PRELIMINARY OFFICIAL STATEMENT DATED _______________, 2014

NEW ISSUE BOOK-ENTRY ONLY

RATING: Standard & Poor’s: “___”

(See “RATING” herein)

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

$__________*

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2014 Series A Tax Allocation Bonds
(Mission Bay South Redevelopment Project)

Dated: _____, 2014 Due: August 1, as shown on the inside front cover

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

The 2014 Series A Tax Allocation Bonds (the “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 _____ 1, 2014, by and between the Successor Agency and __________, as trustee (the “Trustee”).

The principal of the Bonds is payable upon their respective stated maturities on August 1 of each year. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2014.

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

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS–Redemption Provisions.”

The proceeds of the Bonds will be used to (i) finance certain redevelopment activities of the Successor Agency, (ii) make a deposit to the Reserve Account established under the Indenture, and (iii) pay certain costs related to the issuance of the Bonds.
The Bonds will be secured primarily by a pledge of the Successor Agency’s share of certain property tax revenues derived from the Mission Bay South Redevelopment Project Area (the “Project Area”). The Successor Agency has outstanding indebtedness and may incur additional indebtedness that is payable from the same tax revenues as the Bonds, and on an equal priority basis, 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 ON THE BONDS–Parity Debt” and “–Existing Parity Loans” herein.

An investment in the Bonds involves risk. Potential investors in the Bonds should review the entire Official Statement to evaluate an investment in the Bonds. See “SPECIAL RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE SUCCESSOR AGENCY AND ARE PAYABLE PRIMARILY FROM AMOUNTS PAYABLE BY THE SUCCESSOR AGENCY PURSUANT TO THE INDENTURE AND CERTAIN AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. NO OTHER PERSON OR GOVERNMENTAL ENTITY, INCLUDING THE CITY AND COUNTY OF SAN FRANCISCO (THE “CITY”), HAS ANY DUTY TO MAKE BOND PAYMENTS. 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 BONDS. ALTHOUGH THE SUCCESSOR AGENCY RECEIVES CERTAIN TAX INCREMENT REVENUES, THE SUCCESSOR AGENCY HAS NO TAXING POWER.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Schiff Hardin LLP 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 Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York on or about ______, 2014.

De La Rosa & Co. Backstrom McCarley Berry & Co., LLC

Dated _____ __, 2014

* Preliminary, subject to change.
MATURITY SCHEDULE

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2014 Series A Tax Allocation Bonds
(Mission Bay South Redevelopment Project)

$_______ Serial Bonds

<table>
<thead>
<tr>
<th>Maturity (August 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>CUSIP No.†</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$_______ ___% Term Bonds due August 1, 20__, Yield _______%, CUSIP No.†_______

$_______ ___% Term Bonds due August 1, 20__, Yield _______%, CUSIP No.†_______

* Preliminary, subject to change.
† Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor’s. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the State nor the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Commission Members

Christine Johnson, Chairperson
Mara Rosales, Vice Chairperson
Theodore Ellington
Marily Modejar
Darshan Singh

Successor Agency Staff

Tiffany Bohee, Executive Director
Leo Levenson, Deputy Executive Director, Finance and Administration
James Morales, Deputy Executive Director
Sally Oerth, Deputy Executive Director

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee, Mayor
Dennis J. Herrera, City Attorney
Benjamin Rosenfield, Controller
José Cisneros, Treasurer

BOARD OF SUPERVISORS

David Chiu, President, District 3
Mark Farrell, District 2
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David Campos, District 9
Katy Tang, District 4
Jane Kim, District 6
Scott Wiener, District 8
Norman Yee, District 7
Eric Mar, District 1
Malia Cohen, District 10
London Breed, District 5

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Financial Advisor
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Fiscal Consultant
Urban Analytics, LLC
San Francisco, California

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

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

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

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

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 Bonds.

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

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

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

**INTRODUCTION** ............................................. 1  
General ........................................................ 1  
The Successor Agency ................................ 1  
The Project Area.......................................... 2  
Purpose ........................................................ 2  
Security and Sources of Payment for the Bonds .................. 2  
Reserve Account........................................... 3  
Limited Obligation; Parity Debt ..................... 3  
Risk Factors................................................. 3  
Continuing Disclosure .................................. 3  
Availability of Documents .......................... 4  
**PLAN OF FINANCE** ......................................... 4  
**SOURCES AND USES OF FUNDS** ................. 4  
**DEBT SERVICE SCHEDULE** .................. 5  
**THE BONDS** ..................................................... 6  
Description of the Bonds ............................. 6  
Book-Entry Only System ............................ 6  
Redemption Provisions................................ 7  
**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS** ........... 9  
General ........................................................ 9  
The Indenture .............................................. 9  
Reserve Account.......................................... 9  
Parity Debt................................................... 9  
Existing Parity Loans ............................... 10  
**PLEDGE OF TAX REVENUES** .................. 11  
Introduction ............................................... 11  
Tax Increment Financing Generally ................ 11  
Tax Revenues ............................................. 12  
Allocable Tax Revenues.............................. 12  
Tax Revenues Allocable to the Successor Agency............. 12  
Teeter Plan.................................................. 13  
Low and Moderate Income Housing Set-Aside ......... 13  
Assembly Bill 1290 .................................. 13  
Redevelopment Property Tax Trust Fund ............. 14  
Allocation of Taxes Subsequent to the Dissolution Act .... 14  
**THE SUCCESSOR AGENCY** ........................ 19  
Authority and Personnel ............................ 19  
Effect of the Dissolution Act ...................... 19  
Oversight Board ........................................ 20  
Department of Finance Finding of Completion .......... 20  
State Controller Asset Transfer Review .......................... 21  
Continuing Activities ................................ 21  
**THE PROJECT AREA** ................................ 23  
General ........................................................ 23  
The Redevelopment Plan ................................ 23  
Land Use Entitlements ................................ 24  
Status of Development ................................ 24  
Property Tax Exemption of Certain Properties ............. 25  
Mission Bay South Owner Participation Agreement ............. 26  
**TAX REVENUES AND DEBT SERVICE** .......... 27  
Historical and Current Tax Revenues ................ 27  
Pending Tax Appeals ................................ 28  
Historical and Current Assessed Tax Revenues ............. 29  
Valuation and Tax Revenues for the Project Area .......... 29  
Property Foreclosures ................................ 33  
**SPECIAL RISK FACTORS** .......................... 33  
Concentration of Tax Base ........................... 33  
Estimates of Tax Revenues ........................... 33  
Reduction in Tax Base and Assessed Values .............. 33  
Natural Disasters ......................................... 34  
Reductions in Unitary Values .......................... 36  
Appeals to Assessed Values ........................... 36  
Hazardous Substances ................................... 37  
Reduction in Inflation Rate ........................... 37  
Delinquencies ............................................. 38  
Investment of Funds ..................................... 38  
Bankruptcy and Foreclosure ........................... 38  
Levy and Collection of Taxes .......................... 38  
Changes in the Law ..................................... 39  
Loss of Tax Exemption ................................... 39  
Risk of Tax Audit ........................................ 39  
Secondary Market ......................................... 39  
Parity Obligations ........................................ 39  
Bonds are Limited Obligations ....................... 40  
Limited Recourse on Default .......................... 40  
**LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS** ...... 40  
Property Tax Limitations: Article XIII A ............... 40  
Property Tax Collection Procedures ................. 41  
Limitations on Receipt of Additional Taxing Entity Revenue .... 42  
Limitation on Tax Revenues ........................... 44
OFFICIAL STATEMENT

$__________ *
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2014 Series A Tax Allocation Bonds
(Mission Bay South Redevelopment Project)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (collectively, the “Official Statement”), is to provide certain information in connection with the offering by the Successor Agency of the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) of its $__________* aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series A Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “Bonds”). The Bonds are being issued in accordance with Section 34177.5(a)(4) of the California Health and Safety Code and the Community Redevelopment Law, being Part 1 (commencing with Section 33000 of Division 24 of the California Health and Safety Code) (collectively, the “Bond Law”), a resolution of the Successor Agency adopted November 5, 2013 (the “Resolution”), and the Indenture of Trust, dated as of __________ 1, 2014 (the “Indenture”), by and between the Successor Agency and _______________, as trustee (the “Trustee”).

