the Successor Agency have failed to comply in any material respect with any previous undertakings in accordance with S.E.C. Rule 15c2-12 to provide annual reports or notices of certain enumerated events. The Former Agency failed on occasion to file a notice of a bond insurer-related rating downgrade on a timely basis, however, such failure was only with respect to downgrades below the underlying rating of the bond. Additionally, for Fiscal Years 2011-13, certain tabular information related to a merged project area was not aggregated as required by the applicable continuing disclosure agreement. However, all of the required information was available for the component areas of such merged project area. [Further, the Annual Report for Fiscal Year 2015-16 was inadvertently not linked to two CUSIPS of outstanding bonds when filed with EMMA.] The Successor Agency has filed notices of all bond rating downgrades and the

missing tabular information noted above were filed in March 2014 [and linked the 2016 Annual Report to the two CUSIPS]. The Successor Agency has also established procedures which it believes are sufficient to ensure future compliance with its continuing disclosure undertakings.

LEGAL MATTERS

Certain legal matters incident to the issuance, sale and delivery of the 2017A/B 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 2017A/B Bonds will be passed upon for the Successor Agency by its General Counsel. Curls Bartling P.C. is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation.

Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization, issuance and sale of the 2017A/B Bonds, and the exemption of interest on the 2017 Series B Bonds from federal income taxation, and exemption of interest on the 2017A/B Bonds from California personal income taxes. See "TAX MATTERS" herein and APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

Fees payable to Bond Counsel, Disclosure Counsel and Underwriters' Counsel are contingent upon the sale and delivery of the 2017A/B Bonds.

MUNICIPAL ADVISORS

Public Financial Management, Inc. and Kitahata & Company have served as Co-Municipal Advisors to the Successor Agency and provided advice with respect to the sale of the 2017A/B Bonds. Each of the Municipal Advisors is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Municipal Advisors have assisted the Successor Agency in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2017A/B Bonds. The Municipal Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Successor Agency to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisors will receive compensation contingent upon the sale and delivery of the 2017A/B Bonds.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"), has assigned an underlying rating to the 2017A/B Bonds of "___." Such rating reflects only the view of such organization, and an explanation of the significance of the rating may be obtained by contacting S&P. Such rating is not a recommendation to buy, sell or hold the 2017A/B Bonds. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2017A/B Bonds. The Successor Agency undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

FINANCIAL STATEMENTS

The audited financial statements of the Successor Agency for the Fiscal Year ended June 30, 2016, are included as part of APPENDIX A – "SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE

YEAR ENDED JUNE 30, 2016.” Such financial statements have been audited by Macias Gini & O’Connell, LLP (the “**Auditor**”), independent certified public accountants, whose report also appears in Appendix A. The Auditor was not requested to consent to the inclusion of its report in Appendix A, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

UNDERWRITING

The 2017A/B Bonds will be sold to Stifel, Nicolaus & Company, Incorporated, as representative of itself and Backstrom McCarley Berry & Co., LLC and Stinson Securities, LLC (collectively, the “**Underwriters**”), pursuant to a bond purchase contract for each Series of 2017A/B Bonds (the “**Purchase Contract**”) between the Successor Agency and the Underwriters. The Underwriters have agreed to purchase: (i) the 2017 Series A Taxable Bonds for \$_____ (which amount represents the \$_____ aggregate principal amount of the 2017 Series A Taxable Bonds, plus original issue premium of \$_____, less an underwriters’ discount of \$_____), and (ii) the 2017 Series B Bonds for \$_____ (which amount represents the \$_____ aggregate principal amount of the 2017 Series B Bonds, plus original issue premium of \$_____, and less an underwriters’ discount of \$_____).

Backstrom McCarley Berry & Co., LLC (“**BMcB**”) has entered into separate distribution agreements (each a “**Distribution Agreement**”) with Wedbush Securities (“**Wedbush**”), Mesirow Financial (“**Mesirow**”), D.A. Davidson & Co. (“**Davidson**”) and Hilltop Securities (“**Hilltop**”) that enables each distributor to distribute certain new issue municipal securities underwritten by or allocated to BMcB, which could include the 2017A/B Bonds. Under these Distribution Agreements, BMcB may share with Wedbush, Mesirow, Davidson and Hilltop a portion of the fee or commission paid to BMcB.

The initial public offering prices of the 2017A/B Bonds of each Series may be changed from time to time by the Underwriters. The Purchase Contract for each Series of 2017A/B Bonds provides that the Underwriters will purchase all of such Series of Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

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MISCELLANEOUS

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

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

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

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

By: _____
Deputy Director of Finance and Administration

APPENDIX A

**SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

APPENDIX B
REPORT OF FISCAL CONSULTANT

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) in connection with its issuance of \$_____ aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) and \$_____ aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects) (together, the “Bonds”). The Bonds are being issued in accordance with Sections 34177.7(a)1(A) and (B) of the California Health and Safety Code (the “Redevelopment Law”), the resolution of the Successor Agency adopted on December 6, 2016 (the “Resolution”), and the Indenture of Trust, dated as of March 1, 2017 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture described in the Official Statement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is six months after the end of the Successor Agency’s fiscal year (currently December 31 based on the City’s fiscal year end of June 30).

“Dissemination Agent” means the Successor Agency, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency and the Trustee a written acceptance of such designation.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the internet at <http://www.emma.msrb.org/>.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final Official Statement dated _____, 2017, relating to the Bonds.

“Participating Underwriters” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Project Area” means the Project Areas as defined in the Official Statement.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than each Annual Report Date, commencing December 31, 2017 with respect to the report for the 2016-17 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than fifteen (15) business days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent, if other than the Successor Agency. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding each of the Project Areas may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Successor Agency’s or any of the Project Area’s Fiscal Year changes, the Successor Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c) below. The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Successor Agency and shall have no duty or obligation to review such Annual Report.

(b) If, by fifteen (15) business days prior to the Annual Report Date, the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent in a timely manner shall provide to the MSRB (with a copy to the Trustee and the Participating Underwriters) a notice, in substantially the form attached hereto as Exhibit A.

(d) Unless the Successor Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a certificate with the Successor Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the

Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Successor Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

1. Description of any parity debt (date, amount, term, rating, insurance) issued by the Successor Agency in the fiscal year to which the Annual Report pertains and the amount of all Successor Agency debt outstanding payable with tax increment revenue from the Project Areas as of the end of the fiscal year to which the Annual Report pertains;

2. The top ten taxpayers by assessed valuation in the Project Areas for the fiscal year to which the Annual Report pertains in a form substantially similar to Table 2 of the Official Statement;

3. Assessed valuations and tax increment for the fiscal year to which the Annual Report pertains, by means of an update to the "Tax Increment Estimates by Project Areas, Fiscal Year 2016-17" table as shown in Table 3 of the Official Statement with an indication of the amount of unsecured valuation and secured valuation per Project Area;

4. Estimated all-in debt service coverage for obligations of the Successor Agency for the fiscal year to which the Annual Report pertains by means of an update to the "Estimated All-In Debt Service Coverage (Senior Obligations and Bonds)" table shown in Table 6 of the Official Statement; and

5. Assessment appeals for the fiscal year to which the Annual Report pertains by means of an update to the "Assessment Appeals in the Project Areas" table shown in Table 7 of the Official Statement.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's internet website, currently EMMA, or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to a Series of Bonds in a timely manner not more than ten (10) days after the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar proceedings; and
10. The issuance of any private placement bonds or the entering into any bank loan of the type, in each case, that would constitute Parity Debt as defined in the Indenture, including the related debt service schedule, to the extent this is not already disclosed on EMMA.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to the rights of Bondholders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. Appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Successor Agency determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(d) If the Successor Agency determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Successor Agency hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Successor Agency and, if the Dissemination Agent is other than the Successor Agency, the Dissemination Agent shall not be responsible for determining whether the Successor Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Successor Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. From time to time, the Successor Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not designated Dissemination Agent, the Successor Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days prior written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 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 nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee in Article 6 of the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Successor Agency:	Successor Agency to the Redevelopment Agency of the City and County of San Francisco 1 South Van Ness Avenue, 5th Floor San Francisco, CA 94103 Fax: (415) 749-2527 Attention: Deputy Director of Finance and Administration
To the Participating Underwriters:	Stifel, Nicolaus & Company, Incorporated 515 S. Figueroa St., Suite 1800 Los Angeles, CA 90071 Fax: (213) 443-5023 Attention: John Kim
To the Trustee:	U.S. Bank National Trust Association One California Street, Suite 1000 Mail Code: SF-CA-SFCT San Francisco, CA 94111 Fax: (415) 677-3769 Attention: Global Corporate Trust and Escrow Services

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March __, 2017

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

By: _____
Deputy Director of
Finance and Administration

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Successor Agency to the Redevelopment Agency of the City and County of San Francisco

Name of Issue: Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series A Taxable Third Lien Tax Allocation Bonds (Affordable Housing Projects) and 2017 Series B Third Lien Tax Allocation Bonds (Transbay Infrastructure Projects)

Date of Issuance: March __, 2017

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.16 of the Indenture. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

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

By: _____
Title: _____

cc: Trustee and Participating Underwriters

APPENDIX E
FORM OF BOND COUNSEL FINAL OPINION

[To Come]

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. Accordingly, the DTC Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix F with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2017A/B Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2017A/B Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017A/B Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2017A/B Bonds. The 2017A/B Bonds of each Series will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each Series of 2017A/B Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017A/B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017A/B Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2017A/B 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 2017A/B 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 2017A/B Bonds, except in the event that use of the book-entry system for the 2017A/B Bonds is discontinued.

To facilitate subsequent transfers, all 2017A/B 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 2017A/B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017A/B Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017A/B 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 2017A/B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017A/B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017A/B Bond documents. For example, Beneficial Owners of 2017A/B Bonds may wish to ascertain that the nominee holding the 2017A/B 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 2017A/B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2017A/B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017A/B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 2017A/B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2017A/B Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2017A/B Bond certificates are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017A/B Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

APPENDIX G

**CALIFORNIA DEPARTMENT OF FINANCE
DETERMINATION LETTER APPROVING THE 2017A/B BONDS**

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY [22], 2017**NEW ISSUE
BOOK-ENTRY ONLY****DAC Bond[®]****Underlying Rating: Standard & Poor's: “__”
(See “RATING” herein)**

The interest on the 2017C Bonds is not intended by the Successor Agency to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the 2017C Bonds is exempt from California personal income taxes. See “TAX MATTERS” herein.

\$44,620,000*

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2017 Series C**

**Taxable Subordinate Tax Allocation Bonds
(Mission Bay New Money and Refunding Housing Projects)**

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

This cover page contains information for quick reference only. It is *not* intended to be a complete summary of all factors relevant to an investment in the 2017C Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the “**2017C Bonds**”) are being issued by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “**Successor Agency**”) pursuant to an Indenture of Trust, dated as of March 1, 2017 (the “**Indenture**”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”) and anticipated to be sold by the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) on behalf of the Successor Agency to the Underwriters (defined herein) for the purposes described herein.

Interest on the 2017C Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2017. Principal of the 2017C Bonds will be payable on the dates and in the principal amounts set forth on the inside cover page.

The 2017C 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**”). DTC will act as securities depository for the 2017C Bonds. Beneficial ownership interests in the 2017C 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 2017C 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 DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Direct Participants and Indirect Participants as more fully described herein. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The 2017C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “THE 2017C BONDS – Redemption Provisions.”

The proceeds of the 2017C Bonds will be used to (i) finance a portion of the affordable housing required by the MB South OPA (defined herein) in the Mission Bay South Redevelopment Project Area, as further described herein under “PLAN OF FINANCE,” (ii) purchase a reserve surety bond or make a deposit to the 2017

* Preliminary, subject to change.

Reserve Subaccount established under the Indenture, and (iii) pay costs associated with the issuance of the 2017C Bonds. The 2017C Bonds are also being issued for the purpose of providing funds, together with certain other available monies, to refund certain obligations of the Former Agency, as described herein under “THE REFUNDING PLAN.”

The Successor Agency has solicited bids for a reserve surety bond and a municipal bond insurance policy and will make a decision on whether to purchase such insurance at the pricing of the 2017C Bonds. If a municipal bond insurance policy is obtained, it would guarantee the scheduled payment of the principal of and interest on all or a portion of the 2017C Bonds. No assurance can be given as to whether the Successor Agency will purchase a municipal bond insurance policy or a reserve surety bond. See “INTRODUCTION – Reserve Account” and “– Bond Insurance” herein.

The 2017C Bonds are payable from and secured by Tax Revenues (defined herein), consisting primarily of twenty percent (20%) of the revenues generated from taxes on the property within the Mission Bay North Redevelopment Project Area and the Mission Bay South Redevelopment Project Area (together, the “**Mission Bay Project Areas**”) on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll. No funds or properties of the Successor Agency, other than the Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the 2017C Bonds. The Successor Agency has outstanding indebtedness that is payable on a senior priority from the same tax revenues pledged for payment of the 2017C Bonds. The Successor Agency may incur additional indebtedness that is payable on an equal priority basis from the same tax revenues as the 2017C Bonds so long as certain conditions precedent have been met at the time such indebtedness is incurred, as described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Senior Existing Loan Agreements” and “– Limitations on Additional Indebtedness – Parity Debt.”

The 2017C Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2017C Bonds are not a debt of the Authority, the City and County of San Francisco (the “City”), the State of California (the “State”) or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2017C Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues or property or its full faith and credit to the payment of debt service on the 2017C Bonds. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.

The 2017C Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Curls Bartling P.C., Oakland, California is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the 2017C Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York on or about March 20, 2017.

Piper Jaffray & Co.

Stinson Securities, LLC

Dated: _____, 2017

MATURITY SCHEDULE

\$ _____
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2017 Series C Taxable Subordinate Tax Allocation Bonds
(Mission Bay New Money and Refunding Housing Projects)**

\$ _____ **Serial Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> <u>(Base: 79770G)[†]</u>
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\$ _____ % Term Bonds due August 1, 20__, Yield _____%, Price _____, CUSIP[†] No. 79770G _____

\$ _____ % Term Bonds due August 1, 20__, Yield _____%, Price _____, CUSIP[†] No. 79770G _____

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services (CGS). CGS is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CGS database and are included solely for convenience. None of the Successor Agency, the Authority or the Underwriters assume any responsibility for the accuracy of the CUSIP data.

[Aerial View to Come.]

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

Commission Members

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

Successor Agency Staff

Nadia Sesay, *Interim Executive Director*
Bree Mawhorter, *Deputy Director of Finance and Administration*
James Morales, *Deputy Director and General Counsel*
Sally Oerth, *Deputy Director, Projects and Programs*

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee, *Mayor*

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

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Sandar Fewer, *District 1*
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Norman Yee, *District 7*
Jeff Sheehy, *District 8*
Hillary Ronen, *District 9*
Malia Cohen, *District 10*
Ahsha Safai, *District 11*

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San Francisco, California

Municipal Advisors

Public Financial Management, Inc.
San Francisco, California

Kitahata & Company
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

Disclosure Counsel

Curls Bartling P.C.
Oakland, California

Fiscal Consultant

Urban Analytics LLC
San Francisco, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the Successor Agency, the Authority or the City to give any information or to make any representations in connection with the offer or sale of the 2017C 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 2017C Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. This Official Statement is not to be construed as a contract with the purchasers of the 2017C Bonds.

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

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

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

The Successor Agency and the City maintain a website. However, the information presented therein is not a part of this Official Statement and must not be relied upon in making an investment decision with respect to the 2017C Bonds.