The Successor Agency

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

Pursuant to California legislation enacted in 2011 and 2012 (as more fully described herein, the “Dissolution Act”), redevelopment agencies in California, including the Former Agency, were dissolved, and with certain exceptions, could no longer conduct redevelopment activities. The Successor Agency, however, is authorized to continue to implement the respective redevelopment projects for certain project areas, including the Project Area. See “–The Project Area” below. See also “THE SUCCESSOR AGENCY” for a discussion of the Dissolution Act, the formation of the Successor Agency and the current powers, and limitations thereon, of the Successor Agency.

The issuance of the Bonds was subject to approvals of the Board of Supervisors pursuant to the Redevelopment Law and, under the Dissolution Act, the Successor Agency’s Oversight Board, as described below, and the Department of Finance of the State of California. All such approvals have been obtained. See “THE SUCCESSOR AGENCY.”

* Preliminary, subject to change.
The Oversight Board for the Successor Agency approved the issuance of the Bonds by the Successor Agency by resolution adopted on November 13, 2013. The Department of Finance of the State of California released its letter approving the issuance of the Bonds on ___________. See Appendix G–“STATE DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING THE BONDS.”

Under the Dissolution Act, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the Department of Finance of the State of California. The Successor Agency is issuing the Bonds to satisfy its obligations to reimburse the master developer within the Project Area for a portion of its expenditures for infrastructure within the Project Area. See “PLAN OF FINANCE” and “THE PROJECT AREA–Mission Bay South Owner Participation Agreement.”

The Project Area

The Redevelopment Plan for the Project Area was adopted by the Board of Supervisors on November 2, 1998. The Project Area is an approximately 238-acre area located approximately two miles south of the financial district of the City. Tax Revenues (defined herein) are generated from approximately 55 acres out of the approximately 238 acres that make up the Project Area. See “THE PROJECT AREA.”

Purpose

The Successor Agency will use the proceeds of the Bonds to: (i) finance certain redevelopment activities of the Successor Agency within or of benefit to the Project Area (ii) fund the Reserve Account established under the Indenture, and (iii) pay certain costs related to the issuance of the Bonds. See “PLAN OF FINANCE.”

Security and Sources of Payment for the Bonds

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. Tax Revenues (as defined under the caption “PLEDGE OF TAX REVENUES–Tax Revenues”) consist of a portion of such incremental tax revenues.

Under the Dissolution Act, the Bonds are secured by a pledge of, and payable from moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held and administered by the Office of the Controller of the City and County of San Francisco (the “City Controller”) with respect to the Successor Agency (the “Redevelopment Property Tax Trust Fund”). DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES OR TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND EQUAL TO SUCH TAX REVENUES. The Dissolution Act authorizes the issuance of bonds by a successor agency to make payments under certain enforceable obligations, which bonds may be secured by a pledge of property tax increment with the same legal effect as if the Bonds had been issued prior to the Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. See “PLEDGE OF TAX REVENUES–Allocation of Taxes Subsequent to the Dissolution Act.”
Reserve Account

The Indenture establishes a Reserve Account to be held by the Trustee and to be maintained in an amount at least equal to the Reserve Requirement as defined therein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Account.”

Limited Obligation; Parity Debt

The Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and are payable solely from and secured by a pledge of Tax Revenues derived from the Project Area. Under the conditions stated herein, the Successor Agency may create additional indebtedness payable from Tax Revenues on a parity with the Successor Agency’s obligations under the Indenture.

The pledge of Tax Revenues to secure the Bonds is on a parity with the pledge thereof to repay loans (the “Existing Parity Loans”) made pursuant to the two loan agreements described below (the “Existing Loan Agreements”) entered into by the Former Agency in order to finance redevelopment activities within, or of benefit to, the Project Area. The Existing Loan Agreements are as follows:

(i) Loan Agreement dated as of August 1, 2009 among the Former Agency, U.S. Bank National Association, as trustee, and the City and County of San Francisco Redevelopment Financing Authority (the “Authority”); and

(ii) Loan Agreement dated as of March 1, 2011 among the Former Agency, U.S. Bank National Association, as trustee, and the Authority;

Under the Dissolution Act, the Successor Agency has assumed all of the rights, liabilities and obligations of the Former Agency under the Existing Loan Agreements. The Successor Agency has the right to issue additional indebtedness payable on a parity from Tax Revenues, assuming certain conditions are satisfied. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt” and “–Existing Parity Loans.”

Risk Factors

Certain events could affect the ability of the Successor Agency to pay debt service on the Bonds when due. See “SPECIAL 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 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 months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2014 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed with the Municipal Securities Rulemaking Board (the “MSRB”). The notices of material events will be filed with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material 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).

The Successor Agency and the Former Agency have never failed to comply in any material respect with any previous undertaking in accordance with S.E.C. Rule 15c2-12 to provide Annual Disclosure Reports or notices of material events.
Availability of Documents

This Official Statement contains brief descriptions of, among other things, the Bonds, the Indenture, the Project Area, the security and sources of payment for the Bonds, the Continuing Disclosure Certificate and certain other documents. Such summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, and the descriptions herein are qualified in their entirety by the forms thereof and the information with respect thereto included in such documents and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Any capitalized term used herein and not otherwise defined herein shall have the meanings given to such terms as set forth in the Indenture. Copies of the Indenture are available for inspection during business hours at the office of the Trustee in San Francisco, California. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

PLAN OF FINANCE

Net proceeds from the sale of the Bonds will be used to reimburse FOCIL-MB, LLC (“FOCIL”), the master developer within the Project Area, for a portion of its costs in constructing infrastructure within the Project Area. Such reimbursement is required pursuant to an owner participation agreement (the “OPA”) between the Successor Agency, as successor to the Former Agency, and FOCIL, as successor developer. See “THE PROJECT AREA–Mission Bay South Owner Participation Agreement.” Proceeds of the Bonds will also be used to fund a Reserve Account and to pay costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS

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

Sources:
Par Amount
Less Net Original Issue Discount
Total Sources

Uses:
Project Fund
Reserve Account\(^{(1)}\)
Costs of Issuance\(^{(2)}\)
Underwriter’s Discount
Total Uses

\(^{(1)}\) Represents the aggregate amount of cash deposited to the Reserve Account under the Indenture.

\(^{(2)}\) Includes legal, financing and consultant fees, rating agencies’ fees and other miscellaneous expenses.
DEBT SERVICE SCHEDULE

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

<table>
<thead>
<tr>
<th>Bond Year&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Principal</th>
<th>Interest</th>
<th>Annual Debt Service</th>
</tr>
</thead>
</table>

TOTAL

<sup>(1)</sup> Debt service is presented on a lagging bond year basis (ending August 1) payable from revenues relating to the applicable Fiscal Year (ending the immediately preceding June 30).
THE BONDS

Description of the Bonds

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

The Bonds will be dated the date of their delivery to the original purchasers thereof. The Bonds will bear or accrue interest at the rates per annum and will mature, subject to redemption provisions set forth hereinafter, on the dates and in the principal amounts all as set forth on the inside cover page hereof. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2014 (each an “Interest Payment Date”). Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after the close of business on the 15th day of the month preceding an Interest Payment Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to July 15, 2014, in which event it shall bear interest from the date of delivery of the Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has been previously paid or made available for payment thereon or from the date of delivery of the Bonds to the original purchasers thereof if no interest has been paid on such Bond.

Book-Entry Only System

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

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

The 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 premiums, if any, with respect to the Bonds, (ii) confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the Bonds, or that DTC’s Direct Participants or Indirect Participants will do so on a timely basis.
Redemption Provisions

Optional Redemption. The Bonds maturing on or prior to August 1, 20__, are not subject to optional redemption. The Bonds maturing on or after August 1, 20__, are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, by such maturity or maturities as shall be directed by the 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.

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

Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, on each August 1 during the period from August 1, 20__, through August 1, 20__, in the aggregate principal amounts set forth in the following table; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below.

<table>
<thead>
<tr>
<th>Sinking Account Redemption Date (August 1)</th>
<th>Principal Amount to be Redeemed</th>
</tr>
</thead>
</table>

† Maturity.

The Term Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium, on each August 1 during the period from August 1, 20__, through August 1, 20__, in the aggregate principal amounts set forth in the following table; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below.
Sinking Account
Redemption Date
(August 1)
Principal Amount
to be Redeemed

† Maturity.

In lieu of redemption of the Term Bonds pursuant to the preceding paragraphs, the Successor Agency may purchase such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) 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.

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

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

**Transfer and Exchange.** If the Bonds are not in book-entry form, then the Bonds may be transferred or exchanged at the Trust Office of the Trustee, provided that the Trustee shall not be required to register the transfer or exchange of (i) any Bonds during the period established by the Trustee for selection of the Bonds for redemption, or (ii) any Bonds selected by the Trustee for redemption pursuant to the Indenture, or (iii) any Bonds during the period after the 15th day of the month preceding an Interest Payment Date through and including such Interest Payment Date. So long as Cede & Co. is the registered owner of the Bonds, transfers and exchanges of the Bonds will be subject to book-entry procedures. See APPENDIX 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 for each such new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Under the Indenture, the Successor Agency has pledged all of its right, title and interest in and to the Tax Revenues to payment of the Bonds, subject to a parity pledge thereof to secure Existing Parity Loans described herein. See “PLEDGE OF TAX REVENUES.”

The Indenture

The 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 and first lien on the (a) Tax Revenues allocated and paid to the Successor Agency from the Project Area, other than (i) certain administrative fees, expenses and indemnity payable by the Successor Agency to the Trustee and (ii) any rebate of excess investment earnings payable to the United States of America; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture (including the Reserve Account); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture. See “–Reserve Account” below and “PLEDGE OF TAX REVENUES–Tax Revenues Allocable to the Successor Agency.” See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Under the terms of the Indenture, the Successor Agency may issue or incur Parity Debt with respect to the Project Area. See “–Parity Debt.”

The Indenture contains covenants obligating the Successor Agency to follow appropriate procedures for timely receipt of Tax Revenues in accordance with the Dissolution Act, see “PLEDGE OF TAX REVENUES.”

Reserve Account

The Indenture establishes a Reserve Account to be held by the Trustee for the benefit of the Owners of the Bonds. The amount on deposit in the Reserve Account is required to be maintained at the Reserve Requirement, which is, as of any calculation date, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds excluding from the calculation thereof Parity Debt other than Bonds), and (ii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds). $________ of the principal of the Bonds will be deposited into the Reserve Account upon issuance of the Bonds. See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Reserve Account.”

Parity Debt

The Successor Agency may issue or incur bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which are secured by a lien on all or any part of the Tax Revenues with respect to the Project Area, which is on a parity with the lien established under the Indenture for payment of the Bonds (“Parity Debt”) in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions which are conditions precedent to the issuance and delivery of such Parity Debt:
(a) No event of default under the Indenture shall have occurred and be continuing, and the Successor Agency shall otherwise be in compliance with all covenants set forth in the Indenture.

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

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

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

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

Existing Parity Loans

The pledge of Tax Revenues from the Project Area under the Indenture is on a parity with the pledge thereof under two Loan Agreements, each of which secure certain tax allocation revenue bonds issued by the San Francisco Redevelopment Financing Authority (the “Authority”). The Parity Prior Loans are payable from, and secured by a pledge of and lien on, Tax Revenues that is on a parity with the pledge of and lien on Tax Revenues securing the Bonds. The Parity Prior Loan and the outstanding balances thereof as of January 1, 2014, are as follows:

<table>
<thead>
<tr>
<th>Parity Prior Bonds</th>
<th>Outstanding Principal Amount of Existing Parity Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 Series D Tax Allocation Revenue Bonds</td>
<td>$46,625,000</td>
</tr>
<tr>
<td>2011 Series D Tax Allocation Revenue Bonds</td>
<td>35,755,000</td>
</tr>
</tbody>
</table>

The Successor Agency’s obligations under the Existing Loan Agreements are set forth in the Estimated Annual Debt Service Coverage Table set forth under the caption “TAX REVENUES AND DEBT SERVICE–Historical and Current Assessed Valuation and Tax Revenues for the Project Area.”
PLEDGE OF TAX REVENUES

Introduction

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

Tax Increment Financing Generally

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

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

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

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

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

The term “Tax Revenues,” as defined in the Indenture, means all taxes annually allocated and paid to the Successor Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); and including that portion of such taxes (if any) otherwise required to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds, the Existing Loans and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and investment earnings on amounts on deposit hereunder, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless such payments are subordinated to payments due on the 2014 Series A Bonds pursuant to Section 33607.5(e) of the Law. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Certain Required Payments of Tax Revenues to Taxing Entities” hereinafter. The Bonds are secured by and payable from the Tax Revenues from the Project Area and the amounts held in the Reserve Account established under the Indenture.

Allocable Tax Revenues

The term “Allocable Tax Revenues,” as defined in the Indenture, means all taxes annually allocable without regard to the limitation of the Redevelopment Plan of the Project Area following the date of delivery of the Bonds, to the Successor Agency with respect to the Project Area pursuant to the Redevelopment Law and Section 16 of Article XVI of the State Constitution, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan for the Project Area, including that portion of such taxes (if any) otherwise required by the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area; but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments due with respect to the Bonds pursuant to Section 33607.5(e) of the Redevelopment Law.

Allocable Tax Revenues are not pledged to the repayment of the Bonds or Parity Debt; provided, however, that such Allocable Tax Revenues are generally available for the payment of the Bonds and any Parity Debt. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt.”

Tax Revenues Allocable to the Successor Agency

The Successor Agency Tax Rate calculated by the City is 1.000% for the secured roll and the unsecured roll. In accordance with Health and Safety Code Section 33670(e) the Successor Agency Tax Rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Successor Agency does not receive, on an annual basis, all Allocable Tax Revenues, unless required to pay debt service. See the tables for the Project Area under the caption “TAX REVENUES AND DEBT SERVICE–Historical and Current Assessed Valuation and Tax Revenues for the Project Area.”
Pursuant to the OPA, the Successor Agency has agreed that Allocable Tax Revenues remaining after application to debt service and statutory pass-throughs will be applied to pay costs of infrastructure serving the Mission Bay development to reimburse the master developer for such costs.

**Teeter Plan**

The City has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et. seq. of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county would receive and retain delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency. The City maintains a tax loss reserve account, which as of June 30, 2013, held approximately $18.3 million.

The Teeter Plan remains in effect unless the City Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the City Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the Bonds. According to the Fiscal Consultant (defined herein), the overall delinquency rate for Fiscal Year 2012-13 for all secured properties in the Project Area was 0.7% as of May 10, 2013. See APPENDIX B—“FISCAL CONSULTANT REPORT–The Allocation of Tax Increment Revenue to the Successor Agency.”

**Low and Moderate Income Housing Set-Aside**

Prior to the Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund not less than 20% of all tax revenues allocated to such agencies. Although this 20% set-aside requirement was eliminated by the Dissolution Act, the Successor Agency is bound by the Mission Bay South Owner Participation Agreement, in which the Former Agency agreed to apply 20% of Allocable Tax Allocation Revenues to low and moderate income housing. As a result, Tax Revenues available to pay the Bonds and any Parity Debt are reduced by this low and moderate housing set-aside.

**Assembly Bill 1290**

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

(i) time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See “THE PROJECT AREA” for a discussion of the time limitations.

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

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

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

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

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

The tax sharing payments described above are required to be made prior to payment of debt service on loans secured by tax increment from project areas which are subject to AB 1290. However, Section 33607.5(e) of the Redevelopment Law sets forth a process pursuant to which such payments may be subordinated to debt service on newly-issued bonds or loans. Pursuant to this procedure, the AB 1290 payments for the Project Area have been subordinated to payments with respect to the Bonds. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Certain Required Payments of Tax Revenues to Taxing Entities.”