The issuance and sale of the 2017C Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017C BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$44,620,000*

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2017 Series C**

**Taxable Subordinate Tax Allocation Bonds
(Mission Bay New Money and Refunding Housing Projects)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2017C Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2017C Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents. Capitalized terms used in this Official Statement and not defined herein shall have the meanings assigned to them in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Authority and Purpose

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (collectively, the “**Official Statement**”), is to provide certain information in connection with the offering by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “**Successor Agency**”) of its \$44,620,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the “**2017C Bonds**”), which will be sold by the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) on behalf of the Successor Agency for the purposes described herein.

The 2017C Bonds are being issued in accordance with a resolution of the Successor Agency adopted on December 6, 2016 (the “**Resolution**”), and an Indenture of Trust, dated as of March 1, 2017 (the “**Indenture**”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”), and, as applicable, pursuant to authority contained in the Redevelopment Law (defined below), Sections 34177.5(a)(1) and 34177.7(a)(1) of the Redevelopment Dissolution Act (defined below), and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “**Refunding Law**”). See also “– The Successor Agency.”

The Successor Agency will use the proceeds of the 2017C Bonds to: (i) finance certain affordable housing in the Mission Bay South Redevelopment Project Area required by the MB South OPA (defined herein) as described under “PLAN OF FINANCE;” (ii) purchase a reserve surety bond or make a deposit into the 2017 Reserve Subaccount established under the Indenture; and (iii) pay costs associated with the issuance of the 2017C Bonds. The 2017C Bonds are also being issued for the purpose of providing funds, together with certain other available monies, to refund certain obligations of the Former Agency (defined

* Preliminary, subject to change.

herein), as described herein. See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The City and County of San Francisco

The City and County of San Francisco (the “**City**”) is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the San Francisco Bay to the east, the entrance to the San Francisco Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about 45 miles to the south, and the wine country is about 65 miles to the north. The California Department of Finance Demographic Research Unit estimated the City’s population at 866,583 as of January 1, 2016.

The 2017C Bonds are not a debt of the City and the General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2017C Bonds. Neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2017C Bonds. The 2017C Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City.

The Successor Agency

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

As a result of Assembly Bill No. 1X26 (“**AB 26**”) enacted on June 29, 2011, and the decision of the State Supreme Court in *California Redevelopment Association, et al. v. Matosantos, et al.* (the “**California Redevelopment Association Case**”), as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. The California legislature has amended AB 26 several times, including on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012, and on September 22, 2015 by Senate Bill No. 107 (“**SB 107**”), enacted as Chapter 325, Statutes of 2015.

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

In amending the Redevelopment Dissolution Act, SB 107 (i) clarified the Successor Agency’s authority to issue bonds for affordable housing and certain infrastructure (California Health & Safety Code § 34177.7) in certain of its project areas, (ii) removed certain time limits that had previously applied to the issuance of debt and collection of tax increment by former redevelopment agencies (California Health & Safety Code § 34189(a)), and (iii) authorized the Successor Agency to secure new debt with the property

tax revenues (former tax increment) from project areas that had generated tax increment upon the dissolution of the Former Agency on February 1, 2012 (Stats. 2015, ch. 325, § 27(e)). Significantly, these project areas include those with redevelopment plans that may have expired for other purposes but that continue to be a source of funds for repayment of indebtedness.

Section 34177.7(a)(1)(A) of the Redevelopment Dissolution Act authorizes the Successor Agency to issue bonds and other indebtedness to finance affordable housing required by certain of its enforceable obligations, including under the Mission Bay South Owner Participation Agreement dated as of November 16, 1998, as heretofore amended and as hereafter may be amended, by and between the Successor Agency, as successor to the Former Agency, and FOCIL-MB, LLC, as the successor developer (“**FOCIL**”) (the “**MB South OPA**”).

The Successor Agency is issuing the 2017C Bonds to provide funds to finance certain affordable housing in the Mission Bay South Redevelopment Project Area as required by the MB South OPA. See “PLAN OF FINANCE.”

The Successor Agency is also issuing the 2017C Bonds to refinance certain loan agreements entered into by the Former Agency in connection with bonds issued by the Authority to finance low and moderate income housing within or of benefit to the Mission Bay Project Areas (defined herein). The refinancing of the loan agreements will cause the redemption of a portion of those Authority bonds. See “THE REFUNDING PLAN.” Section 34177.5(a)(1) of the Redevelopment Dissolution Act authorizes the Successor Agency to issue bonds and other indebtedness for refunding purposes, if certain criteria are met.

The issuance of the 2017C Bonds was subject to the approval of the Successor Agency Commission (as defined herein), the Successor Agency’s oversight board (the “**Oversight Board**”) and the Department of Finance of the State of California (the “**California Department of Finance**”) pursuant to the Redevelopment Dissolution Act. All such approvals have been obtained. See “THE 2017C BONDS – Authority for Issuance.”

The Authority

The Authority is a joint powers authority originally formed in 1989 pursuant to a Joint Power Agreement between the Former Agency and the City to facilitate the long-term financing of the Former Agency’s redevelopment activity by issuing bonds to provide financing assistance to the Former Agency. Pursuant to the Law and the Joint Powers Agreement, the Authority has the power to purchase bonds of the Successor Agency and has the further power to sell bonds so purchased to public or private purchasers at a public or negotiated sale. Pursuant to the Redevelopment Dissolution Act, the Successor Agency assumed the rights and obligations of the Former Agency under the Joint Powers Agreement.

The Mission Bay Project Areas

The Mission Bay South Redevelopment Project Area (the “**MB South Project Area**”) is an approximately 238-acre area located approximately two (2) miles south of the financial district of the City, not all of which generates tax revenue. See “– Tax Allocation Financing” below. The Redevelopment Plan for the MB South Project Area was adopted by ordinance of the Board of Supervisors on November 2, 1998, as heretofore amended and as hereafter may be amended (the “**MB South Redevelopment Plan**”). The MB South Project Area is subject to the MB South OPA.

The Mission Bay North Redevelopment Project Area (the “**MB North Project Area**” and together with the MB South Project Area, the “**Mission Bay Project Areas**”) is an approximately 65-acre area located approximately two (2) miles south of the financial district of the City, not all of which generates

tax revenue. See “– Tax Allocation Financing” below. The Redevelopment Plan for the MB North Project Area was adopted by ordinance of the Board of Supervisors on October 26, 1998, as amended (the “**MB North Redevelopment Plan**”). The MB North Project Area is subject to that Mission Bay North Owner Participation Agreement, dated as of November 16, 1998, by and between the Successor Agency, as successor to the Former Agency, and FOCIL (the “**MB North OPA**”).

The MB North OPA and the MB South OPA each pledge and irrevocably commit tax revenues from the MB North Project Area and the MB South Project Area, respectively, to specific purposes, including affordable housing. Accordingly, and pursuant to SB 107, tax increment from the Mission Bay Project Areas will provide the funds for debt service on the 2017C Bonds.

The City has other project areas in addition to the Mission Bay Project Areas. The tax increment revenues from such other project areas are not pledged to pay debt service on the 2017C Bonds and therefore the description of the project areas of the Former Agency set forth in this Official Statement is specifically limited to the Mission Bay Project Areas.

Tax Allocation Financing

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

Prior to the enactment of AB 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of such agency’s obligations.

The Redevelopment Dissolution Act, as amended by SB 107, authorizes bonds, including the 2017C Bonds, to be secured by a pledge of, and to be payable from and further secured by the project areas’ property tax revenues deposited from time to time in the Redevelopment Property Tax Trust Fund held by the auditor-controller of the City and County of San Francisco (the “**City Controller**”) with respect to the Successor Agency (the “**Redevelopment Property Tax Trust Fund**” or “**RPTTF**”) if those revenues are not otherwise obligated. These funds are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT OR TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND AND NOT OBLIGATED FOR OTHER PURPOSES.**

Tax Revenues (as defined under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Security for the 2017C Bonds; Equal Security”) consist primarily of twenty percent (20%) of all tax increment generated with respect to the MB North Project Area and the MB South Project Area on a subordinate basis to amounts payable pursuant to the Senior Existing Loan Agreements (defined herein) with respect to the Senior Existing Loans (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Security for the 2017C Bonds; Equal Security.”

Security and Sources of Payment for the 2017C Bonds

The 2017C Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and payable from and secured by the Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Security for the 2017C Bonds; Equal Security.”

The Redevelopment Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency had it not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Dissolution Act further provides that Successor Agency bonds authorized under Section 34177.7 *“may be secured by property tax revenues available in the successor agency’s Redevelopment Property Tax Trust Fund from those project areas that generated tax increment for the Redevelopment Agency of the City and County of San Francisco upon its dissolution if the revenues are not otherwise obligated”* (Stats. 2015, ch. 325, § 27(e)). Such bonds will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Property tax revenues pledged to any bonds authorized under the Redevelopment Dissolution Act are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law. Section 34177.7(g) of the Redevelopment Dissolution Act provides that the Successor Agency’s bonds will be considered indebtedness incurred by the Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB 26 and in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. The Successor Agency must include debt service payments for such bonds on its Recognized Obligation Payment Schedule (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule.”

The Redevelopment Dissolution Act requires compliance by the Successor Agency with a procedure for preparation of a Recognized Obligation Payment Schedule in order to receive funds for payment of debt service and submission thereof to the Oversight Board and the California Department of Finance for approval. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act.” Taxes levied on the property within the Mission Bay Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various properties within the Mission Bay Project Areas, to the extent that such taxes constitute tax revenues, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund (the “**Retirement Fund**”) on January 2 and June 1 of each year (adjusted for weekends and holidays) to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Redevelopment Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule.” Moneys deposited by the City Controller into the Retirement Fund representing Tax Revenues will first be deposited by the Successor Agency in the “Mission Bay Housing Projects 2017C Projects Special Fund” which is to be held by the Successor Agency within the Retirement Fund (the “**Special Fund**”) and will then be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The 2017C Bonds are secured by and payable solely from the Tax Revenues and moneys on deposit in the Special Fund and the funds and accounts established under the Indenture. See “– Limited Obligation; Senior Debt,” “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act,” “– Senior Existing Loan Agreements” and “TAX REVENUES AND DEBT SERVICE.” The Mission Bay Project Areas, and the real and personal property therein, do not serve as security for the 2017C Bonds.

The 2017C Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2017C Bonds are not a debt of the Authority, the City, the State or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2017C Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues, property or its full faith and credit to the payment of debt service on the 2017C Bonds. None of the members of the Successor Agency, the Authority, the City, or any persons executing the 2017C Bonds are liable personally for the 2017C Bonds by reason of their issuance. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power. See “TAX REVENUES AND DEBT SERVICE.”

Limited Obligation; Senior Debt

The 2017C Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and are payable solely from and secured by a pledge of Tax Revenues derived from the Mission Bay Project Areas and amounts on deposit in the Special Fund and the funds and accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – General.” The pledge of Tax Revenues to secure the 2017C Bonds is subordinate to the debt service obligations of the Successor Agency related to certain loan agreements entered into between the Former Agency and the Authority pursuant to which the Authority issued bonds that are outstanding in the aggregate principal amount of approximately \$33.2 million, the proceeds of which were loaned to the Former Agency to fund low and moderate income housing in the Mission Bay Project Areas pursuant to the MB North OPA or the MB South OPA. See “PLAN OF FINANCE” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Senior Existing Loan Agreements.” The Successor Agency expects to use a portion of the proceeds of the 2017C Bonds to pay certain of these outstanding housing loan agreements. See “THE REFUNDING PLAN.”

Parity Debt

The Successor Agency has the right to issue additional indebtedness payable on a parity with the 2017C Bonds from Tax Revenues upon the satisfaction of certain conditions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Limitations on Additional Indebtedness – Parity Debt.” Within the next 5-6 years, the Successor Agency currently anticipates issuing approximately \$140.2 million aggregate principal amount of additional bonds on a parity with the 2017C Bonds. See “THE MISSION BAY PROJECT AREAS.”

Reserve Account

The Indenture establishes a Reserve Account for all bonds issued thereunder to be held by the Trustee and to be maintained in an amount at least equal to the Reserve Requirement as defined therein and creates a 2017 Reserve Subaccount therein with respect to the 2017C Bonds. Funds on deposit in the 2017 Reserve Subaccount can only be used to pay debt service on the 2017C Bonds. The Successor Agency has solicited bids for a reserve surety bond to satisfy the Reserve Requirement for the 2017C Bonds. No assurance can be given as to whether the Successor Agency will obtain a reserve surety bond to satisfy the Reserve Requirement for the 2017C Bonds. The Successor Agency’s decision as to whether to deposit a reserve surety bond in the 2017 Reserve Subaccount will be made at or about the time of the pricing of the 2017C Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the Successor Agency does not decide to obtain a reserve surety bond, then the 2017 Reserve Subaccount

will be funded with proceeds from the sale of the 2017C Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Special Fund; Deposit of Tax Revenues – *Reserve Account*.”

Bond Insurance

The Successor Agency may obtain a municipal bond insurance policy to insure the principal of and interest on the 2017C Bonds when due. If a municipal bond insurance policy is obtained, it would guarantee the scheduled payment of the principal of and interest on all or a portion of the 2017C Bonds as determined by the Successor Agency prior to the issuance of the 2017C Bonds. No assurance can be given as to whether the Successor Agency will obtain a municipal bond insurance policy. The Successor Agency’s decision as to whether to purchase a municipal bond insurance policy if offered by a municipal bond insurer will be made at or about the time of the pricing of the 2017C Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the Successor Agency purchases a municipal bond insurance policy to insure all or a portion of the principal of and interest on the 2017C Bonds, information regarding the municipal bond insurer will be included in the final Official Statement.

Certain Risk Factors

Certain events could affect the ability of the Successor Agency to pay debt service on the 2017C Bonds when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2017C Bonds.

Continuing Disclosure

The Successor Agency has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Successor Agency not later than six (6) months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2017 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the specified events will be filed with the Municipal Securities Rulemaking Board (the “**MSRB**”) through the Electronic Municipal Market Access website (“**EMMA**”) of the MSRB. The specific nature of the information to be contained in the Annual Report and the notice of events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

See “CONTINUING DISCLOSURE” for additional information.

Available Information

This Official Statement contains brief descriptions of the 2017C Bonds, the security for the 2017C Bonds, the Indenture, the Successor Agency, the Former Agency, the Authority, the City, the Mission Bay Project Areas and certain other information relevant to the issuance of the 2017C Bonds. All references herein to the Indenture, the Refunding Law, the Redevelopment Law, the Redevelopment Dissolution Act, the Constitution and laws of the State are qualified in their entirety by reference to the complete text thereof and all references to the 2017C Bonds are further qualified by reference to the form thereof contained in the Indenture. Capitalized terms used and not otherwise defined in this Official Statement shall have the meanings given to such terms in the Indenture.

The Successor Agency’s audited financial statements for the period ended June 30, 2016 are included in APPENDIX A – “SUCCESSOR AGENCY’S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016.” Urban Analytics, LLC, San Francisco, California (the “**Fiscal Consultant**”) is providing consulting services to the Successor Agency with respect to the Mission Bay Project Areas and

their projected taxable values and anticipated tax increment revenues. The Fiscal Consultant's report is attached hereto as APPENDIX B – "REPORT OF FISCAL CONSULTANT." The proposed form of legal opinion of Bond Counsel relating to the 2017C Bonds is set forth in APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

The information set forth herein and in the Appendices hereto has been furnished by the Successor Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Successor Agency or the Underwriters and is not to be construed as a representation by the Underwriters. Copies of documents referred to herein and information concerning the 2017C Bonds are available upon written request from the Trustee, U.S. Bank National Association, One California Street, Suite 1000, Mail Code: SF-CA-SFCT, San Francisco, California 94111. Within the City, the Successor Agency, which is constituted as the Office of Community Investment and Infrastructure or "OCII," may be contacted at: Office of Community Investment and Infrastructure, One South Van Ness Avenue, 5th Floor, San Francisco, California 94103; telephone: (415) 749-2465. The Successor Agency will respond to requests by any Bondowner for public information. The Successor Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

A portion of the net proceeds from the sale of the 2017C Bonds will be used by the Successor Agency to finance predevelopment, development and/or construction of affordable housing in the MB South Project Area required pursuant to the MB South OPA, including 3 multifamily rental housing developments that will be affordable housing dedicated to low-income families, formerly homeless families, formerly homeless veterans, and formerly homeless individuals. Each of the projects will have household incomes restricted to no more than 60% AMI (defined below), while some households will have income levels that are much lower. Collectively, these three projects will provide approximately 340 units. "AMI" is defined by the Successor Agency to mean the median gross income for the area, as determined in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 122 Stat 2654), including adjustments for household size. Construction on the first of these developments is expected to begin in September 2017 with construction completion estimated for October 2019.

Proceeds of the 2017C Bonds are also being issued to refund the Refunded Loan Agreements (defined below). See "THE REFUNDING PLAN" below. Proceeds of the 2017C Bonds will also be used to pay costs associated with the issuance of the 2017C Bonds, including the premium of a bond insurance policy and reserve surety, if any, for the 2017C Bonds and, if no reserve surety, to make a deposit to the 2017 Reserve Subaccount.

THE REFUNDING PLAN

General

A portion of the net proceeds of the 2017C Bonds are expected to be applied, together with certain other available funds, to pay the Refunded Loan Agreements (as defined below) pursuant to which the Authority made certain loans to the Former Agency with the proceeds of certain bonds issued by the Authority for the benefit of the Former Agency in connection with the Mission Bay Project Areas. The Former Agency used the loaned bond proceeds to finance and refinance its affordable housing obligations under the MB North OPA and/or the MB South OPA.

The Successor Agency and the Authority entered into the following loan agreements to finance low and moderate income housing within or of benefit to the MB North Project Area pursuant to the MB North

OPA (the “**MB North Housing Loan Agreements**”), which agreements are expected to be refinanced with proceeds of the 2017C Bonds:

- (i) Loan Agreement dated as of August 1, 2006 (the “**2006 MBN Loan Agreement**”), among the Former Agency, The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority, in the initial aggregate principal amount of \$3,900,000;
- (ii) Loan Agreement dated as of December 1, 2009 (the “**2009 MBN Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$975,000; and
- (iii) Loan Agreement dated as of April 1, 2011 (the “**2011 MBN Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$1,660,000.

The Successor Agency and the Authority entered into the following loan agreements to finance low and moderate income housing within or of benefit to the MB South Project Area pursuant to the MB South OPA (the “**MB South Housing Loan Agreements**”), which agreements are expected to be refinanced with proceeds of the 2017C Bonds:

- (i) Loan Agreement dated as of December 1, 2009 (the “**2009 MBS Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$5,230,000; and
- (ii) Loan Agreement dated as of April 1, 2011 (the “**2011 MBS Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$7,795,000.

Together, the MB North Housing Loan Agreements and the MB South Housing Loan Agreements are referred to herein as the “**Refunded Loan Agreements**.”

Payment of Refunded Loan Agreements and Refunding of the Authority Bonds

The following table details the series, issue dates and principal amounts of the outstanding bonds of the Authority related to the Refunded Loan Agreements (“**Authority Bonds**”), all of which may be refunded with the proceeds of the 2017C Bonds. (The specific Authority Bonds and related Refunded Loan Agreements to be refunded with the proceeds of the 2017C Bonds (collectively, the “**Refunded Obligations**”) will be determined by the Successor Agency at the time that the Successor Agency and the Underwriters (defined herein) execute the Purchase Contract (defined herein). **The Refunded Obligations to be refunded, dates and amounts are subject to change by the Successor Agency in its sole discretion and will be determined at the time of the pricing of the 2017C Bonds.**

Refunded Obligations*

Series Designation	Issue Date	Principal Amount Outstanding ⁽⁴⁾	Principal Amount to be Refunded	Redemption Date
			(Mission Bay Project Areas Portion Only) ⁽⁵⁾	
2006 Series A ⁽¹⁾	08/10/2006	\$ 50,731,330.80	\$ 3,225,000.00	04/2017
2009 Series E ⁽²⁾	12/03/2009	72,565,000.00	4,975,000.00	08/01/2019
2011 Series E ⁽³⁾	04/18/2011	9,455,000.00	9,445,000.00	02/01/2021
Total		\$132,751,330.80	\$17,645,000.00	

⁽¹⁾ Debt service on these 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) is payable from loan payments pursuant to the 2006 MBN Loan Agreement.

⁽²⁾ Debt service on these 2009 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) is payable from loan payments pursuant to the 2009 MBN Loan Agreement and 2009 MBS Loan Agreement.

⁽³⁾ Debt service on these 2011 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) is payable from loan payments pursuant to the 2011 MBN Loan Agreement and 2011 MBS Loan Agreement.

⁽⁴⁾ As of 08/02/2016. Reflects total amount outstanding on these bonds which includes amounts attributable to other project areas.

⁽⁵⁾ As of 08/02/2016.

The refunding of each series of Refunded Obligations will be effected by depositing a portion of the net proceeds of the 2017C Bonds, together with other available monies, into a special and irrevocable escrow fund (each, an “**Escrow Fund**”) established for such series of Refunded Obligations in accordance with an Agreement regarding Redemption, Defeasance and Payment of such Refunded Obligations (each, a “**Redemption Agreement**”). Each Redemption Agreement will be dated as of March 1, 2017 and will be entered into by and among the Authority, the Successor Agency and the trustee for the applicable series of Refunded Obligations, as escrow trustee thereunder (the “**Escrow Trustee**”). The amounts deposited in each Escrow Fund will be held as cash or will be invested in direct noncallable obligations of, or unconditionally guaranteed by, the United States of America (“**Escrowed Securities**”). The Escrowed Securities will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that such amounts together with any amounts held as cash in such Escrow Funds, will provide sufficient monies to pay interest on the series of Refunded Obligations to which it relates as the same shall become due and to pay the redemption price (i.e., 100% of the principal amount of such series of Authority Bonds) so refunded on the redemption date therefor.

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

Upon the payment of the Refunded Loan Agreements, there will remain outstanding \$15.6 million in aggregate principal amount of other Senior Existing Loan Agreements (defined herein); however this amount could be greater if the Successor Agency determines at pricing to refund less than the amount shown above in the Refunded Obligations table. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Senior Existing Loan Agreements.”

Verification

Causey Demgen & Moore P.C., independent certified public accountants, will verify, from the information provided to them, the mathematical accuracy, as of the date of delivery of the 2017C Bonds,

* Preliminary, subject to change.

of computations relating to the adequacy of the maturing principal amounts of the Escrowed Securities deposited into an Escrow Fund pursuant to each Redemption Agreement and the interest to be earned thereon, together with any amounts held as cash in such Escrow Fund, to pay the interest coming due on the related series of Authority Bonds and to pay, on the redemption date therefor, the redemption price of such Refunded Obligations. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2017C Bonds are as follows:

Sources:	<u>2017C Bonds</u>
Par Amount	
Original Issue Premium/(Discount)	
Plus Other Money ⁽¹⁾	
Total Sources	
Uses:	
2017 Series C Project Fund	
Refunding Fund ⁽²⁾	
Costs of Issuance Fund ⁽³⁾	
Underwriters’ Discount	
Total Uses	

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

⁽²⁾ Money from this fund will be transferred to the Escrow Funds for the Refunded Obligations.

⁽³⁾ Amounts deposited into this fund will be used to pay legal, financing and consultant fees, rating agency fee, verification agent fees, the fees for the reserve surety and bond insurance policy, if any, and other miscellaneous expenses incurred in connection with the issuance of the 2017C Bonds.

THE 2017C BONDS

Authority for Issuance

The 2017C Bonds were authorized for issuance pursuant to the Indenture, the Refunding Law, the Redevelopment Law and the Redevelopment Dissolution Act. See “INTRODUCTION – The Successor Agency.” Issuance of the 2017C Bonds and the execution of the related documents were authorized by the Successor Agency pursuant to the Resolution, and approved by the Oversight Board pursuant to a resolution of the Oversight Board adopted on December 12, 2016 (the “**Oversight Board Resolution**”).

Written notice of the Oversight Board Resolution was provided to the California Department of Finance, as required by the Redevelopment Dissolution Act, on December 12, 2016. On February [17], 2017, which is [within] the time period allotted under the Redevelopment Dissolution Act for the California Department of Finance to review the Oversight Board Resolution, the California Department of Finance provided a letter to the Successor Agency stating that, based on the California Department of Finance’s review of the Oversight Board Resolution and application of applicable law, the California Department of Finance approved of the issuance of the 2017C Bonds. A copy of the California Department of Finance’s letter is attached hereto as APPENDIX G.

Description of the 2017C Bonds

The 2017C 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. No 2017C Bond shall have more than one maturity date.

The 2017C Bonds will be dated, and shall bear interest from, their date of delivery to the original purchasers thereof. The 2017C Bonds will be issued in the respective aggregate amounts, will bear interest at the respective rates and will mature, subject to redemption provisions set forth hereinafter, on the respective dates and in the amounts all as set forth on the inside cover page hereof.

Interest on the 2017C Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2017 (each, an “**Interest Payment Date**”). Interest on the 2017C Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each 2017C Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after the close of business on the fifteenth (15th) calendar day of the month preceding an Interest Payment Date, whether or not such fifteenth (15th) calendar day is a business day (the “**Record Date**”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to July 15, 2017, in which event it shall bear interest from the date of delivery of the 2017C Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a 2017C Bond, interest thereon is in default, such 2017C Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Book-Entry Only System

The 2017C Bonds will be initially issued as fully registered bonds without coupons for each maturity of the 2017C Bonds. Upon initial delivery, the ownership of the 2017C Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as a securities depository for the 2017C Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their beneficial ownership interest in the 2017C Bonds so purchased. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2017C Bonds, payments of principal, premium, if any, and interest evidenced by the 2017C Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2017C Bonds and references herein and in the Indenture to the Owners or Bondowners mean Cede & Co. and do not mean the Beneficial Owners of the 2017C Bonds. In this Official Statement, the term “**Beneficial Owner**” means the person for whom a DTC Participant acquires an interest in the 2017C Bonds. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Successor Agency or the Trustee with respect to the principal or redemption price of or interest on the 2017C Bonds to the extent of the sum or sums so paid. The Successor Agency and the Trustee cannot and do not give any assurance that DTC’s Direct Participants or Indirect Participants will distribute to Beneficial Owners (i) payments of interest, principal or premium, if any, with respect to the 2017C Bonds, (ii) confirmation of ownership interests in the 2017C Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the 2017C Bonds, or that DTC’s Direct Participants or Indirect Participants will do so on a timely basis.

Neither the Successor Agency nor the Trustee will have any responsibility or obligation to DTC Direct Participants, Indirect Participants or Beneficial Owners with respect to the payments or the providing of notice to DTC Direct Participants, Indirect Participants or Beneficial Owners or the selection of the 2017C Bonds for redemption. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

In the event that either (i) DTC or a successor securities depository determines not to continue to act as a securities depository for the 2017C Bonds, or (ii) the Successor Agency determines to terminate DTC or a successor securities depository as such, then the Successor Agency shall discontinue the book-entry system. Thereupon, DTC or the then current securities depository shall furnish the Trustee with the names and addresses of the book-entry system Participants and their respective ownership interests thereof and the Trustee shall issue replacement 2017C Bonds thereto.

Redemption Provisions*

Optional Redemption. The 2017C Bonds maturing on or prior to August 1, 20[27], are not subject to optional redemption. The 2017C Bonds maturing on or after August 1, 20[28], are subject to optional redemption at the option of the Successor Agency, prior to their respective maturity dates as a whole, or in part by a lot, on any date on or after August 1, 20[27], by such maturity or maturities as shall be directed by the Successor Agency (or in the absence of such direction, pro rata by maturity and by lot within a maturity), from any source of available funds. Such optional redemption shall be at a redemption price equal to 100% of the principal amount of the 2017C Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2017C Bonds that are Term Bonds maturing on August 1, 20__ and August 1, 20__ are also subject to mandatory sinking fund redemption in whole, or in part by lot, on August 1 in each year, commencing on August 1, 20__ and August 1, 20____, respectively, as set forth below, from sinking fund payments made by the Successor Agency to the Principal Account pursuant to the Indenture at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years set forth in the following tables; provided, however, that (a) in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below, and (b) if some but not all of such Term Bonds have been redeemed by optional redemption as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2017 Term Bonds maturing on August 1, 20__

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
--	------------------------------------

* Maturity.

* Preliminary, subject to change.

2017 Term Bonds maturing on August 1, 20__

Sinking Account	
Redemption Date	Principal Amount
(August 1)	<u>to be Redeemed</u>

* Maturity.

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

Selection of Bonds for Redemption. Whenever any 2017C Bonds or any Parity Debt (defined herein) issued pursuant to a supplement to the Indenture (such Parity Debt and 2017C Bonds hereinafter together referred to as, (the “**Bonds**”)) or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent 2017C Bonds are no longer held in book-entry form. In the event of redemption by lot of 2017C Bonds, the Trustee shall assign to each 2017C Bond then outstanding a distinctive number for each \$5,000 of the principal amount of each such 2017C Bond. The 2017C Bonds to be redeemed shall be the 2017C Bonds that were assigned the numbers so selected, but only so much of the principal amount of each such 2017C Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

Notice of Redemption; Rescission. Notice of redemption will be mailed by the Trustee by first class mail no less than thirty (30) and nor more than sixty (60) days prior to the redemption date (i) to any insurer of the 2017C Bonds and to the Owners of any 2017C Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services designated in a Written Request of the Successor Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2017C Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state, in the case of an optional redemption, that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the 2017C Bonds to be redeemed, shall state the individual number of each 2017C Bond to be redeemed or shall state that all 2017C Bonds between two stated numbers (both inclusive) or all of the 2017C Bonds Outstanding are to be redeemed, and shall require that such 2017C Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2017C Bonds will not accrue from and after the redemption date. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Successor Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption will be

canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2017C Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. If any redemption is rescinded or canceled in accordance with the Indenture, the Trustee will mail notice of such rescission or cancellation in the same manner and to the same recipients as the original notice of such redemption was sent, and neither the Successor Agency nor Trustee shall have any liability to Owners or any other party related to or arising from such rescission of redemption.