Redevelopment Property Tax Trust Fund

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

Allocation of Taxes Subsequent to the Dissolution Act

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

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

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

To the extent that tax increment revenue generated from other project areas of the Successor Agency is available after payment of all obligations required to be paid from such amounts, the excess tax increment revenue might, under the Dissolution Act, be available to pay debt service on the Bonds. The commingling of tax increment revenue from other project areas may, however, adversely affect the interests of other taxing entities. The Successor Agency is not able to provide any assurances that tax increment revenue from other project areas will be available to pay debt service on the Bonds. Despite the provisions of the Dissolution Act that appear to permit the Successor Agency to use tax increment revenue that does not constitute Tax Revenues to pay debt service on the Bonds, investors should assume that the Bonds are secured by and payable solely from the Tax Revenues.
Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”). The Dissolution Act requires the City Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the City Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, 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 below), (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments, and the Successor Agency’s administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency’s enforceable obligations, pass-through payments, and the Successor Agency’s administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for statutory tax sharing amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Tax Revenues and the statutory tax sharing amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the Bonds when due. See “Recognized Obligation Payment Schedule.” See also “TAX REVENUE AND DEBT SERVICE” for additional information regarding the Statutory Tax Sharing Amounts applicable to the Successor Agency and the revenues derived from the Project Area. The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds. See “Recognized Obligation Payment Schedule” and “SPECIAL RISK FACTORS.”

The Bonds are not a debt of the City, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the State or any of its political subdivisions (except the Successor Agency) is liable therefor. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Recognized Obligation Payment Schedules. The Dissolution Act require that, not less than 90 days prior to each January 2 and June 1, successor agencies prepare, and submit to the
successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

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

A reserve may be included on the Recognized Obligation Payment Schedule 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 six-month period.

[CONFORM TO FINAL INDENTURE] In the Indenture, the Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, all amounts required to be deposited in the Special Fund pursuant to and in accordance with the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account, in the Recognized Obligation Payment Schedule for each six-month period so as to enable the City Controller to distribute from the Redevelopment Property Tax Trust Fund to the Special Fund within the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds, and all amounts to be deposited in the Special Fund (pursuant to and in accordance with Section 4.02 of the Indenture), which amounts will be used to pay debt service on the Bonds. Specifically, the Successor Agency has covenanted that it will place on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, all amounts required by the Indenture to be deposited and held by the Successor Agency in the Special Fund, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act. [Due to the fact that August 1 principal and interest payments on the Bonds are significantly larger than February 1 interest only payments, failure to submit amounts to be held as a reserve on the January Recognized Obligation Payment Schedule will result in the disbursement of too much tax increment revenues to the taxing agencies leaving insufficient funds to make payment on the Bonds coming due each September.] [The Successor Agency has covenanted in the Indenture that it will prepare each semi-annual Recognized Obligation Payment Schedule in an amount equal to one-half of the annual debt service on the Bonds and Parity Debt.]

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Successor Agency may request additional review by the State Department of Finance and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor Agency and the City Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. The State Department of Finance has on occasion rejected items on the Successor Agency’s Recognized Obligation Payment Schedule. However, none of the rejected items related to bond debt service or enforceable obligations related to the repayment of bonds.
The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules.

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

The Successor Agency’s collection of Tax Revenues in the Project Area is also subject to limitations of the total tax increment collected by the Successor Agency over the life of the Redevelopment Plan. See “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Tax Increment Revenue Limitation.”

The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Bonds and, consequently, the principal of, and interest on, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “SPECIAL RISK FACTORS” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS.”


In consideration of the acceptance of the 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 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 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 Bonds or in the Indenture.
THE SUCCESSOR AGENCY

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

The Successor Agency maintains a website as part of the City’s website. The information is not incorporated presented therein by reference.

Authority and Personnel

The powers of the Successor Agency are vested in its governing board (the “Successor Agency Commission”), which in the City is referred to as the “Commission on Community Investment and Infrastructure” which has five 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 members have initial two-year terms), must reside within the City limits [and must not be officials or employees of the City.] Once appointed, members serve until replaced or reappointed.

The current members of the 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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
<th>First Appointed</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theodore Ellington</td>
<td>Community Service</td>
<td>2012</td>
<td>December 2016</td>
</tr>
<tr>
<td>Marly Mondejar</td>
<td>Community Organizer</td>
<td>2012</td>
<td>December 2014</td>
</tr>
<tr>
<td>Christine Johnson</td>
<td>Finance Professional</td>
<td>2012</td>
<td>December 2016</td>
</tr>
<tr>
<td>Mara Rosales</td>
<td>Attorney</td>
<td>2012</td>
<td>December 2014</td>
</tr>
<tr>
<td>Darshan Singh</td>
<td>Businessman</td>
<td>2012</td>
<td>December 2016</td>
</tr>
</tbody>
</table>

The Successor Agency currently employs approximately 50.6 full-time equivalent positions. The Executive Director, Tiffany Bohee, was appointed to that position in February 2012. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration; the Deputy Executive Director, Housing; and the Successor Agency General Counsel. Each project area in which the Successor Agency continues to implement redevelopment plans, is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Successor Agency has its own fiscal, legal, administrative and property management staffs, including a separate staff to manage the South Beach Harbor Marina.

Effect of the Dissolution Act

AB 26 and AB 27. The Former Agency was established under the Community Redevelopment Law in 1948. The Former Agency was established under the Redevelopment Law in 1948. As a result of AB 1X 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 agency all under the supervision of a new oversight board, the State Department of the Finance and the State Controller.
Pursuant to Resolution No. 11-12 (the “Establishing Resolution”) adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City’s role as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

Pursuant to Ordinance No. 215-12 finally passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the Successor Agency: the “Successor Agency to the Redevelopment Agency of the City and County of San Francisco,” (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency and (iv) established the composition and terms of the members of the Successor Agency Commission.

As discussed below, many actions of the Successor Agency are subject to approval by an “oversight board” and the review or approval by the California Department of Finance, including the issuance of bonds such as the Bonds.

**Oversight Board**

The Oversight Board was formed pursuant to Establishing Resolution adopted by the City’s Board of Supervisors and signed by the Mayor on January 26, 2012. The Oversight Board is governed by a seven-member governing board, with four members appointed by the Mayor, and one member appointed by each of the Bay Area Rapid Transit District (BART), the Chancellor of the California Community Colleges, and the County Superintendent of Education.

**Department of Finance Finding of Completion**

The Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, a successor agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes.

On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affording housing funds, determined by the State 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 County Auditor-Controller the amount of unobligated balances relating to all other funds determined by the State Department of Finance in the amount of $959,147. The Successor Agency has made all payments required under AB 1484 and has received its finding of completion from the State Department of Finance on May 29, 2013.
State Controller Asset Transfer Review

The Dissolution Act requires that any assertion of a former redevelopment agency transferred to a city, county or other local agency after January 1, 2011, be sent back to the successor agency. The Dissolution Act further requires that the State Controller review any such transfer. As of the date hereof, the Controller’s review is pending. The Successor Agency does not expect the outcome of the State Controller’s Asset Transfer Review to have a material adverse impact on the availability of Tax Revenues.

Continuing Activities

The Former Agency was organized in 1948 by the Board of Supervisors of the City pursuant to the Redevelopment Law. The Former Agency’s mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for nine (9) redevelopment project areas.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the “Major Approved Development Projects”). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area (“YBC”). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency.

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[Mission Bay South Redevelopment Project Area Map]
THE PROJECT AREA

General

The Mission Bay South Redevelopment Plan was adopted by the Board of Supervisors in December 1993.

The Project Area consists of approximately 238 acres of land located approximately two miles south of the financial district of the City, and south of Mission Creek and AT&T Park, the waterfront baseball stadium for the San Francisco Giants (which is not in the Project Area). The Project Area is bounded on the south by Mariposa Street, on the east by San Francisco Bay, on the north by Mission Creek, and on the west by Seventh Street and the Interstate 280 Freeway. Of the approximately 238 acres that make up the Project Area, Tax Revenues are generated from approximately 55 acres.

The Redevelopment Plan

The Project Area was formerly rail yards, underutilized warehouse and vacant industrial land. The goal of the Mission Bay South Redevelopment Plan is to create a mixed-use, mixed-income neighborhood, with new jobs, housing, open space and public services. At full build-out, the Project Area will contain approximately 3,440 housing units, of which approximately 35 percent will be affordable. The Mission Bay UCSF campus, a life science campus for teaching and research, and UCSF’s planned hospital serving children, women and cancer patients are integral components of the Project Area. Surrounding the UCSF campus is land designated for 4.4 million square feet of private life science and biotechnology lab and office space. The plan also calls for a 250-room hotel, more than 35 acres of new parks and open space, a new public school and new fire and police stations. The area is already well-served by public transit, including the existing CalTrain railroad station located at the southwest corner of Fourth and Townsend Street and MUNI’s new Third Street “light-rail” line, which runs directly to the City’s financial district, and which commenced operation at the beginning of 2007. Over $460 million in new infrastructure is estimated, including new roads and sewer and storm water infrastructure. To date, approximately $280 million has been expended on infrastructure.