Partial Redemption of Bonds. In the event only a portion of any 2017C Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2017C Bond or 2017C Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2017C Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, the redemption price of and interest on the 2017C Bonds so called for redemption shall have been duly deposited with the Trustee, such 2017C Bonds so called shall be cancelled and cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Transfer and Exchange. The 2017C Bonds may be transferred or exchanged for a bond of the same tenor, maturity and principal amount at the Principal Corporate Trust Office of the Trustee by the person in whose name it is registered, provided that the Trustee shall not be required to register the transfer or exchange of (i) any 2017C Bonds during the period fifteen (15) days prior to the date established by the Trustee for selection of the 2017C Bonds for redemption, or (ii) any 2017C Bonds selected by the Trustee for redemption pursuant to the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” So long as Cede & Co. is the registered owner of the 2017C Bonds, transfers and exchanges of the 2017C Bonds will be subject to book-entry procedures. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Mutilated, Lost, Destroyed or Stolen Bonds. The Successor Agency and the Trustee will, under certain circumstances, replace 2017C Bonds which have been mutilated, lost, destroyed or stolen. The Successor Agency may require payment of a reasonable fee and of the expenses which may be incurred by the Successor Agency and the Trustee in connection with the issuance of a new 2017C Bond to replace a 2017C Bond which has been mutilated, lost, destroyed or stolen. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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DEBT SERVICE SCHEDULE

Set forth below is a table showing scheduled principal, interest and total debt service for the 2017C Bonds[, assuming no optional redemption].

<u>Bond Year Ending August 1</u>	<u>Senior Existing Loan Agreements</u>	2017C Bonds			<u>Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					

Source: Piper, Jaffray and Co.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS

General

In accordance with the Indenture, and subject to the prior and senior pledge of and security interest in and lien on Tax Revenues in favor of the Senior Existing Loan Agreements as set forth in the definitions of Mission Bay North Tax Revenues and Mission Bay South Tax Revenues, the 2017C Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund, and the 2017C Bonds and any additional Bonds shall also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise be liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

The 2017C Bonds and any Parity Debt are also equally secured by the pledge and lien created with respect to the 2017C Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited or available for deposit from time to time in the Redevelopment Property Tax Trust Fund, provided however that such pledge and lien shall only be with respect to (i) the amounts on deposit in the Redevelopment Property Tax Trust Fund constituting Tax Revenues and (ii) any amounts that are available in the Redevelopment Property Tax Trust Fund after amounts on deposit therein have been set aside or reserved, as required by applicable loan agreements, indentures, owner participation agreements, development agreements and other relevant documents now in existence or hereinafter executed, to make payments due on the indebtedness of the Former Agency or Successor Agency. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise be liable for, the payment of principal of or interest or redemption premium (if any) on the 2017C Bonds and any Parity Debt. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The 2017C Bonds are not a debt of the Authority, the City, the State, or any of its political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and neither the Authority, the City, the State, nor any of its political subdivisions is liable therefor, nor in any event will the 2017C Bonds be payable out of any funds or properties other than those of the Successor Agency and only to the limited extent set forth in the Indenture. *The 2017C Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. None of the members of the Successor Agency, the Authority, the City, or any persons executing the 2017C Bonds are liable personally for the 2017C Bonds by reason of their issuance. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.*

Tax Increment Financing Generally

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

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

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

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

Allocation of Taxes Pursuant to the Redevelopment Dissolution Act

Prior to the enactment of the Redevelopment Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects by permitting the pledge of tax increment revenues derived from the applicable project area to repayment of tax allocation bonds. After enactment of the Redevelopment Dissolution Act, the Redevelopment Law authorizes the financing of certain projects that are subject to irrevocable pledges of property tax revenues, including specific Successor Agency projects described in Section 34177.7(a) of the California Health and Safety Code, which include affordable housing projects pursuant to the MB South OPA. The Redevelopment Dissolution Act requires that all property tax increment derived from all former project areas be deposited in a Redevelopment Property Tax Trust Fund for the Successor Agency held and maintained by the City Controller. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT OR TAX REVENUES REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND AND NOT OBLIGATED FOR OTHER PURPOSES.** Pursuant to the Redevelopment Dissolution Act, the pledge of the Tax Revenues (as defined herein) to pay the 2017C Bonds is made as if the 2017C Bonds had been issued prior to the effective date of the Redevelopment Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Redevelopment Dissolution Act authorizes bonds, including the 2017C Bonds, to be secured by property tax revenues available in the Successor Agency’s Redevelopment Property Tax Trust Fund from the Mission Bay Project Areas, which generated tax increment for the Former Agency upon its dissolution if those revenues are not otherwise obligated (Stats. 2015, ch. 325, § 27(e)). The Redevelopment Dissolution Law establishes that the funds in the Redevelopment Property Tax Trust Fund are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Redevelopment Dissolution Act for permitted administrative costs of the City Controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

The Redevelopment Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the City Controller pursuant to the Redevelopment Dissolution Act. The Redevelopment Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the 2017C Bonds. Pursuant to the Redevelopment Dissolution Act, the Successor Agency has

covenanted to take all actions necessary to ensure that the 2017C Bonds will be included in each of the Successor Agency's Recognized Obligation Payment Schedules as prepared from time to time under the Redevelopment Dissolution Act. See "– Recognized Obligation Payment Schedule" below.

The Successor Agency tax rate calculated by the City is one percent (1.000%) for the secured roll and the unsecured roll. See APPENDIX B – "REPORT OF FISCAL CONSULTANT" for more information. In accordance with Section 33670(e) of the Redevelopment Law, the Successor Agency tax rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Successor Agency receives, on an annual basis, only those tax increment revenues required by it to pay debt service or other enforceable obligations. See Table 1 under "THE MISSION BAY PROJECT AREAS – Historical and Current Assessed Valuation and Tax Revenues for the Mission Bay Project Areas."

Taxes levied on the property within the Mission Bay Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Mission Bay Project Areas, to the extent they constitute tax revenues, less administrative costs, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Retirement Fund established pursuant to the Redevelopment Dissolution Act on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Redevelopment Dissolution Act. See "– Recognized Obligation Payment Schedule" below.

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

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

The Teeter Plan remains in effect in the City unless and until the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted

by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the 2017C Bonds.

As of October 8, 2016, the overall delinquency rate for Fiscal Year 2015-16 for all secured properties in the Mission Bay Project Areas was 0%. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Assembly Bill 1290; Statutory Pass-Throughs. Assembly Bill 1290 (being Chapter 942, Statutes of 1993) (“**AB 1290**”) was adopted by the California Legislature and became law on January 1, 1994 (adding among other things, Sections 33607.5 and 33607.7 to the Redevelopment Law).

AB 1290 established, among other things, a mandatory statutory formula for sharing tax increment (“**Statutory Pass-Through Amounts**”) for project areas established, or amended in certain respects, on or after January 1, 1994, which applied to tax increment revenues net of the housing set-aside. Statutory Pass-Through Amounts are paid from the portion of tax increment available for infrastructure, not housing. Therefore, payment of Statutory Pass-Through Amounts are subordinate to the 2017C Bonds.

Security for the 2017C Bonds; Equal Security

Pursuant to Section 34177.7(g) of the Redevelopment Dissolution Act, except as provided in the Indenture, the 2017C Bonds will be secured by a pledge of, security interest in and lien on all of the Tax Revenues, and all of the moneys in the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The 2017C Bonds are also equally secured by the pledge and lien created with respect to the 2017C Bonds by Section 34177.7(g) of the California Health and Safety Code on moneys deposited or available for deposit from time to time in the Redevelopment Property Tax Trust Fund, provided however that such pledge and lien shall only be with respect to (i) the amounts on deposit in the Redevelopment Property Tax Trust Fund constituting Tax Revenues and (ii) any amounts that are available in the Redevelopment Property Tax Trust Fund after amounts on deposit therein have been set aside or reserved, as required by applicable loan agreements, indentures, owner participation agreements, development agreements and other relevant documents now in existence or hereinafter executed, to make payments due on the indebtedness of the Former Agency or Successor Agency. Except for the Tax Revenues and such moneys described in the funds and accounts referenced above, no funds or properties of the Successor Agency will be pledged to, or otherwise be liable for, the payment of principal of or interest on (or redemption premium, if any, on) the 2017C Bonds.

As defined in the Indenture, “**Tax Revenues**” means, collectively, the Mission Bay North Tax Revenues and the Mission Bay South Tax Revenues.

The “**Mission Bay North Tax Revenues**” means all taxes that were eligible for allocation to the Former Agency with respect to the Mission Bay North Project Area and are allocated to the Successor Agency, 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 MB North Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the MB North Project Area pursuant to Section 16110 et seq. of the California Government Code), and formerly required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency; provided, however, that such taxes shall (a) never be less than twenty percent (20%)

of the taxes deposited in the Redevelopment Property Tax Trust Fund with respect to the MB North Project Area following the Closing Date and (b) exclude amounts payable pursuant to the Mission Bay North Senior Existing Loan Agreements.

The “**Mission Bay South Tax Revenues**” means all taxes that were eligible for allocation to the Former Agency with respect to the MB South Project Area and are allocated to the Successor Agency, 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 MB South Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the MB South Project Area pursuant to Section 16110 et seq. of the California Government Code), and formerly required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency; provided, however, that such taxes shall (a) never be less than twenty percent (20%) of the taxes deposited in the Redevelopment Property Tax Trust Fund with respect to the MB South Project Area following the Closing Date and (b) exclude amounts payable pursuant to the MB South Senior Existing Loan Agreements.

The Successor Agency’s collection of tax revenues in the Mission Bay Project Areas are subject to certain limitations set forth in their respective redevelopment plans. See “THE MISSION BAY PROJECT AREAS.”

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control (e.g., any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies) could affect the amount of Tax Revenues available to pay the principal of and interest on the 2017C Bonds. See “– Tax Increment Financing Generally,” “– Recognized Obligation Payment Schedule,” “LIMITATIONS ON TAX REVENUES” and “CERTAIN RISK FACTORS.”

In consideration of the acceptance of the 2017C Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Successor Agency and the Owners from time to time of the 2017C Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all owners of the 2017C Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the bonds over any of the others by reason of the number or date thereof, or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the 2017C Bonds or in the Indenture.

Special Fund; Deposit of Tax Revenues

The Indenture establishes the Special Fund to be held by the Successor Agency. Pursuant to the Indenture, the 2017C Bonds are equally secured with any Parity Debt by amounts on deposit in the Special Fund. The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Special Fund, and to the special funds, if any, created with respect to any additional Parity Debt, promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, and the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture, and (ii) with respect to any Parity Debt (other than additional bonds issued pursuant to a Supplemental Indenture) pursuant to the applicable Parity Debt Instruments. If the amount of Tax Revenues available in such Bond Year will be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Successor Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited. See “– Recognized Obligation Payment Schedule” below.

All Tax Revenues received by the Successor Agency with respect to any Bond Year in excess of the amount required to be deposited into the Special Fund and any other special funds mentioned in the preceding paragraph during such Bond Year will be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Successor Agency for any lawful purpose of the Successor Agency, including but not limited to the payment of Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

There has been established under the Indenture a fund to be known as the Debt Service Fund, which will be held by the Trustee in trust in accordance with the Indenture. The Indenture requires the Successor Agency to transfer from the Special Fund to the Trustee (i) on or before the fifth (5th) business day preceding each Interest Payment Date, commencing with the Interest Payment Date of August 1, 2017, the amount necessary to pay the interest becoming due on the Outstanding Bonds on such Interest Payment Date, (ii) on or before the fifth (5th) business day preceding August 1, in each year, beginning August 1, 2017 the amount then due to pay principal on the Outstanding Serial Bonds and Outstanding Term Bonds, (iii) at any time that the amount on deposit in the Reserve Account is less than the Reserve Requirement, the amount necessary to maintain the Reserve Requirement at the requisite amount, and (iv) on or before the business day preceding any date on which Bonds are to be optionally redeemed, the amount required to pay the principal of and premium, if any, on the 2017C Bonds and any other Bonds to be redeemed on such date pursuant to the Indenture or any Supplemental Indenture.

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

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

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

Reserve Account. The Indenture establishes a “**2017 Reserve Subaccount**” to be held by the Trustee for the benefit of the Owners of the 2017C Bonds as a separate subaccount within the Reserve Account. The amount on deposit in the 2017 Reserve Subaccount is required to be maintained at the Reserve Requirement, which is defined in the Indenture to mean, with respect to the 2017C Bonds and each series of Parity Debt issued in the form of Bonds, the lesser of (i) one hundred and twenty five percent (125%) of average Annual Debt Service with respect to that series of Bonds, (ii) Maximum Annual Debt

Service with respect to that series of the Bonds, or (iii) with respect to an individual series of Bonds, 10% of the original principal amount of a series of Bonds (or, if such series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of such series of Bonds), subject to certain conditions and limitations set forth in the Indenture.

The Successor Agency has solicited bids for a reserve surety bond to satisfy the Reserve Requirement. No assurance can be given as to whether the Successor Agency will obtain a reserve surety bond to satisfy the Reserve Requirement with respect to the 2017C Bonds. The Successor Agency's decision as to whether to deposit a reserve surety bond in the 2017 Reserve Subaccount will be made at or about the time of the pricing of the 2017C Bonds and will be based upon, among other things, market conditions at the time of such pricing.

If the Reserve Requirement for the 2017C Bonds is satisfied by the delivery of a reserve surety for the 2017C Bonds by the surety provider to the Trustee on the Closing Date for deposit in the 2017 Reserve Subaccount for the 2017C Bonds, the Trustee will draw on the reserve surety in accordance with its terms and conditions and with the terms of the Indenture. The amounts available under the reserve surety for the 2017C Bonds will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of the 2017C Bonds then Outstanding. The Trustee will comply with all documentation relating to the reserve surety as required to maintain the reserve sureties in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. The Successor Agency has no obligation to replace any reserve surety bond or to fund the 2017 Reserve Subaccount with cash if, at any time that any 2017C Bonds are outstanding, amounts are not available under the reserve surety. Additionally, the Successor Agency will have no obligation to replace a reserve surety bond or to deposit any cash in the 2017 Reserve Subaccount in the event that any rating assigned to the surety provider by S&P or Moody's is lowered or withdrawn. If the Successor Agency obtains a reserve surety bond to satisfy the Reserve Requirement with respect to the 2017C Bonds, information regarding the municipal bond insurer issuing the reserve surety will be included in the final Official Statement. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" relating to use of a reserve surety.

Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2017C Bonds and on such other Bonds to be optionally redeemed on the date set for such redemption. Interest due on the 2017C Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such 2017C Bonds or such other Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of all or a portion of the 2017C Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such 2017C Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

Property Tax Administration Fees

Pursuant to the Redevelopment Dissolution Act, the City Controller charges the Successor Agency a fee to recover property tax administration costs. This administration fee is approximately 0.017% of tax increment and is allocated among all of the Successor Agency's project areas as determined at the discretion of the Successor Agency. For Fiscal Year 2015-16, the County's administrative charge to the Successor Agency for all of its project areas, including the Mission Bay Project Areas, was \$34,000. For Fiscal Year 2016-17, it is expected to be approximately \$29,070. See also "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedure – *Property Tax Administrative Costs.*"

Senior Existing Loan Agreements

The pledge of tax revenues from the Mission Bay Project Areas under the Indenture to pay debt service on the 2017C Bonds is subordinate to the pledge thereof for payment of debt service on certain loans (the “**Senior Existing Loans**”) made to the Former Agency by the Authority pursuant to certain loan agreements between the Former Agency and the Authority to fund low and moderate housing in the Mission Bay Project Areas pursuant to the MB North OPA and the MB South OPA (the “**Senior Existing Loan Agreements**”). The loans made by the Authority to the Former Agency were made with proceeds of certain bonds issued by the Authority (the “**Authority Housing Bonds**”). The amounts outstanding under the Senior Existing Loan Agreements are set forth below, which list includes the Authority Housing Bonds to which such loan agreements relate. The amount of the Senior Existing Loan Agreements as shown below could increase if the Successor Agency determines at pricing not to refund all of the Refunded Obligations shown under “THE REFUNDING PLAN.”