The redevelopment plan includes a limit of November 2, 2028, on the issuance of debt necessary to meet the Successor Agency’s low and moderate income housing requirements and November 2, 2018, on the issuance of debt for other purposes. The last date to repay indebtedness under the plan is November 2, 2043. The plan does not contain a limit on the tax increment that may be collected in the project area. The amount of indebtedness that may be outstanding at any one time is $450 million of which approximately $98.310 million was outstanding as of January 1, 2014, which includes approximately $15.920 million in housing-related tax allocation debt which is payable from tax increment deposited in the Successor Agency’s Low and Moderate Income Housing Fund.
The following table provides plan limitation and other summary information regarding the Project Area.

**Mission Bay South Project Area Plan Summary**

<table>
<thead>
<tr>
<th>Approximate Area Size (acres)</th>
<th>Plan Adoption Date</th>
<th>Last Day to Incur Debt</th>
<th>Last Day to Repay Debt</th>
<th>Plan Duration</th>
<th>Total Tax Increment</th>
<th>Approximate Amount Remaining Bonded Limit(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>238(1)</td>
<td>11/02/98</td>
<td>11/02/28(2)</td>
<td>11/02/28</td>
<td>11/02/43</td>
<td>No limit</td>
<td>N/A</td>
</tr>
</tbody>
</table>

|                              |                   |                        |                        |               | $450,000,000(4)   |                                  |

(1) Of the approximately 238 acres that make up the Mission Bay South Project Area, Tax Revenues are generated from approximately 55 acres.
(2) The Successor Agency may not incur debt for purposes other than financing low and moderate income housing after November 2, 2018.
(3) This limit represents the amount of bonded indebtedness that can be outstanding at any one time.
(4) Following issuance of the Bonds, bonded indebtedness in the aggregate principal amount of $________ will be outstanding with respect to the Project Area.

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

See APPENDIX B—“FISCAL CONSULTANT REPORT–The Redevelopment Plan.” The Successor Agency’s Audited Financial Statements for the year ended June 30, 2013 appears as Appendix A hereto.

**Land Use Entitlements**

The table below sets forth the land use entitlements in the Project Area.

**Mission Bay South Redevelopment Project Area**

**Current Entitlements and Construction Status in the Project Area**

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>Under Construction</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,440 housing units</td>
<td>1,512 units</td>
<td>620 units</td>
</tr>
<tr>
<td>4.4 million square feet of office/lab space</td>
<td>0</td>
<td>1.7 million sf</td>
</tr>
<tr>
<td>550 bed medical center</td>
<td>289 beds</td>
<td>0</td>
</tr>
<tr>
<td>2.65 million square feet of university research facilities</td>
<td>263,500 sf</td>
<td>1.94 million sf</td>
</tr>
<tr>
<td>162,689 square feet of retail space</td>
<td>44,680 sf</td>
<td>26,204 sf</td>
</tr>
<tr>
<td>250 room hotel</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>35.4 acres of open space</td>
<td>0</td>
<td>17.2 acres</td>
</tr>
</tbody>
</table>

**Status of Development**

*University of California San Francisco (UCSF).* To date, UCSF has completed over 1.9 million square feet in eleven buildings, including six research business, a campus housing project (with four buildings), and the campus community center, plus related parking. An approximately 264,000 square foot administrative and desktop research building is currently under construction. UCSF is also under construction on the $1.5 billion first phase of its medical center, a 289 bed hospital focused on women’s and children’s health and cancer treatment and outpatient building and energy center, with anticipated completion in 2014. UCSF is currently planning out the remainder of its north campus (north of the medical center site), including exploring the possibility of adding entitlements for an additional approximately one million square feet.
**Commercial Office and Lab.** Seven commercial buildings totaling more than 1.7 million square feet of private biotechnology lab space and office space have been completed, including the headquarters for Old Navy and FibroGen, Inc., space for the pharmaceutical companies Bayer and Nektar and cloud computing company Meraki (recently acquired by Cisco Systems). At the end of 2013, Alexandria sold its 1600 Owens property to Kaiser for medical office, and will recommence construction of the approximately 220,000 square foot building in mid-2014.

In fall 2010, Salesforce.com purchased 14 acres of land from Alexandria (ARE) to construct a two million square foot headquarters complex. Salesforce.com subsequently canceled plans to move forward with construction and has been rumored to be in discussions with potential buyers of the property.

**Residential.** The first market rate condominium project, the 99-unit Radiance developed by BOSA California, opened in July 2009, and the second residential project, a 192-rental project by Urban Housing Group opened in April 2009. Phase 2 of the Radiance (the 329-unit Madrone) was completed in 2012 and sold out by early 2013. In 2013, Bosa commenced construction on 267 condos located on block 12E. Construction is nearly complete on Blocks 2 (UDR building 315 units) and 3 West (Summerhill building 147 units), for a total of 462 new rental units opening early 2014. Currently in the middle of construction: first Agency-sponsored affordable housing project, a 150-unit family rental project being built by Mercy Housing; two buildings comprised of 360 rental units by BRE Properties (soon to merge with Essex Properties), and 275 rental units being constructed by EQR. In total over 1,500 units are currently under construction.

**Other.** The hotel parcel was re-entitled in 2013 for a mix of 350 residential units and 250 hotel rooms. The hotel portion was recently sold to a hotel developer, and the residential portion is in the schematic design process. A new Public Safety Building is under construction slated for delivery in late 2014. It will house the police administrative offices for the entire city of San Francisco, as well as a new fire station and community room. Construction is about to commence on a children’s park serving the residential neighborhood and two waterfront parks that also help treat storm water before it is discharged to the Bay. Street and utility infrastructure that will complete the residential neighborhood and the area surrounding the UCSF Medical Center is currently under construction, with delivery of facilities timed to coincide with the completion of the residential and hospital described above.

**Property Tax Exemption of Certain Properties**

**General.** Under California law, certain properties are exempt from property taxation including properties owned or leased by governmental entities or by certain nonprofit corporations.

As discussed below, certain properties are currently exempt from property taxes and expected to remain exempt and taxes therefrom are not included in calculations of Tax Revenues. Further, as development continues, property transfers may occur to entities, or for uses, which render such properties exempt from property taxation. As discussed below, in most cases agreements are in place for payments in lieu of taxes equal to the property taxes due if such parcels were taxable. **It is possible that a parcel subject to property tax which is included in Tax Revenues may be converted by change of use, transfer or condemnation, to a parcel exempt from taxation, in whole or in part.**

**Currently Exempt Parcels.** Certain developed parcels in the Project Area are currently exempt from property taxes and are not included in Tax Revenues. These consist of a 14-acre parcel (Blocks 36-39 and X-3), owned by the University of California, a State governmental entity, and under construction as a medical center, 99,114 square feet of office space leased by UCSF in the building at 1500 Owens Street (although this property is subject to a PILOT Agreement (as described below) and the Agency expects to collect payments thereunder in the future) and the property and building at 1650 Owens Street, which is owned by the Gladstone Institute, a non-profit entity.
Several vacant parcels in the Project Area, are owned by, or reserved for, nonprofit corporations for development of low and moderate income housing. These parcels are currently not taxed and are expected to be exempt from property taxation even when developed. No property taxes are expected to be generated by these parcels and no amounts from these parcels are included in Tax Revenues.

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

The property and the 450,000 square-foot building at 409-499 Illinois Street is currently subject to property taxation. According to UCSF, UCSF is under contract to lease approximately 41,792 square feet in 499 Illinois Street. Any leased space would likely be exempt from property taxation but subject to the same arrangement as 1500 Owens Street.