Outstanding Authority Housing Bonds related to the <u>Mission Bay Project Areas</u>	Outstanding Principal Amount of the Existing Loans Relating Thereto (Mission Bay Project Areas Portion) (as of 08/02/16)
2007 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) ⁽¹⁾	\$11,915,000
2009 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) ⁽²⁾	2,850,000
2009 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) ⁽³⁾	845,000
	TOTAL \$15,610,000

⁽¹⁾ Debt service on this series of bonds is payable from loan payments pursuant to a Loan Agreement, dated as of October 15, 2007, among the Former Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority, in the initial aggregate principal amount of \$14,225,000 for the MB North Project Area (the “**2007A Loan Agreement**”).

⁽²⁾ Debt service on this series of bonds is payable from loan payments pursuant to a Loan Agreement, dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$2,920,000 relating to the MB North Project Area (the “**2009A MBN Loan Agreement**”) and a Loan Agreement, dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$4,680,000 relating to the MB South Project Area (the “**2009A MBS Loan Agreement**”).

⁽³⁾ Debt service on this series of bonds is payable from loan payments pursuant to the 2009 MBN Loan Agreement relating to the MB North Project Area and loan payments pursuant to a Loan Agreement, dated as of December 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$2,920,000 relating to the MB North Project Area (together with the 2007A Loan Agreement and the 2009 MBN Loan Agreement, the “**MB North Senior Existing Loan Agreements**”) and the 2009 MBS Loan Agreement relating to the MB South Project Area (the 2009A MBS Loan Agreement together with the 2009 MBS Loan Agreement, the “**MB South Senior Existing Loan Agreements**”).

Source: Piper, Jaffray and Co.

Limitations on Additional Indebtedness

Parity Debt. In addition to the 2017C Bonds, the Successor Agency may issue additional bonds (including pursuant to a Supplemental Indenture) or incur other loans, advances or indebtedness, which are secured by and payable from Tax Revenues on a parity with the lien established under the Indenture for payment of the 2017C Bonds to finance or refinance low and moderate income housing in the Mission Bay Project Areas (“**Parity Debt**”) in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions which are all conditions precedent to the issuance and delivery of such Parity Debt:

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

(b) The Tax Revenues [after adding back amounts payable pursuant to the Senior Existing Loan Agreements] received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Mission Bay Project Areas as evidenced in a written document from an appropriate official of the City, exclusive of State subventions and taxes levied to pay voter approved outstanding general obligation bonded indebtedness, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on the [Senior Existing Loan Agreements, the] 2017C Bonds and any other Parity Debt that will be outstanding immediately following the issuance of such Parity Debt, provided that in the case of Parity Debt issued to refund, in whole or in part, the [Senior Existing Loan Agreements, the] 2017C Bonds or Parity Debt, such coverage requirement shall not apply as long as Maximum Annual Debt Service on the [Senior Existing Loan Agreements, the] 2017C Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt does not increase;

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

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

Within the next 5-6 years, the Successor Agency currently anticipates issuing approximately \$140.2 million aggregate principal amount of additional bonds on a parity with the 2017C Bonds.

Subordinate Debt. The Indenture permits the Successor Agency to issue and sell bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds and any Parity Debt (collectively, “**Subordinate Debt**”). The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency.

Recognized Obligation Payment Schedule

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

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

Per SB 107, commencing on February 1, 2016, successor agencies transitioned to an annual Recognized Obligation Payment Schedule process pursuant to which successor agencies are required to file their Recognized Obligation Payment Schedule with their oversight board and the California Department of Finance for approval each February 1 for the July 1 through June 30 period immediately following such February 1. If the Successor Agency does not timely submit a ROPS to the Oversight Board and the California Department of Finance, then the Successor Agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a ROPS to the Oversight Board and the California Department of Finance within ten (10) days of the deadline, then

the Successor Agency's maximum administrative cost allowance may be reduced by up to twenty-five percent (25%). For additional information regarding procedures under the Redevelopment Dissolution Act relating to late ROPSs and implications thereof for the 2017C Bonds, see "CERTAIN RISK FACTORS – Recognized Obligation Payment Schedule." Also see "– Last and Final Recognized Obligation Payment Schedule" below for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Redevelopment Dissolution Act pursuant to SB 107.

In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Law and the Redevelopment Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Redevelopment Dissolution Act to assure compliance by the Successor Agency with its covenants hereunder.

Further, the Successor Agency covenants to take all actions required under the Redevelopment Dissolution Act to include:

- (i) scheduled debt service on the Senior Existing Loan Agreements and any amounts required to replenish any reserve account established under any Senior Existing Loan Agreement,
- (ii) scheduled debt service on the 2017C Bonds and any Parity Debt and any amount required under the Indenture or any Parity Debt Instrument to replenish the Reserve Account established hereunder or the reserve account established under any Parity Debt Instrument, and
- (iii) amounts due to any Insurer under an insurance or surety bond agreement,

in each annual Recognized Obligation Payment Schedule so as to enable the City Controller to distribute from the Redevelopment Property Tax Trust Fund to the Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period and to pay amounts owed to any Insurer, as well as the other amounts set forth above.

The Successor Agency further covenants and agrees that these actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and California Department of Finance the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Redevelopment Dissolution Act, that are necessary to comply with the Indenture. In particular, the Successor Agency shall, not later than October 1, 2017 (or at such earlier time as may be required by the Redevelopment Dissolution Act), submit to the California Department of Finance and to the City Controller an Oversight Board-approved amendment to the Recognized Obligation Payment Schedule previously submitted by the Successor Agency relating to the June 1, 2017 and January 2, 2018 disbursement dates, amending the amounts to be distributed on January 2, 2018 to include all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient for the payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on February 1, 2018 and August 1, 2018. Not later than February 1, 2018 and each February 1 thereafter (or at such other time as may be required by the Redevelopment Dissolution Act) for so long as any of the Senior Existing Loan Agreements, the 2017C Bonds or any Parity Debt remains outstanding, (a) the Successor Agency will place on the Recognized Obligation Payment Schedules relating to the January 2 disbursement date all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient to pay debt service on the Senior Existing Loan Agreements, the

2017C Bonds and any Parity Debt on the immediately succeeding August 1 and February 1, and (b) if the Successor Agency determines it is necessary to do so to ensure receiving sufficient amounts to pay debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on a timely basis, the Successor Agency will place on Recognized Obligation Payment Schedules relating to the June 1 disbursement date amounts required to pay debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on the next succeeding August 1. Additionally, if the Successor Agency determines it is necessary to ensure timely payment of debt service on the Senior Existing Loan Agreements, the 2017C and any Parity Debt, the Successor Agency may also collect on each January 1 a reserve to be held for debt service on the Senior Existing Loan Agreements, the 2017C and any Parity Debt on February 1 and August 1 of the next succeeding calendar year.

The Successor Agency also covenants to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Special Fund, as required by this Indenture.

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Redevelopment Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a “**Last and Final ROPS**”). In particular, successor agencies that have received a Finding of Completion and the concurrence of the California Department of Finance as to the items that qualify for payment, among other conditions, may at their option, file a Last and Final ROPS. If approved by the California Department of Finance, the Last and Final ROPS will be binding on all parties, and the successor agency will no longer submit a Recognized Obligation Payment Schedule to the California Department of Finance or its oversight board. The county auditor-controller will continue to allocate moneys in the successor agency’s Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Redevelopment Dissolution Act; however, the county auditor-controller will allocate such moneys in each fiscal period, after deducting the county auditor-controller’s administrative costs, in the following order of priority: (A) pass-through payments pursuant to Section 34183(a)(1) of the Redevelopment Dissolution Act; (B) scheduled debt service payments on tax allocation bonds listed and approved in the Last and Final ROPS; (C) scheduled payments on revenue bonds listed and approved in the Last and Final ROPS, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the successor agency’s tax increment revenues were also pledged for the repayment of bonds; (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund; (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods; (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency’s housing functions and assets that are listed and approved on the Last and Final ROPS; and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in (A) to (F), above, will be distributed to taxing entities in accordance with Section 34183(a)(4) of the Redevelopment Dissolution Act. A Last and Final ROPS may only be amended twice, and only with approval of the California Department of Finance and the county auditor-controller.

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

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

THE SUCCESSOR AGENCY

The Redevelopment Dissolution Act established, by operation of law, the Successor Agency with all authority, rights, powers, duties, and obligations previously vested with the Former Agency under the Redevelopment Law, as amended by the Redevelopment Dissolution Act. The Successor Agency is a separate public entity from the City, but the Board of Supervisors of the City serves as the legislative body of the Successor Agency and delegated, by Ordinance No. 215-12 adopted on Oct. 4, 2012, its authority under the Redevelopment Dissolution Act to the Successor Agency Commission. Within City government, the Successor Agency is titled “The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency.” Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Redevelopment Dissolution Act, and the limitations thereon.

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

Authority and Personnel

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

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

<u>Name</u>	<u>Occupation</u>	<u>First Appointed</u>	<u>Term Expires</u>
Marily Mondejar	Community Organizer	2012	November 3, 2018
Mara Rosales	Attorney	2012	November 3, 2018
Darshan Singh	Businessman	2012	November 3, 2020
Miguel Bustos	Banker	2014	November 3, 2020
Leah Pimentel	Consultant	2015	November 3, 2020

The Successor Agency has 47 full-time equivalent positions budgeted, approximately 40 of which are filled. The Successor Agency Commission appointed Nadia Sesay to serve as Interim Executive Director on January 17, 2017. The other principal full-time staff positions are: the Deputy Director of Finance and Administration; the Deputy Director of Project and Programs; and the General Counsel and Deputy Director. Each project area in which the Successor Agency continues to implement enforceable obligations is managed by a designated project manager. There are separate staff support divisions with real estate and housing development specialists as well as planning and other technical staff. The Successor Agency has its own fiscal, legal, and administrative staff.

Effect of the Redevelopment Dissolution Act

AB 26. As a result of AB 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agencies all under the supervision of new oversight boards, the California Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 adopted by the Board of Supervisors on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors: (i) officially gave the following name to the Successor Agency: the “**Successor Agency to the Redevelopment Agency of the City and County of San Francisco**”; (ii) created the Successor Agency Commission as the policy body of the Successor Agency; (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency’s Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency; and (iv) established the composition and terms of the members of the Successor Agency Commission. As discussed below, many actions of the Successor Agency are subject to approval by the Oversight Board and review or approval by the California Department of Finance, including the issuance of bonds such as the 2017C Bonds.

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

SB 107. On September 22, 2015, the Redevelopment Dissolution Act was further amended by SB 107, which, among other things: a) clarified the authority of the Successor Agency to issue bonds for affordable housing and certain infrastructure (California Health & Safety Code § 34177.7); b) removed, for purposes of payment of enforceable obligations, certain time limits that had previously applied to the issuance of debt, the receipt of tax increment, the repayment of debt and any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law; and c) authorized the Successor Agency to secure new debt with the property tax revenues (former tax increment) from project areas that had generated tax increment upon the dissolution of the Former Agency on February 1, 2012 (Stats. 2015, ch. 325, § 27(e)). Significantly, these project areas include those with redevelopment plans that may have expired for other purposes but that continue to be a source of funds for repayment of indebtedness. Accordingly, the Successor Agency will continue to be allocated revenue from all former project areas until such time as all enforceable obligations have been repaid, even if such time extends beyond such project area plan’s stated last day to repay indebtedness. SB 107 did not however change a redevelopment plan’s limit on the amount of bonds that can be outstanding at any one time or restore or continue funding for projects whose contractual terms specified that project funding would cease once the limits in the Redevelopment Law were realized. See “– Continuing Activities” below for more information relating to Section 34177.7.

Oversight Board

The Redevelopment Dissolution Act established special provisions for the composition of a seven-member oversight board operating in a jurisdiction that is both a charter city and a county, such as the City (California Health & Safety Code § 34179(a)(10)). These provisions require that four (4) members of the oversight board be appointed by the mayor, one of whom must represent the largest number of former redevelopment agency employees, one member appointed by the largest special district as determined by property tax share, one member appointed by the superintendent of education, and one member appointed by the chancellor of the state community colleges. The Successor Agency’s Oversight Board is comprised of the four (4) members appointed by the Mayor, the one (1) member appointed by the Bay Area Rapid Transit District, the one (1) member appointed by the County Superintendent of Education, and the one (1) member appointed by the Chancellor of the California Community Colleges.

Department of Finance Finding of Completion

The Redevelopment Dissolution Act established a process for determining the liquid assets that

redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities. This determination process was required to be completed through the final step (review by the California Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affordable housing funds, determined by the California Department of Finance in the amount of \$10,577,932, plus \$1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the California Department of Finance in the amount of \$959,147. The Successor Agency has made all payments required under AB 1484 and received its finding of completion from the California Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

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

Continuing Activities

The Former Agency was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for fourteen (14) redevelopment project areas, of which only thirteen (13) continue, including the Mission Bay Project Areas. The Successor Agency only has the authority to complete work related to approved enforceable obligations.

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

In addition, the Successor Agency continues to manage the Former Agency's assets such as the Yerba Buena Center and other real property and assets of the Former Agency that ultimately must be disposed of, or transferred to the City, under a long range property management plan required by the Redevelopment Dissolution Act and approved by the California Department of Finance on December 7, 2015.

THE MISSION BAY PROJECT AREAS

General

Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could only undertake those activities within a redevelopment project area specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word.

As described above under "INTRODUCTION – The Mission Bay Project Areas," the Former Agency adopted the MB North Redevelopment Plan with respect to the MB North Project Area and the MB South Redevelopment Plan with respect to the MB South Project Area, each of which originally included separate time and financial limitations applicable to the MB North Project Area and the MB South Project Area, respectively. SB 107 provides that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Successor Agency as set forth in these redevelopment plans are not effective for purposes of paying the Successor Agency's enforceable obligations. As a result, the projections set forth in this Official Statement (and in the Fiscal Consultant's Report attached to this Official Statement as APPENDIX B) were prepared without regard to the time and financial limitations set forth in the MB North Redevelopment Plan and the MB South Redevelopment Plan. Certain information regarding these redevelopment plans can be found in the Report of Fiscal Consultant attached hereto as APPENDIX B.

Mission Bay North Project Area

General. The MB 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 Mission Creek on the South. Of the approximately 65 acres that make up the MB North Project Area, tax increment revenue is generated from approximately 20 acres.

The MB North Project Area is a mixed-use, mixed-income neighborhood, served by public transit, including Caltrain and MUNI. The area includes a mix of market rate and affordable housing, new parks and open space, a new public library and retail to serve residents and the larger community.

Development in the MB North Project Area began in 2000 and, as of December 2016, the build-out of the MB North Project Area is nearly complete, with only a small amount of infrastructure remaining to be completed. All housing (affordable or market rate), office and retail development for the MB North Project Area has been built.

Mission Bay South Project Area

General. The MB South Project Area consists of approximately 238 acres of land located approximately two miles south of the financial district of the City, and is adjacent to AT&T Park, the waterfront baseball stadium for the San Francisco Giants (which is not in the MB South Project Area). The MB South Project Area is bounded on the south by Mariposa Street, on the east by San Francisco Bay, on the north by Mission Creek, and on the west by Seventh Street and the Interstate 280 Freeway. Like the

MB North Project Area, it is also served by public transit, including Caltrain and MUNI. Of the approximately 238 acres that make up the MB South Project Area, tax increment revenues are generated from approximately 51.4 acres.

At full build-out, the MB South Project Area will be anchored by the University of California, San Francisco (UCSF) Mission Bay campus (“**UCSF Mission Bay Campus**”) which is a life science research and academic campus that, when completed, will contain about 4.1 million square feet of university research facilities and a 550-bed medical center consisting of three specialty hospitals: (1) UCSF Benioff Children’s Hospital, (2) UCSF Women’s Specialty Hospital, and (3) UCSF Cancer Hospital (part of the Helen Diller Family Comprehensive Cancer Center). In addition to being the location of this major new medical campus for UCSF, the MB South Project Area has several major construction projects underway including the Golden State Warriors Event Center and Mixed-Use Development, commercial development on the Block 40 site and a vacant site recently purchased by Uber Technologies. Completed development that is expected to appear on the Fiscal Year 2017-18 rolls include 735 rental units built on three sites (1850 Channel Street, 1201 Fourth Street and 690 Long Bridge Street), a portion of the condominium sales at 718 Long Bridge Street (a portion has already been assessed for Fiscal Year 2016-17), a Kaiser Permanente office building at 1600 Owens Street and a vacant site purchased for hotel development on Channel Street. The MB South Redevelopment Plan also calls for a 250-room hotel, more than 35 acres of new parks and open space, a new public school and the recently built San Francisco Public Safety Building which includes the relocation of both the San Francisco Police Department Command Center Headquarters and the Southern District Police Station, as well as a new fire station for the Mission Bay community. The MB South Project Area will also contain approximately 3,440 housing units, inclusive of the housing described under “PLAN OF FINANCE,” of which approximately thirty-two percent (32%) will be affordable.

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

Land Use

Land Use Breakdown. The table below shows the breakdown of land use for Fiscal Year 2016-17 by the number of parcels and secured assessed valuation.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO Land Use Breakdown for the Mission Bay Project Areas for Fiscal Year 2016-17

<u>Land Use</u>	<u>Secured Assessed Valuation</u>	<u>% of Total Valuation</u>	<u>No. of Parcels</u>	<u>% of Total Parcels</u>
Commercial	\$1,270,002,353	28.2%	87	3.8%
Industrial	-	0.0	4	0.2
Residential				
<i>Condominiums</i>	1,674,589,706	37.2	1867	82.2
<i>Apartment</i>	1,025,824,137	22.8	185	8.1
Vacant	399,565,424	8.9	30	1.3
Publicly-Owned/Other	133,170,322	3.0	97	4.3
Total	\$4,503,151,942	100.0%	2,270	100.0%

Sources: County Assessor; Urban Analytics.

Land Use Entitlements. The table below sets forth the land use entitlements in the Mission Bay Project Areas, as of January 9, 2017.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Current Entitlements and Construction Status in the Mission Bay Project Areas**

<u>Entitlement</u>	<u>Completed</u>	<u>Under Construction</u>	<u>Total Completed or Under Construction</u>	<u>Total Size of Entitlement</u>	<u>% Completed or Under Construction</u>
MB North Project Area					
Residential	2,964 units	-	2,964 units	2,964 units	100%
Retail	130,000 s.f.	-	130,000 s.f.	130,000 s.f.	100
Office	60,000 s.f.	-	60,000 s.f.	60,000 s.f.	100
Open Space	6.55 acres	-	6.55 acres	6.55 acres	100
MB South Project Area					
University Research Facilities	2.2 million s.f.	—	2.2 million s.f.	4.1 million s.f.	54%
Medical Center	289 beds	—	289 beds	550 beds	53
Office/Lab Space	1.9 million s.f.	2.1 million s.f.	4 million s.f.	4 million s.f.	100
Residential Housing	2,132 units	693 units	2,825 units	3,440 units	82
Hotel	—	—	—	250 rooms	—
Retail Space	97,200 s.f.	64,700 s.f.	161,900 s.f.	289,000 s.f.*	56
Open Space	11.7 acres	6.1 acres	17.9 acres	35.9 acres	50

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

Source: Successor Agency.

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Historical and Current Assessed Valuation and Tax Revenues for the Mission Bay Project Areas

The Successor Agency has retained the Fiscal Consultant to provide projections of taxable assessed valuation, tax increment revenue and Tax Revenues from developments in the Mission Bay Project Areas.

General. The tables below set forth the following information for the Mission Bay Project Areas: (i) the property taxable values and tax increment revenues received from the Mission Bay Project Areas for Fiscal Years 2012-2013 to 2016-2017 and (ii) information on the ten largest property owners based on assessed value for Fiscal Year 2016-17.

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

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Secured Property Assessed Values⁽¹⁾:					
Existing Properties:					
Real Property	\$2,965,829	\$3,150,812	\$3,496,934	\$3,977,281	\$4,503,152
SBE Rolls	—	—	—	—	—
Total Secured Assessed Value	\$2,965,829	\$3,150,812	\$3,496,934	\$3,977,281	\$4,503,152
Unsecured Assessed Value	159,791	168,093	185,800	234,661	230,238
Total Assessed Value	\$3,125,620	\$3,318,905	\$3,682,733	\$4,211,942	\$4,733,389
Base Year Values:					
Secured	\$ 110,640	\$ 110,640	\$ 110,640	\$ 110,640	\$ 110,640
Unsecured	13,446	13,446	13,446	13,446	13,446
Increase Over Base-Year Values:					
Secured	\$2,855,189	\$3,040,172	\$3,386,294	\$3,866,642	\$4,392,512
Unsecured	146,345	154,647	172,353	221,214	216,791
Tax Rates:					
Secured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
Unsecured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
Tax Increment Revenue⁽²⁾					
Secured Property	\$ 28,552	\$ 30,402	\$ 33,863	\$ 38,666	\$ 43,925
Unsecured Property	1,463	1,546	1,724	2,212	2,168
Gross Tax Increment Revenue	\$ 30,015	\$ 31,948	\$ 35,586	\$ 40,879	\$ 46,093
Less: 80% Allocable to Infrastructure	24,012	25,559	28,469	32,703	36,874
Tax Increment Revenue	\$ 6,003	\$ 6,390	\$ 7,117	\$ 8,176	\$ 9,219

⁽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.

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

Ten Largest Property Owners by Valuation. The table below summarizes the ten largest property owners based on Fiscal Year 2016-17 assessed valuation. See “REPORT OF FISCAL CONSULTANT” attached hereto as APPENDIX B for a brief summary regarding these property owners.

Table 2
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Mission Bay Project Areas
Ten Largest Property Owners by Assessed Valuation for Fiscal Year 2016-17

<u>Property Owner/Taxpayer</u>	<u>Assessed Value⁽¹⁾</u>	<u>% of Total Assessed Value</u>	<u>Land Use</u>
ALEXANDRIA REAL ESTATE SF* (3: 2016-17, 3: 2015-16)	\$ 645,744,215	13.6%	Office
BOSA DEVELOPMENT CA	263,435,475	5.6	Condominium
ESSEX PORTFOLIO* (1: 2016-17)	224,131,386	4.7	Apartment Bldg
GSW ARENA LLC	187,264,710	4.0	Vacant
HINES GLOBAL REIT 550 TERRY FR* (1: 2015-16, 1: 2013-14)	187,242,482	4.0	Office
MVP I LLC DELAWARE	143,330,699	3.0	Apartments/Retail
AVALONBAY COMMUNITIES INC	129,219,469	2.7	Apartments/Retail
UNITED DOMINION REALTY LP	127,681,555	2.7	Apartments/Retail
DCO MISSION BAY LP	122,976,808	2.6	Apartments/Retail
MISSION BAY NORTH FINCG LP	111,456,569	2.4	Apartments/Retail
Total Ten Largest:	2,142,483,368	45.3%	
All Other	2,590,906,096	54.7	
Total for the Area:	\$4,733,389,464	100.0%	
<i>Ten Largest as Percentage of Incremental Assessed Value:</i>		46.5%	

⁽¹⁾ Assessed valuations exclude homeowner subventions.

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

Sources: Assessor; Urban Analytics.

The Mission Bay Project Areas includes six (6) residential condominium buildings whose constituent condominium assessments would, if taken in the aggregate, be included among the ten largest properties for Fiscal Year 2016-17. The buildings and their aggregate valuations are: 260 King Street (the Beacon) (\$440.6 million), 330 Berry Street (\$211.2 million), 335 Berry Street (\$126.7 million), 255 Berry Street (\$212.0 million), 738 Long Bridge Street (\$189.9 million), and 480 Mission Bay Boulevard North (the Madrone) (\$440.5 million). See also “REPORT OF FISCAL CONSULTANT.”

TAX REVENUES AND DEBT SERVICE

Pursuant to the Indenture, Tax Revenues are to be deposited by the Successor Agency into the Special Fund. Thereafter, moneys in the Special Fund shall be transferrable by the Successor Agency to the Trustee for deposit in the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the 2017C Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Special Fund; Deposit of Tax Revenues.”

Based on assessment roll data provided by the offices of the San Francisco Assessor, San Francisco Controller, and State Board of Equalization, the total assessed valuation for Fiscal Year 2016-17 in the Mission Bay Project Areas, after deducting all exemptions except the homeowner’s exemption which is

reimbursed by the State, is \$4.7 billion in the Mission Bay Project Areas. This represents a gain of 12.38% over Fiscal Year 2015-16.

Projected Tax Revenues and Debt Service Coverage

Set forth below are tables showing projected gross tax increment revenue, projected Tax Revenues and estimated debt service coverage. The below projections assume annual growth calculated using the Proposition 13 inflation factor of 2.0% in Fiscal Year 2017-18 and subsequent years for real property, no growth in unsecured and personal property, and a tax levy of 1.0%.

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

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

Fiscal Year	Ending June 30	Gross Tax Increment ⁽²⁾	Less Portion Applied to Infrastructure	Projected Tax Revenues
2017		\$ 46,093,035	\$ (36,874,428)	\$ 9,218,607
2018		46,991,885	(37,593,508)	9,398,377
2019		47,908,712	(38,326,970)	9,581,742
2020		48,843,876	(39,075,101)	9,768,775
2021		49,797,743	(39,838,195)	9,959,549
2022		50,770,688	(40,616,550)	10,154,138
2023		51,763,091	(41,410,473)	10,352,618
2024		52,775,343	(42,220,274)	10,555,069
2025		53,807,839	(43,046,271)	10,761,568
2026		54,860,986	(43,888,789)	10,972,197
2027		55,935,195	(44,748,156)	11,187,039
2028		57,030,889	(45,624,711)	11,406,178
2029		58,148,496	(46,518,797)	11,629,699
2030		59,288,456	(47,430,765)	11,857,691
2031		60,451,215	(48,360,972)	12,090,243
2032		61,637,228	(49,309,783)	12,327,446
2033		62,846,963	(50,277,570)	12,569,393
2034		64,080,892	(51,264,713)	12,816,178
2035		65,339,499	(52,271,599)	13,067,900
2036		66,623,279	(53,298,623)	13,324,656
2037		67,932,734	(54,346,187)	13,586,547
2038		69,268,378	(55,414,703)	13,853,676
2039		70,630,736	(56,504,588)	14,126,147
2040		72,020,340	(57,616,272)	14,404,068
2041		73,437,736	(58,750,189)	14,687,547
2042		74,883,481	(59,906,785)	14,976,696
2043		76,358,140	(61,086,512)	15,271,628
2044		-	-	-
Total		\$1,619,526,854	\$(1,295,621,483)	\$323,905,371

⁽¹⁾ Tax Revenues are projected using a Proposition 13 inflation factor of 2.0% in Fiscal Year 2017-18 and subsequent years for real property, with no growth in unsecured and personal property or from new construction, and a tax levy of 1.00%. Projected Tax Revenues are net of the 80% portion applied to infrastructure. Actual revenues may vary. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

⁽²⁾ Statutory Pass-Through Amounts and the County’s property tax administrative charge are deducted from the portion of tax increment applied to infrastructure.

Source: Urban Analytics.

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

Fiscal Year Ending June 30	<u>Tax Revenues</u>	Senior Obligations <u>Debt Service*</u>	2017C Bonds <u>Debt Service*</u>	Total Debt <u>Service*</u>	Debt Service Coverage <u>Ratio</u>
2017	\$ 9,218,607	\$ 1,688,346	\$ 5,681,604	\$ 7,369,950	1.25
2018	9,398,377	2,173,538	5,193,109	7,366,646	1.28
2019	9,581,742	2,173,945	1,649,014	3,822,959	2.51
2020	9,768,775	1,047,197	3,212,768	4,259,965	2.29
2021	9,959,549	1,047,672	3,343,799	4,391,471	2.27
2022	10,154,138	1,047,047	3,378,387	4,425,434	2.29
2023	10,352,618	1,045,322	3,398,053	4,443,375	2.33
2024	10,555,069	1,051,460	3,407,076	4,458,535	2.37
2025	10,761,568	1,830,872	1,990,089	3,820,961	2.82
2026	10,972,197	984,325	2,886,352	3,870,677	2.83
2027	11,187,039	985,863	2,908,208	3,894,071	2.87
2028	11,406,178	985,675	2,929,842	3,915,517	2.91
2029	11,629,699	983,763	2,949,846	3,933,608	2.96
2030	11,857,691	985,125	2,968,823	3,953,948	3.00
2031	12,090,243	984,475	2,366,372	3,350,847	3.61
2032	12,327,446	986,813	1,263,668	2,250,480	5.48
2033	12,569,393	981,850	1,287,780	2,269,630	5.54
2034	12,816,178	979,875	1,312,596	2,292,471	5.59
2035	13,067,900	980,600	1,334,773	2,315,373	5.64
2036	13,324,656	983,738	1,354,312	2,338,049	5.70
2037	13,586,547	1,269,000	1,061,211	2,330,211	5.83
2038	13,853,676	-	1,229,106	1,229,106	11.27
2039	14,126,147	-	1,252,181	1,252,181	11.28
2040	14,404,068	-	1,277,327	1,277,327	11.28
2041	14,687,547	-	1,299,317	1,299,317	11.30
2042	14,976,696	-	1,328,151	1,328,151	11.28
2043	15,271,628	-	1,353,379	1,353,379	11.28
Total	<u>\$323,905,371</u>	<u>\$25,196,499</u>	<u>\$63,617,140</u>	<u>\$88,813,639</u>	

**Debt service is shown on a bond year basis.*

Sources: Piper, Jaffray and Co.; Urban Analytics.

Assessment Appeals

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

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

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the Fiscal Year 2016-17 roll data used in the REPORT OF FISCAL CONSULTANT attached hereto as APPENDIX B.

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

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

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

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate**
2016-17*	Resolved	1	\$ 2,159,890	\$ 1,431,300	\$ 2,159,890	100.0%
2016-17*	Pending	16	602,015,877	316,181,667	TBD	TBD
2015-16	Resolved	8	163,452,353	102,735,000	163,346,059	99.9%
2015-16	Pending	8	517,743,083	261,757,868	TBD	TBD
2014-15	Resolved	17	736,769,817	493,510,962	736,714,817	100.0%
2014-15	Pending	-	-	-	-	-
2013-14	Resolved	38	627,164,967	462,429,647	626,780,354	99.9%
2013-14	Pending	1	114,305,085	57,000,000	TBD	TBD
2012-13	Resolved	108	979,334,738	677,911,520	976,520,787	99.7%
2012-13	Pending	-	-	-	-	-
2011-12	Resolved	105	919,751,186	659,079,921	912,742,407	99.2%
2011-12	Pending	-	-	-	-	-
All Years	Resolved	277	\$3,428,632,951	\$2,397,098,350	\$3,418,264,314	99.7%
All Years	Pending	25	\$1,234,064,045	\$ 634,939,535	TBD	TBD
Potential exposure to reductions in valuation from all pending appeals***:						\$ 3,731,972
Potential exposure to reductions in valuation from all pending appeals using 100% of requested reduction:						\$599,125,510

* Appeal filings for the current fiscal year are preliminary and subject to change.