Kaiser Permanente, an entity that could potentially qualify for property tax exemption, purchased 1600 Owens Street in December 2013. In spring of 2013 UCSF issued a Request for Proposals indicating its desire to acquire an additional 300,000 or more square feet in the Project Area in the future. However, 1600 Owens Street and substantially all property which could be acquired or leased by UCSF are subject to agreements (each, a “PILOT Agreement”) which requires any tax-exempt owner or lessee, including a nonprofit entity, to make payments in lieu of taxes at the times, and in the amounts, as if the property were subject to taxation. Each PILOT Agreement was prepared in connection with the OPA and is recorded in the City’s real property records and the Successor Agency is an express third-party beneficiary thereof. There is no express remedy of foreclosure under the PILOT Agreements. In addition, there may be limitations on remedies available against UCSF, or any other tax exempt entity, in the event of nonpayment under a PILOT Agreement. It is possible that UCSF may seek to avoid application of a PILOT Agreement or negotiate alternative arrangements with respect to any property it acquires or leases.

**Mission Bay South Owner Participation Agreement**

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

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

The Successor Agency is issuing the Bonds in furtherance of its obligations under the OPA to finance the acquisition of the Infrastructure.

The OPA provides that Catellus is responsible (which responsibility has been assumed by FOCIL) for constructing the Infrastructure and that the Successor Agency will provide financing of a portion of the costs of the Infrastructure through the issuance of tax allocation bonds, the establishment of one or more community facilities districts (“CFDs”) under the Mello-Roos Act, or through direct acquisition from Net Available Increment. Pursuant to the OPA, community facility districts have issued bonds (the “CFD Bonds”) secured by special taxes levied on property in such community facility district to pay for the Infrastructure. As of January 1, 2014, $140.4 million aggregate principal amount of such bonds is outstanding. Any Net Available Increment available after payment of tax allocation bonds (including, the Bonds) may be used to pay, if necessary, the principal of, and interest and any premium on, the CFD Bonds, offset special taxes due with respect to CFD Bonds and pay for Infrastructure directly.

The Successor Agency and Catellus entered into an Acquisition Agreement (the “Acquisition Agreement”) dated as of June 1, 2001, as supplemented as of October 1, 2002 and assumed by FOCIL in 2004. Under the terms of the Acquisition Agreement, the Successor Agency will acquire the Infrastructure from FOCIL upon completion of various discrete components of infrastructure and inspection thereof by the City.

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

**TAX REVENUES AND DEBT SERVICE**

**Historical and Current Tax Revenues**

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

The total taxable value of all properties within a given project area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such project area establishes a base from which increases in taxable value are computed. The base year for the Project Area is its 1998-99 assessment roll.
Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment rolls, plus a portion of taxes levied in excess of the foregoing amount sufficient to pay debt service on voter-approved bonded indebtedness of the Taxing Agencies, will continue to be paid to and retained by all Taxing Agencies levying property taxes in the project areas. Taxes levied by the respective Taxing Agencies on any increases in taxable value realized in any project area ordinarily would be allocated to the Successor Agency to the extent requested by the Successor Agency to pay indebtedness incurred with respect to the project area and certain other costs.

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

Pending Tax Appeals

As of November 30, 2013, fourteen (14) tax appeals recorded in the Project Area for tax year 2013-14 remains outstanding, thirteen (13) tax appeals recorded in the Project Area for tax year 2012-13 remain outstanding and two (2) tax appeals recorded in the Project Area remain outstanding for tax year 2011-12. The following table presents for the Project Area a comparison of the assessed values and claimed values for known pending Tax Appeals as of November 30, 2013.

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Number of Appeals</th>
<th>Assessor’s Value</th>
<th>Owner’s Appeal Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14†</td>
<td>14</td>
<td>$531,579,315</td>
<td>$343,914,442</td>
<td>$187,664,873</td>
</tr>
<tr>
<td>2012-13</td>
<td>13</td>
<td>316,889,562</td>
<td>201,365,085</td>
<td>115,524,477</td>
</tr>
<tr>
<td>2011-12</td>
<td>2</td>
<td>165,370,550</td>
<td>110,000,000</td>
<td>55,370,550</td>
</tr>
<tr>
<td>2010-11</td>
<td>2</td>
<td>299,836,817</td>
<td>160,000,000</td>
<td>139,836,817</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>$1,313,676,244</td>
<td>$815,279,527</td>
<td>$498,396,717</td>
</tr>
</tbody>
</table>

† Preliminary.
Source: San Francisco County Assessment Appeals Board; Urban Analytics.

Alexandria Real Estate has 11 appeals pending for Fiscal Year 2013-14, with disputed valuation of $118.6 million. Bay Jacaranda has two appeals pending on its Fiscal Year 2012-13 valuations with disputed valuation of $28.2 million; the owner’s previous appeals on the property resulted in no change in valuation. The Hines Global REIT has appealed a parcel located at 550 Terry Francois Boulevard in Fiscal Year 2013-14, 2011-12 and 2010-11 with disputed valuation totaling $154.8. Sobrato Development has an appeal pending on a separate parcel also at the 550 Terry Francois Boulevard location for Fiscal Year 2012-13 and 2010-11 with disputed valuation totaling $166.2 million. Strata Apartment holdings has appealed its residential property at 555 Mission Rock for Fiscal Year 2013-14 and 2012-13 with a total disputed valuation of $22.0 million. Previous resolved appeals filed on the Sobrato and Strata properties resulted in no change in valuation.

The Successor Agency has received Tax Revenues for fiscal year 2012-13 and a portion of 2013-14. To the extent tax appeals are successful, the Successor Agency may be required to return to the City Tax Revenues allocable to any reduction in value that it has received. See “SPECIAL RISK FACTORS—Appeals to Assessed Values.” However, as described further in APPENDIX B—“FISCAL CONSULTANT REPORT” under “Assessment Appeals,” it has been the City Controller’s practice to not deduct appeal-
related tax refunds from redevelopment tax increment. The Successor Agency believes that if the City Controller were to change its practice of not deducting appeal-related tax refunds from redevelopment tax increment, any such deduction would first be applied to the excess of Allocable Tax Revenues over Tax Revenues, if any, before being applied to Tax Revenues. Further, to the extent the pending appeals seek temporary reductions in assessed valuation under Proposition 8 they are not expected to affect assessed valuations in later years as economic conditions improve. Applying the retention rate of 99.8% to the valuation currently subject to pending appeals, the estimated reduction in valuation would be $6.5 million or approximately $65,000 in total Allocable Tax Revenues. Should the City Controller’s practice change and the full amount of appeals is granted, the Fiscal Consultant estimates that based on the pending tax appeals as of November 30, 2013, the Allocable Tax Revenues for the Project Area would be reduced by approximately $5 million. However, according to the Fiscal Consultant, if the overall retention rate for all years in the Project Area were applied to the amount of valuation in dispute in pending appeals for the Project Area, there would be no expected valuation reduction as there has been no reduction in valuation from resolved appeals in the Project Area. See APPENDIX B–“FISCAL CONSULTANT REPORT–Assessment Appeals.”

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

**General.** The tables below set forth the following information for the Project Area: (i) the property taxable values and Allocable Tax Revenues received from the Project Area for Fiscal Years 2009-10 to 2013-14; (ii) information on concentration of assessed value for Fiscal Year 2013-14; and (iii) estimated debt service coverage. Based on assessment roll data provided by the offices of the San Francisco Assessor, San Francisco Controller, and State Board of Equalization, the total assessed valuation for 2013-14 in the Project Area, after deducting all exemptions except the homeowner’s exemption which is reimbursed by the state, is $1.8 billion in the Project Area.

2013-14 valuation gains of $270.2 million in the Project Area were primarily attributable to construction progress on several new rental residential developments, the completion of over 300 new condos, tax code corrections and 2% inflation across the tax base. See table “Ten Largest Assesees for Fiscal Year 2013-14” below and “SPECIAL RISK FACTORS–Reduction in Tax Base and Assessed Values” herein.
**AB 1290 Payment Subordination for the Project Area.** The AB 1290 obligations for the Project Area have been subordinated to debt service payments on the Bonds in accordance with the statutory procedure therefor. Such subordinated AB 1290 obligations are therefore not deducted from Allocable Tax Revenues in the tables below for the Project Area. See “PLEDGE OF TAX REVENUES—Assembly Bill 1290” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Certain Required Payments of Tax Revenues to Taxing Entities.”