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

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

Source: San Francisco County Assessment Appeals Board. Data as of 12/2/2016.

Appeals have been filed by several of the largest property owners in the Mission Bay Project Areas. Alexandria Real Estate has three appeals pending in Fiscal Year 2016-17 and three in Fiscal Year 2015-16, with disputed valuation of approximately, respectively, \$98.6 million and \$168.6 million. Essex Portfolio LP has one appeal pending on its Fiscal Year 2016-17 valuation with disputed valuation of approximately \$102.3 million. The Hines Global REIT has appealed a parcel located at 550 Terry Francois Boulevard in Fiscal Year 2015-16 with disputed valuation totaling \$83.8 million and one in Fiscal Year 2013-14 with disputed valuation totaling \$57.3 million; an appeal of the same property in Fiscal Year 2014-15 resulted in no change to the original valuation.

Were the City Controller to change its policy of deducting appeal-related tax refunds solely from Taxing Entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions, applying the retention rate of 99.7% to the valuation currently subject to pending appeals, the estimated reduction in prior-year assessed valuation would be approximately ____% or \$3.7 million or approximately ____% or \$37,000 in gross tax increment revenues. As this includes properties with appeals in multiple years, it does not necessarily indicate an equivalent reduction in future revenue. If the full amount of disputed valuation were to be granted by the Assessment Appeals Board across the Mission Bay Project Areas, and if the City Controller were to deduct the resulting tax refunds from the Successor Agency's tax increment, the estimated reduction in prior-year assessed valuation would be approximately ____% or \$599.1 million for the Mission Bay Project Areas and approximately nineteen percent (19%) or \$6.0 million in gross tax increment revenues; this may include multi-year appeals and does not necessarily indicate an equivalent reduction in future revenue.

CERTAIN RISK FACTORS

In addition to the information set forth elsewhere in this Official Statement, potential investors should consider the following matters in evaluating an investment in the 2017C Bonds. The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2017C Bonds. No assurance can be given that additional risk factors will not become evident at any future time. The order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Recognized Obligation Payment Schedule

As described in greater detail above under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule,” the Redevelopment Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the City Controller to the Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the distribution date, unless a Last and Final ROPS is filed in which event no periodic filing requirements apply. In instances where a Last and Final ROPS is not filed, if the Successor Agency were to fail to submit an approved Recognized Obligation Payment Schedule by the applicable date and the California Department of Finance does not provide a notice to the City Controller to withhold funds from distribution to Taxing Entities, amounts in the Redevelopment Property Tax Trust Fund for such period would be distributed to Taxing Entities as more fully described in the section of this Official Statement entitled, “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule,” and the availability of Tax Revenues for the Successor Agency to pay debt service on the 2017C Bonds could be adversely affected for such period. The Successor Agency does not currently plan to file a Last and Final ROPS. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule.”

Certain Uncertainties Regarding the Redevelopment Dissolution Act

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Redevelopment Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Redevelopment Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (such as the Former Agency) the Redevelopment Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Redevelopment Dissolution Act states: “*it is the intent that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.*” The implications of these provisions of the Redevelopment Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. Due to the pledge of Tax Revenues securing the 2017C Bonds, Tax Revenues will be used for such purposes prior to being used for

any other purpose, including payment of any other indebtedness of the Former Agency now being paid by the Successor Agency.

Concentration of Property Ownership

The risk of reduction in assessed value as a result of factors described herein may increase where the assessed value within the Mission Bay Project Areas is concentrated among a relatively few number of property owners. Ownership of property in the Mission Bay Project Area is significantly concentrated, with the ten largest property owners accounting for 45.3% of the Fiscal Year 2016-17 assessed valuation and 46.5% of the Mission Bay Project Areas' incremental assessed value. Significant reduction in the assessed values of these property owners could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the 2017C Bonds as such payments become due and payable. See "THE MISSION BAY PROJECT AREAS – Table 1, Property Tax Values and Tax Revenues" and "– Table 2, Ten Largest Property Owners by Assessed Valuation for Fiscal Year 2016-17."

Estimates of Tax Revenues

To estimate the Tax Revenues ultimately available to pay debt service on the 2017C Bonds, the Successor Agency has made certain assumptions with regard to the present and future assessed valuation of taxable property in the Mission Bay Project Areas, future tax rates, growth in tax revenues over time, percentage of taxes collected and other senior obligations. See APPENDIX B – "REPORT OF FISCAL CONSULTANT." The Successor Agency believes these assumptions to be reasonable, but there are no assurances that these assumptions will be realized. To the extent that the assessed valuation, the tax rates and the percentages collected are less than the Successor Agency's assumptions, the Tax Revenues would be less than those projected and may be insufficient to pay debt service on the 2017C Bonds.

Reduction in Tax Base and Assessed Values

Tax Revenues allocated to the Redevelopment Property Tax Trust Fund constitute the ultimate source of payment on the 2017C Bonds and any Parity Debt. Such tax revenues are determined by the amount of the incremental taxable value of property in the Mission Bay Project Areas, the current rate or rates at which property in the Mission Bay Project Areas is taxed and the percentage of taxes collected in the Mission Bay Project Areas. A reduction of the taxable values of property in the Mission Bay Project Areas could occur as a result of numerous factors beyond the Successor Agency's control, including but not limited to, a general economic downturn, political and economic obstacles to additional development and redevelopment activities in the Mission Bay Project Areas, relocation out of the Mission Bay Project Areas by one or more major property owners or tenants, property becoming exempt from property taxes through condemnation or acquisition by certain entities such as nonprofit corporations, or the complete or partial destruction of property caused by, among other calamities, earthquake, fire, flood or other natural disaster.

Under California law, certain properties are exempt from property taxation including properties owned or leased by governmental entities or by certain nonprofit corporations. Certain properties in the Mission Bay Project Areas are currently exempt from property taxes and expected to remain exempt and others may become exempt in the future. Therefore, no taxes therefrom are contemplated in the calculation of Tax Revenues.

Some exempt properties in the MB South Project Area are or may be subject to PILOT agreements, which require tax-exempt owners or lessees to make payments under certain circumstances in lieu of the payment of taxes as if the property were subject to taxation. Taxable values may also be reduced pursuant to successful appeals of assessed valuations or by widespread temporary reduction in assessed valuation under Proposition 8. These risks may be greater where, as here, the Mission Bay Project Areas has a high

concentration of major taxpayers. See “THE MISSION BAY PROJECT AREAS – Ten Largest Property Owners by Valuation,” above.

There are appeals to assessed valuations of certain of the ten largest property owners. See “TAX REVENUES AND DEBT SERVICE – Assessment Appeals,” above. The potential exposure of the Successor Agency’s tax increment revenue to appeals were the City Controller to change its policy of deducting appeal-related tax refunds solely from taxing entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions may be seen by applying the overall retention rate for all years in a project area to the amount of roll valuation in pending appeals for the project area. Applying the retention rate of 99.7% to the aggregate valuation currently subject to pending appeals in the Mission Bay Project Areas, the Fiscal Consultant estimates a reduction in valuation of approximately ____% or \$3.7 million or an approximately \$37,000 reduction in gross tax increment revenue. Any such reductions in taxable values could cause a reduction in the Tax Revenues securing the 2017C Bonds and could have an adverse effect on the Successor Agency’s ability to make timely payments with respect to such 2017C Bonds.

In general, because property on the unsecured tax roll includes personal property and leasehold interests, the values of property on the unsecured roll are more likely to fluctuate and are more susceptible to reduction due to adverse economic circumstances affecting the owner of the properties. Accordingly, unsecured assessed valuation may present special risks and may be more susceptible to fluctuation from year to year than valuation reflected on the secured roll. According to the Fiscal Consultant, the unsecured roll represents approximately five percent (5%) of the overall assessed value for the Mission Bay Project Areas for Fiscal Year 2016-17.

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Tax Revenues to be available to it to make payments with respect to the 2017C Bonds, the Successor Agency has assumed an annual two percent (2%) inflationary increase. The projected Tax Revenues are based on the latest actual amounts received by the Successor Agency. However, future deflation could cause decreases in property values, a reduction in tax revenues received by the Successor Agency and reduced Tax Revenues. See “TAX REVENUES AND DEBT SERVICE” and “LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution” herein.

In addition to the other limitations on and the required application under the Redevelopment Dissolution Act of tax revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing tax revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature’s impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce Tax Revenues and adversely affect the source of repayment and security of the 2017C Bonds.

Appeals to Assessed Values

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent (2%) annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly

referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

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

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

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the 2016-17 roll data shown in the tables under "TAX REVENUES AND DEBT SERVICE."

See "TAX REVENUES AND DEBT SERVICE — Assessment Appeals" for a description of pending appeals and the potential impact on tax revenues if the appeals are granted.

Property Foreclosures

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

State Budget Issues; Changes in State Law

In general terms, the Redevelopment Dissolution Act implemented a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of \$1.5 billion). Subsequently, SB 107 was enacted, making additional changes to the Redevelopment Dissolution Act.

There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Tax Revenues. There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law, the Redevelopment Dissolution Act or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, or that otherwise have an adverse effect on the Successor Agency's ability to pay debt service on the 2017C Bonds.

The Redevelopment Dissolution Act is new and implementation of its provisions have been and will be subject to differing interpretations by different stakeholders, including the California Department of Finance, the State Controller, oversight boards, successor agencies, auditor-controllers, and others. Certain litigation is challenging some of the terms of the Redevelopment Dissolution Act and the Redevelopment Dissolution Act could be subject to further legislative or judicial review. The Successor Agency cannot predict the outcome or impact of any such litigation, interpretations or reviews on the availability of Tax Revenues to pay the 2017C Bonds.

Recent Executive Order; Changes in Federal Law

On January 25, 2017, President Donald Trump issued "Executive Order – Enhancing Public Safety in the Interior of the United States," which aims to address certain immigration policies of the administration, including among other things sanctuary jurisdictions. The order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable Federal law do not receive Federal funds, except as mandated by law." The City is a sanctuary jurisdiction, and on January 31, 2017, the City filed a lawsuit in United States District Court – Northern District of California challenging the President's executive order as unconstitutional. However, the Tax Revenues do not include any Federal funds and Federal funds constitute less than one percent of the Successor Agency's total budget.

There can be no assurance that the President will not execute executive orders in the future targeting sanctuary jurisdictions or that the federal government will not introduce or enact legislation that could impact the marketability, liquidity or market price for the 2017C Bonds or affect tax increment revenues, including Tax Revenues. See also "– Secondary Market."

Development Risks

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

Natural Disasters

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

Earthquake. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

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

Climate Change and Flooding. In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals

nearly \$100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

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

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

Sea level rise can lead not only to permanent inundation of land but it can also expand the 100-year floodplain. Land composed of fill near San Francisco Bay – including property in Mission Bay – is at risk for inundation because of low elevation and subsidence over time due to compaction from buildings and soil desiccation. The Successor Agency is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the Mission Bay Project Areas.

Tsunamis. Tsunamis are large waves in the ocean generated by earthquakes, coastal or submarine landslides, or volcanoes. Damaging tsunamis are not common on the California coast. Most California tsunami are associated with distant earthquakes (most likely those in Alaska or South America, and recently in Japan), not with local earthquakes. Devastating tsunamis have not occurred in historic times in the San Francisco Bay Area. The Community Safety Element states that, because of the lack of reliable information about the kind of tsunami run-ups that have occurred in the prehistoric past, there is considerable uncertainty over the extent of tsunami run-up that could occur.

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

It should be assumed, therefore, that an earthquake or other natural event or man-made activity may occur and may cause damage to improvements on parcels in the Mission Bay Project Areas of varying degrees of severity, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the assessed value of taxable values of property in the Mission Bay Project Areas and could result in a significant reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency's payment of debt service on the 2017C Bonds.

Bond Insurance Risk Factors

The Successor Agency may obtain a bond insurance policy to guarantee the scheduled payment of principal and interest on the 2017C Bonds. The Successor Agency has yet to determine whether an

insurance policy will be purchased with the 2017C Bonds, which decision is at its sole and absolute discretion. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the 2017C Bonds when all or some becomes due, any owner of such 2017C Bonds shall have a claim under the bond insurance policy (the “**Policy**”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the 2017C Bonds by the Successor Agency which is recovered by the Successor Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absent such prepayment by the Successor Agency unless the bond insurer chooses to pay such amounts at an earlier date.

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

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the 2017C Bonds insured by such Policy are payable solely from the moneys received pursuant to the Indenture. In the event the bond insurer becomes obligated to make payments with respect to any of the 2017C Bonds, no assurance is given that such event will not adversely affect the market price of the 2017C Bonds or the marketability (liquidity) of the 2017C Bonds.

The long-term ratings on the 2017C Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the 2017C Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2017C Bonds or the marketability (liquidity) of the 2017C Bonds. See description of “**RATING**” herein.

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

Neither the Successor Agency nor the Underwriters have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the 2017C Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

Reserve Surety Risk Factors

The Successor Agency may obtain a reserve surety in lieu of a cash deposit to the 2017C Subaccount in the Reserve Account to satisfy the Reserve Requirement. The Successor Agency has yet to determine whether to obtain a reserve surety bond, which decision is at the sole and absolute discretion of the Successor Agency. If a reserve surety is obtained, the following are risk factors relating to the reserve surety bond.

In the event of insufficient Tax Revenues to pay the scheduled principal of or interest on the 2017C Bonds when due, the Trustee shall draw upon the applicable reserve surety for all or a portion of such payments. The obligations of the surety provider are unsecured contractual obligations and in an event of default by the surety provider, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

The long-term ratings on the 2017C Bonds are dependent in part on the financial strength of the surety provider and its claim paying ability. The surety provider's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the surety provider and of the ratings on the 2017C Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2017C Bonds or the marketability (liquidity) of the 2017C Bonds. See description of "RATING" herein.

Neither the Successor Agency nor the Underwriters have made independent investigation into the claims paying ability of the surety provider and no assurance or representation regarding the financial strength or projected financial strength of the surety provider is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to make on the 2017C Bonds and the claims paying ability of the surety provider, particularly over the life of the investment.

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a "validation proceeding," for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the 2017C Bonds, California Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness." Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: "The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive."

The Successor Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the 2017C Bonds. The Successor Agency and Bond Counsel have relied on the provisions of the Redevelopment Dissolution Act authorizing the issuance of the 2017C Bonds and specifying the related deadline for any challenge to the 2017C Bonds to be brought. Specifically, Section 34177.7(e) of the Redevelopment Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the 2017C Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.7, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the 2017C Bonds and the Oversight Board Resolution No. 12-2016 (Dec. 12, 2016) on January 11, 2017.

It is possible that a lawsuit challenging the Redevelopment Dissolution Act or specific provisions thereof based on the inability of successor agencies to meet their obligations to bondholders as those obligations become due, or to pay any other of their other obligations, could be successful and that the mechanisms currently provided for under the Redevelopment Dissolution Act to provide for distribution of tax revenues to the Successor Agency for payment on the 2017C Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the 2017C Bonds.