### Mission Bay South Project Area

**Property Taxable Values and Allocable Tax Revenues**

**(Dollars in Thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secured Property Assessed Values</strong>&lt;sup&gt;(1)&lt;/sup&gt;:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Property</td>
<td>$643,132</td>
<td>$1,043,685</td>
<td>$1,026,260</td>
<td>$1,357,250</td>
<td>$1,656,312</td>
</tr>
<tr>
<td>SBE Rolls</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Secured Assessed Values</strong></td>
<td>$643,132</td>
<td>$1,043,685</td>
<td>$1,026,260</td>
<td>$1,357,250</td>
<td>$1,656,312</td>
</tr>
<tr>
<td><strong>Unsecured Assessed Values</strong>&lt;sup&gt;(2)&lt;/sup&gt;:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>133,641</td>
<td>148,008</td>
<td>147,433</td>
<td>146,118</td>
<td>148,350</td>
</tr>
<tr>
<td><strong>Total Assessed Values</strong></td>
<td>$776,773</td>
<td>$1,191,693</td>
<td>$1,173,693</td>
<td>$1,503,368</td>
<td>$1,804,662</td>
</tr>
<tr>
<td><strong>Base Year Values:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>$85,054</td>
<td>$85,054</td>
<td>$85,054</td>
<td>$85,054</td>
<td>$85,054</td>
</tr>
<tr>
<td>Unsecured</td>
<td>12,628</td>
<td>12,628</td>
<td>12,628</td>
<td>12,628</td>
<td>12,628</td>
</tr>
<tr>
<td><strong>Increase Over Base-Year Values:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>$558,078</td>
<td>$958,631</td>
<td>$941,206</td>
<td>$1,272,196</td>
<td>$1,571,259</td>
</tr>
<tr>
<td>Unsecured</td>
<td>121,013</td>
<td>135,380</td>
<td>134,805</td>
<td>133,490</td>
<td>135,721</td>
</tr>
<tr>
<td>Secured Tax Rate</td>
<td>0.010040</td>
<td>0.010060</td>
<td>0.010040</td>
<td>0.010000</td>
<td>0.010000</td>
</tr>
<tr>
<td>Unsecured Tax Rate</td>
<td>0.010060</td>
<td>0.010060</td>
<td>0.010040</td>
<td>0.010000</td>
<td>0.010000</td>
</tr>
<tr>
<td><strong>Tax Increment Revenue</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured Property</td>
<td>$5,603</td>
<td>$9,625</td>
<td>$9,412</td>
<td>$12,722</td>
<td>$15,713</td>
</tr>
<tr>
<td>Unsecured Property</td>
<td>1.217</td>
<td>1.359</td>
<td>1.353</td>
<td>1.335</td>
<td>1.357</td>
</tr>
<tr>
<td>Gross Tax Increment Revenue</td>
<td>$6,820</td>
<td>$10,984</td>
<td>$10,765</td>
<td>$14,057</td>
<td>$17,070</td>
</tr>
<tr>
<td>Less: 20% Housing Set-Aside</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: AB 1290 Passthrough Obligation&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Allocable Tax Revenues</strong></td>
<td>$5,456</td>
<td>$8,787</td>
<td>$8,612</td>
<td>$11,245</td>
<td>$13,656</td>
</tr>
</tbody>
</table>

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

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

<sup>(3)</sup> No amount deducted to compute Allocable Tax Revenues, since future AB 1290 payments for this Project Area have been subordinated to the debt service on the Bonds.

Source: City and County of San Francisco; Urban Analytics.
Mission Bay South Project Area  
Ten Largest Assessees for Fiscal Year 2013-14  
(Assessed Values Exclude Homeowner Subventions) 

<table>
<thead>
<tr>
<th>Property/Taxpayer</th>
<th>Assessed Value</th>
<th>% of Total Project Area Assessed Value</th>
<th>Land Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria Real Estate SF(1)</td>
<td>$309,479,161</td>
<td>17.1%</td>
<td>Office and Vacant Land</td>
</tr>
<tr>
<td>Bay Jacaranda (Salesforce)(2)</td>
<td>289,421,463</td>
<td>16.0%</td>
<td>Vacant Land for Office</td>
</tr>
<tr>
<td>X-4 Dolphin LLC (409 Illinois)(3)</td>
<td>171,045,799</td>
<td>9.5%</td>
<td>Office</td>
</tr>
<tr>
<td>Hines Global Reit(4)</td>
<td>114,305,085</td>
<td>6.3%</td>
<td>Office</td>
</tr>
<tr>
<td>Sobrato Development Co #871(5)</td>
<td>98,890,016</td>
<td>5.5%</td>
<td>Office</td>
</tr>
<tr>
<td>Strata Apartment Hldgs LLC(6)</td>
<td>81,762,267</td>
<td>4.5%</td>
<td>Residential</td>
</tr>
<tr>
<td>Fibrogen Inc. (Business property at 409 Illinois)</td>
<td>80,483,364</td>
<td>4.5%</td>
<td>Unsecured Property</td>
</tr>
<tr>
<td>DCO Mission Bay LP</td>
<td>54,579,450</td>
<td>3.0%</td>
<td>Residential</td>
</tr>
<tr>
<td>Bre Properties Inc.</td>
<td>48,281,704</td>
<td>2.7%</td>
<td>Residential</td>
</tr>
<tr>
<td>Urban Housing MB III LLC</td>
<td>37,484,800</td>
<td>2.1%</td>
<td>Residential</td>
</tr>
</tbody>
</table>

**Total Ten Largest:** $1,285,733,109 71.2%

**Total for the Area:** $1,804,661,948 100.0%

Ten Largest as Percentage of Incremental Assessed Value: 75.3%

---

(1) Owner has 11 appeals pending for the 2013-14 valuation.  
(2) Owner has two appeals pending for the 2012-13 valuation.  
(3) Purchased by Alexandria Real Estate SF after the January 1, 2013 lien date for the Fiscal Year 2013-14 assessment rolls.  
(4) Owner has one appeal pending for each of the 2013-14, 2011-12 and 2010-11 valuations.  
(5) Owner has one appeal pending for both of the 2012-13 and 2010-11 valuations.  
(6) Owner has one appeal pending for both of the 2013-14 and 2012-13 valuations.  
Source: City and County of San Francisco, Assessor’s Office; Urban Analytics.

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## Mission Bay South Project Area
### Estimated Annual Debt Service Coverage \(^{(1)}\)

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Allocable Tax Revenue (^{(2)})</th>
<th>Prior Parity Loans Debt Service</th>
<th>2014 Bonds Series A Debt Service</th>
<th>Total Parity Debt Service</th>
<th>Debt Service Coverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$13,655,840</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>13,715,290</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>13,978,369</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>14,246,710</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>14,520,418</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018-19</td>
<td>14,799,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019-20</td>
<td>15,084,366</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020-21</td>
<td>15,374,827</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021-22</td>
<td>15,671,097</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022-23</td>
<td>15,973,292</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023-24</td>
<td>16,281,532</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024-25</td>
<td>16,595,936</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025-26</td>
<td>16,916,629</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026-27</td>
<td>17,243,735</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2027-28</td>
<td>17,577,383</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2028-29</td>
<td>17,917,704</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2029-30</td>
<td>18,264,832</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2030-31</td>
<td>18,618,903</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2031-32</td>
<td>18,980,054</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2032-33</td>
<td>19,348,429</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033-34</td>
<td>19,724,171</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034-35</td>
<td>20,107,428</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035-36</td>
<td>20,498,351</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036-37</td>
<td>20,897,091</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2037-38</td>
<td>21,303,807</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2038-39</td>
<td>21,718,656</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2039-40</td>
<td>22,141,803</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040-41</td>
<td>22,573,413</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2041-42</td>
<td>23,013,655</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2042-43</td>
<td>23,462,702</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2043-44</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$540,206,022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) Numbers are rounded. Debt Service is presented on a Bond Year basis, ending August 1.

\(^{(2)}\) Allocable property area tax revenue is projected using a growth rate of 0.20% for real property in 2013-14 and 2% for real property in all subsequent years with a tax levy of 1.00%.

Source: Redevelopment Agency of the City and County of San Francisco as to Parity Prior Debt Service; Urban Analytics as to Allocable Project Area Tax Revenues; E. J. De La Rosa & Co., Inc., as to 2014 Series A Bonds Debt Service and Debt Service Coverage Ratio.
Property Foreclosures

Foreclosures primarily affect assessed valuations at the point at which the property foreclosed upon is sold to a third party, with the 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.