Any action by a court to invalidate provisions of the Redevelopment Dissolution Act required for the timely payment of principal of, and interest on, the 2017C Bonds could be subject to the same issues regarding an impairment of contract or unconstitutional taking without just compensation. The Successor Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Successor Agency and the availability of Tax Revenues for the payment of debt service on the 2017C Bonds in the event of successful challenges to the Redevelopment Dissolution Act or portions thereof. However, the Successor Agency does not guarantee that any lawsuit challenging the Redevelopment Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Successor Agency's ability to timely pay debt service on the 2017C Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within any of the Mission Bay 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 Mission Bay 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 (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2017C Bonds could reduce Tax Revenues. See "LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution."

Delinquencies

The Successor Agency does not have any independent power to levy and collect property taxes. Delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency's ability to make timely debt service payments. However, the City has adopted the Teeter Plan and provides one hundred percent (100%) of tax revenues to the Successor Agency regardless of delinquencies. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act – *Teeter Plan*." Such plan may be discontinued at any time.

Investment Risk

All funds and accounts held by the Trustee under the Indenture and all funds held by the Successor Agency in the Special Fund, into which all allocable tax revenues are initially deposited, are required to be invested in Permitted Investments as provided in the Indenture. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the 2017C Bonds.

Bankruptcy and Foreclosure

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

The rights of the Owners of the 2017C Bonds and the enforceability of the obligation to make payments on the 2017C Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The various legal opinions to be delivered concurrently with the delivery of the 2017C Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases. See APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2017C Bonds and the possibility of delinquent tax installments not being paid in full. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Retirement Fund from being applied to pay interest on the 2017C Bonds and/or to redeem 2017C Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

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

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

Levy and Collection of Taxes

The Successor Agency has no independent power to levy and collect property taxes. As discussed herein, the Successor Agency only receives, on an annual basis, that tax increment revenue required for it to pay debt service and enforceable obligations. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency to pay debt service on the 2017C Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the

legal ability of taxing agencies to collect property taxes could have an adverse effect on the Successor Agency's ability to make timely payments on the 2017C Bonds. The City allocates property taxes to the Successor Agency based on one hundred percent (100%) of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. If there is a decline in the general economy of the Mission Bay Project Areas, the owners of property within the Mission Bay Project Areas may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency from the Mission Bay Project Areas.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2017C Bonds, or if a secondary market exists, that the 2017C 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 marketability, liquidity or market price for the 2017C Bonds will not be affected by the introduction or enactment of any future legislation or executive order (including, without limitation, amendments to or repeal of any portions of the Tax Code), or by any state constitutional amendments, court decisions, changes in interpretation of the Code (as defined below under "TAX MATTERS"), or actions of the IRS, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2017C Bonds for audit examination, or the course or result of any IRS audit or examination of the 2017C Bonds or obligations that present similar tax issues as the 2017C Bonds.

Parity Obligations

As described in "SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Limitations on Additional Indebtedness – *Parity Debt*," the Successor Agency may issue or incur additional obligations secured by a lien on Tax Revenues on a parity with its pledge of the lien on Tax Revenues in favor of the 2017C Bonds. Within the next 5-6 years, the Successor Agency currently anticipates issuing approximately \$140.2 million aggregate principal amount of additional bonds on parity with the 2017C Bonds. The existence of and the potential for additional Parity Debt increases the risks associated with the Successor Agency's payment of debt service on the 2017C Bonds in the event of a decrease in the Successor Agency's collection of tax revenues.

Bonds are Limited Obligations

The 2017C Bonds are special, limited obligations of the Successor Agency and as such are not debt of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency, and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the 2017C Bonds are payable solely from Tax Revenues allocated to the Successor Agency from the Mission Bay Project Areas and certain other funds pledged therefor under the Indenture. The 2017C Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS." No Owner of the 2017C 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 2017C Bonds.

Limited Recourse on Default

If the Successor Agency defaults on its obligations under the Indenture, the Trustee has the right to accelerate the 2017C Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the 2017C Bonds.

LIMITATIONS ON TAX REVENUES

The 2017C Bonds are secured by a pledge of Tax Revenues attributable to the Mission Bay Project Areas. The Successor Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Successor Agency for payment of the principal of and interest on the 2017C Bonds is affected by several factors, including but not limited to those discussed below. See also “CERTAIN RISK FACTORS.”

Property Tax Collection Procedure

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

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

Collections. Secured property and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The Taxing Authority has four (4) ways of collecting unsecured personal property taxes in the case of delinquency: (i) initiating a civil action against the taxpayer; (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

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

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

the unsecured roll, and further, an additional penalty of one and one half of a percent (1.5%) per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

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

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

Taxation of Unitary Property

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

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

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

unitary revenue with the Successor Agency. No unitary tax revenue is included in the projections of Tax Revenues.

Tax Limitations – Article XIII A of California Constitution

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

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

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the no more than two percent (2%) annual adjustment (1.525% for Fiscal Year 2016-17 and projected to be two percent (2%) for Fiscal Year 2017-18) are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIII B of California Constitution

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

changes in population, cost of living and certain increases in the cost of services provided by these public agencies.

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

Proposition 87

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

Articles XIII C and XIII D of California Constitution

On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. The 2017C Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218 and are outside of the scope of taxes that are limited by Proposition 26.

Future Initiatives

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

TAX MATTERS

General. The interest on the 2017C Bonds is not intended by the Successor Agency to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the 2017C Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2017C Bonds to be delivered on the date of issuance of the 2017C Bonds is set forth in Appendix E.

Owners of the 2017C Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017C 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 2017C Bonds other than as expressly described above.

Form of Bond Counsel Opinion. At the time of issuance of the 2017C Bonds, Bond Counsel expects to deliver an opinion for the 2017C Bonds in substantially the form set forth in APPENDIX E.

LITIGATION

There is no litigation now pending or, to the best knowledge of the Successor Agency, threatened to restrain or enjoin the execution or delivery of the 2017C Bonds or the Indenture or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the 2017C Bonds. In the opinion of counsel to the Successor Agency, there is no lawsuit or claim now pending against the Successor Agency, which if decided adversely to the Successor Agency would materially affect the Successor Agency's finances so as to impair the ability of the Successor Agency to pay debt service on the 2017C Bonds as it becomes due.

A number of other lawsuits have been filed in the State that challenge the Redevelopment Dissolution Act or the application of certain of its provisions. The Successor Agency is unable to predict the likely outcome of these actions or the possible impact, if any, of their outcomes on the distribution of property tax revenues or other moneys to the Successor Agency under the Redevelopment Dissolution Act or on the Successor Agency's ability to make payments of principal of and interest on the 2017C Bonds.

CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of the Owners of the 2017C Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than six (6) months after the end of the Successor Agency's Fiscal Year (presently June 30) in each year commencing with its Annual Report for the 2016-17 fiscal year and to provide notices of the occurrence of certain enumerated events. The Annual Report, and the notices of events will be filed by the Successor Agency, or the Dissemination Agent, if any, on behalf of the Successor Agency, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

In the past five years, the Successor Agency believes that neither the Former Agency nor the Successor Agency have failed to comply in any material respect with any previous undertakings in accordance with S.E.C. Rule 15c2-12 to provide annual reports or notices of certain enumerated events. The Former Agency failed on occasion to file a notice of a bond insurer-related rating downgrade on a timely basis, however, such failure was only with respect to downgrades below the underlying rating of the bond. Additionally, for Fiscal Years 2011-13, certain tabular information related to a merged project area was not aggregated as required by the applicable continuing disclosure agreement. However, all of the required information was available for the component areas of such merged project area. [Further, the Annual Report for Fiscal Year 2015-16 was inadvertently not linked to two CUSIPS of outstanding bonds when filed with EMMA.] The Successor Agency has filed notices of all bond rating downgrades and the missing tabular information noted above were filed in March 2014 [and linked the 2016 Annual Report to the two CUSIPS]. The Successor Agency has also established procedures which it believes are sufficient to ensure future compliance with its continuing disclosure undertakings.

LEGAL MATTERS

Certain legal matters incident to the issuance, sale and delivery of the 2017C 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 2017C Bonds will be passed upon for the Successor Agency by its General Counsel. Curls Bartling P.C. is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation.

Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization, issuance and sale of the 2017C Bonds, and the exemption of interest on the 2017C Bonds from California personal income taxes. See "TAX MATTERS" herein and APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

Fees payable to Bond Counsel, Disclosure Counsel and Underwriters' Counsel are contingent upon the sale and delivery of the 2017C Bonds.

MUNICIPAL ADVISORS

Public Financial Management, Inc. and Kitahata & Company have served as Co-Municipal Advisors to the Successor Agency and provided advice with respect to the sale of the 2017C Bonds. Each of the Municipal Advisors is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Municipal Advisors have assisted the Successor Agency in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2017C Bonds. The Municipal Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Successor Agency to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisors will receive compensation contingent upon the sale and delivery of the 2017C Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"), has assigned an underlying rating to the 2017C Bonds of "___." Such rating reflects only the view of such organization, and an explanation of the significance of the rating may be obtained by contacting S&P. Such rating is not a recommendation to buy, sell or hold the 2017C Bonds. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2017C Bonds. The Successor Agency undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

FINANCIAL STATEMENTS

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

UNDERWRITING

The 2017C Bonds will be sold to Piper Jaffray & Co. (“**Piper**”), as representative of itself and Stinson Securities, LLC (together, the “**Underwriters**”), pursuant to a bond purchase contract (the “**Purchase Contract**”) between the Successor Agency, the Authority and the Underwriters. The Underwriters have agreed to purchase the 2017C Bonds for \$_____ (which amount represents the aggregate principal amount of the 2017C Bonds, plus an original issue premium in the amount of \$_____, less an underwriters’ discount of \$_____).

The initial public offering prices of the 2017C Bonds may be changed from time to time by the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the 2017C Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

Piper has entered into a distribution agreement (“**Distribution Agreement**”) with Charles Schwab & Co., Inc. (“**CS&Co**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase the 2017C Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any 2017C Bonds that CS&Co sells.

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MISCELLANEOUS

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

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

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

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

By: _____
Deputy Director of Finance and Administration

APPENDIX A

**SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

APPENDIX B

REPORT OF FISCAL CONSULTANT

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) in connection with its issuance of \$_____ aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the “2017C Bonds”). The 2017C Bonds are being issued in accordance with Sections 34177.5(a)(1) and 34177.7(a)(1) of the California Health and Safety Code (the “Redevelopment Law”), Article 11, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”), the resolution of the Successor Agency adopted on December 6, 2016 (the “Resolution”), and the Indenture of Trust, dated as of March 1, 2017 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the 2017C Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture described in the Official Statement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is six months after the end of the Successor Agency’s fiscal year (currently December 31 based on the City’s fiscal year end of June 30).

“Dissemination Agent” means the Successor Agency, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency and the Trustee a written acceptance of such designation.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the internet at <http://www.emma.msrb.org/>.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final Official Statement, dated _____, 2017, relating to the 2017C Bonds.

“Participating Underwriters” means any of the original underwriters of the 2017C Bonds required to comply with the Rule in connection with offering of the 2017C Bonds.

“Project Areas” means the Mission Bay South Redevelopment Project Area and the Mission Bay North Redevelopment Project Area.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than each Annual Report Date, commencing on December 31, 2017 with respect to the report for the 2016-17 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than fifteen (15) business days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent, if other than the Successor Agency. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding the Mission Bay Project Areas may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Successor Agency’s or the Mission Bay Project Areas’s Fiscal Year changes, the Successor Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c) below. The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Successor Agency and shall have no duty or obligation to review such Annual Report.

(b) If, by fifteen (15) business days prior to the Annual Report Date, the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent in a timely manner shall provide to the MSRB (with a copy to the Trustee and the Participating Underwriters) a notice, in substantially the form attached hereto as Exhibit A.

(d) Unless the Successor Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a certificate with the Successor Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Successor Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

1. Description of any parity debt (date, amount, term, rating, insurance) issued by the Successor Agency in the fiscal year to which the Annual Report pertains and the amount of all Successor Agency debt outstanding payable with tax increment revenue from the Project Areas as of the end of the fiscal year to which the Annual Report pertains;

2. The top ten taxpayers by valuation in the Project Areas for the fiscal year to which the Annual Report pertains in a form substantially similar to that in the Official Statement;

3. Assessed valuations and tax increment revenue for the fiscal year to which the Annual Report pertains, by means of an update to the "Property Taxable Values and Tax Revenues" table as shown in Table 1 of the Official Statement with an indication of the amount of unsecured valuation and secured valuation;

4. Estimated debt service coverage for obligations of the Successor Agency in the Project Areas for the fiscal year to which the Annual Report pertains by means of an update to the "Estimated Annual Debt Service Coverage" table shown in Table 4 of the Official Statement;

5. Assessment appeals for the fiscal year to which the Annual Report pertains by means of an update to the "Assessment Appeals" table shown in Table 5 of the Official Statement; and

6. The two most recently submitted Recognized Obligation Payment Schedules approved by the State Department of Finance and prepared in accordance with the then applicable law.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's internet website, currently EMMA, or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to a Series of Bonds in a timely manner not more than ten (10) days after the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar proceedings; and
10. The issuance of any private placement bonds or the entering into any bank loan of the type, in each case, that would constitute Parity Debt as defined in the Indenture, including the related debt service schedule, to the extent this is not already disclosed on EMMA.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority; or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017C Bonds, if material:

1. Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2017C Bonds or other material events affecting the tax status of the 2017C Bonds;
2. Modifications to the rights of Bondholders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution or sale of property securing repayment of the 2017C Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. Appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Successor Agency determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(d) If the Successor Agency determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Successor Agency hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Successor Agency and, if the Dissemination Agent is other than the Successor Agency, the Dissemination Agent shall not be responsible for determining whether the Successor Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Successor Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2017C Bonds. If such termination occurs prior to the final maturity of the 2017C Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. From time to time, the Successor Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not designated Dissemination Agent, the Successor Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days prior written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2017C 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 2017C 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 2017C Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the 2017C Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any

Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the 2017C Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee in Article 6 of the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2017C Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Successor Agency:	Successor Agency to the Redevelopment Agency of the City and County of San Francisco 1 South Van Ness Avenue, 5th Floor San Francisco, CA 94103 Fax: (415) 749-2527 Attention: Deputy Director of Finance and Administration
To the Participating Underwriters:	Piper Jaffray & Co. 3231 Rosecrans, Ste. 3200 El Segundo, CA 90245 Fax: (310) 297-6001 Attention: Public Finance
To the Trustee:	U.S. Bank National Trust Association One California Street, Suite 1000 Mail Code: SF-CA-SFCT San Francisco, CA 94111

Fax: (415) 677-3769
Attention: Global Corporate Trust and Escrow Services

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2017C Bonds, and shall create no rights in any other person or entity.

Date: March __, 2017.

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

By: _____
Deputy Director of Finance
and Administration

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Successor Agency to the Redevelopment Agency of the City and County of San Francisco

Name of Issue: Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects)

Date of Issuance: March __, 2017

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.11 of the Indenture. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

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

By: _____
Title: _____

cc: Trustee and Participating Underwriters

APPENDIX E
FORM OF BOND COUNSEL FINAL OPINION

[To Come.]

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. Accordingly, the DTC Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix F with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2017C Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2017C Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017C Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2017C Bonds. The 2017C Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the 2017C Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2017C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017C Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2017C 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 2017C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2017C Bonds is discontinued.

To facilitate subsequent transfers, all 2017C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017C Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2017C 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 2017C Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2017C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 2017C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2017C Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

APPENDIX G

**CALIFORNIA DEPARTMENT OF FINANCE
DETERMINATION LETTER APPROVING THE 2017C BONDS**