According to the Fiscal Consultant, a review of foreclosure data in the Project Area identified no properties subject to foreclosure action since January 1, 2010. See APPENDIX B—“FISCAL CONSULTANT REPORT—Property Foreclosure.”

SPECIAL 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 Bonds. The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the Bonds and no assurance can be given that additional risk factors will not become evident at any future time. The order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Concentration of Tax Base

In the Project Area, approximately 71.2% of the total assessed value and 75.3% of the total incremental assessed value is attributable to the 10 largest assessors. The failure or financial difficulty of one or more of such large developments could have a significant detrimental impact on the Project Area’s assessed value and consequently on the amount of Allocable Tax Revenues of the Project Area available to secure the Bonds. See “TAX REVENUES AND DEBT SERVICE” and “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS—Property Tax Collection Procedures.”

Estimates of Tax Revenues

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

Reduction in Tax Base and Assessed Values

Tax Revenues allocated to the Successor Agency by the State and the City constitute the ultimate source of payment on the Bonds, the Existing Parity Loans and any additional Parity Debt. Such Tax Revenues are determined by the amount of the incremental taxable value of property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. A reduction of the taxable values of property in the Project Area could occur as a result of numerous factors beyond the Successor Agency’s control, including but not limited to, a general economic downturn, political and economic obstacles to additional development and redevelopment activities in the Project Area, relocation out of the Project Area by one or more major
property owners or tenants, property becoming exempt from property taxes, 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. These risks may be greater where, as here, the Project Area has a high concentration of major taxpayers. There are appeals to assessed valuation which could result in a substantial reduction thereof. See “Concentration of Tax Base” above. Any such reductions in taxable values could cause a reduction in the Tax Revenues securing the Bonds and could have an adverse effect on the Successor Agency’s ability to make timely payments with respect to such Bonds. In recent years, real property values and taxable valuations of real property throughout California have declined. See “TAX REVENUES AND DEBT SERVICE” herein.

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 8% of the overall assessed value and approximately 8% of the Allocable Tax Revenues of the Project Area.

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

**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 damage to property improvements. In addition, the property within the Project Area is located on landfill, which could result in an increase in any damage occurring to property within the Project Area as a result of an earthquake. Any damage resulting from a natural disaster may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of real estate within the Project Area could depreciate substantially and owners of property may be less willing or able to pay property taxes.

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

The final Mission Bay Subsequent Environmental Impact Report (1998) (“Final SEIR”) describes the Mission Bay project 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 project area is in a Seismic Hazards Zone for liquefaction and susceptible to earthquake-related groundshaking 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 groundshaking and liquefaction.

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

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

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

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

**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 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 Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution on December 13, 2013.

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

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

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1987), a portion of the county-wide unitary values assigned to public utilities was allocated to the Reserve Account Cross-Collateralization Project Areas. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. For further information concerning unitary values, see “LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS–Property Tax Collection Procedures” and “–Taxation of Unitary Property.”

Appeals to Assessed Values

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

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

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

While assessors in other counties have, on occasion, used Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions, the City’s Assessor has not yet done so. Five of the top ten largest property taxpayers in the Project Area have pending property tax appeals. See “TAX REVENUES AND DEBT SERVICE–Pending Tax Appeals” and “–Historical and Current Assessed Valuation and Tax Revenues for the Project Area” for a description of pending appeals and the potential impact on Allocable Tax Revenues if the appeals are granted.

Hazardous Substances

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

Reduction in Inflation Rate

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

**Delinquencies**

The 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 100% of Tax Revenues to the Successor Agency regardless of delinquencies. See “PLEDGE OF TAX REVENUES–Teeter Plan.” Such plan may be discontinued at any time.

**Investment of Funds**

All funds held by the Trustee under the Indenture and all funds held by the Successor Agency in the Special Fund, into which all 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 Bonds.

**Bankruptcy and Foreclosure**

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

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

**Levy and Collection of Taxes**

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency to repay the Bonds and of the Successor Agency to pay debt service on the Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Successor Agency’s ability to make timely Bond payments. The City allocates property taxes to the Successor Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. If there is a decline in the general economy of the Project Area, the owners of property within such project area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency from the Project Area. As discussed above under the caption “PLEDGE OF TAX REVENUES–Tax Revenues Allocable to the Successor Agency;” the Successor Agency does not receive on an annual basis all Allocable Tax Revenues, unless required to pay debt service and other obligations under the OPA.
Changes in the Law

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

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 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 Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Successor Agency or the Successor Agency in violation of these or other covenants in the Indenture applicable to the Bonds. The 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 Bonds was undertaken it would not adversely affect the market value of the Bonds. See “TAX MATTERS.” The Redevelopment Agency of the City and County of San Francisco Lease Revenue Refunding Bonds, Series 2002 (George R. Moscone Convention Center) are currently the subject of any ongoing IRS audit.

Secondary Market

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

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

Parity Obligations

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt,” the Successor Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge
of Tax Revenues to payment of debt service on the Bonds and the Existing Loans. 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 Bonds in the event of a decrease in the Successor Agency’s collection of Tax Revenues.

**Bonds are Limited Obligations**

The Bonds are special, limited obligations of the Successor Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Successor Agency, and none of the City, the State or any of their political subdivisions other than the Successor Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the Bonds are payable solely from Tax Revenues allocated to the Successor Agency from the Project Area and certain other funds pledged therefor under the Indenture. The 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 BONDS.” No Owner of the Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on, the Bonds.

**Limited Recourse on Default**

If the Successor Agency defaults on its obligations under the Indenture, the Trustee has the right to accelerate the 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 Bonds.

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

**Property Tax Limitations: Article XIII A**

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

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

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

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

**Property Tax Collection Procedures**

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

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

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

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

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

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

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

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

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

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

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

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

Chapter 147, Statutes of 1984, modified Section 33676 of the Redevelopment Law and allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount. Section 33676 currently provides that an affected taxing entity may elect, by resolution prior to the adoption of a redevelopment plan, to receive, and every school district and community college district will receive, property taxes generated from increases in the tax rate levied by the affected entity.

**Taxation of Unitary Property**

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

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

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

The Successor Agency receives approximately $________ annually in all project areas. The unitary revenue is not reported by project area. The Successor Agency provides no assurance as to whether or not any portion of such revenue will be available as Allocable Tax Revenues.

Appropriations Limitations: Article XIII B of the State Constitution

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

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

Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. While the tax rate is assumed to decline to 1% of taxable value and remain constant in subsequent years, current law permits taxing entities deriving revenues from the 1% rate to reduce their levies under certain circumstances. It is the apparent intent of the law to insulate the other taxing entities and redevelopment agencies from the effects of such reductions on their property tax revenues.
Effective September 30, 1980, the State Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and the laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions: Brown v. Community Redevelopment Agency of the City of Santa Ana, 168 Cal. App. 3d 1014 (1985) and Bell Community Redevelopment Agency v. Woosley, 169 Cal. App. 3d 24 (1985). The plaintiff in Brown petitioned the State Supreme Court for a hearing of this case. The State Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Successor Agency has not adopted such an appropriations limit.

Limitation on Tax Revenues

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

The Project Area is not subject to limitation on receipt of tax increment. See the table entitled “Project Area Plan Summaries” under “THE PROJECT AREA.”

Certain Required Payments of Tax Revenues to Taxing Entities

AB 1290. AB 1290 (Chapter 942, Statutes 1993), among other things, added Sections 33607.5 and 33607.7 to the Redevelopment Law. Section 33607.5, as subsequently amended, applies to redevelopment project areas that are adopted on or after January 1, 1994, or are amended on or after January 1, 1994 to include new territory. If the statutory payment requirements are triggered by an amendment to include new territory, the payments are required only with respect to the new territory. Commencing with the first fiscal year in which a redevelopment agency receives tax increments from an affected redevelopment project area and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, a redevelopment agency is required to pay to the affected taxing entities, including the community that has adopted the redevelopment project area if the community elects to receive a payment, an amount equal to 25 percent of the tax increments received by the redevelopment agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. Commencing with the 11th fiscal year in which the redevelopment agency receives such tax increments and continuing through the last fiscal year in which the redevelopment agency receives such tax increments, the redevelopment agency is required to pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid as described in the preceding sentence and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 21 percent of the portion of tax increments received by the redevelopment agency after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted. Commencing with the 31st fiscal year in which the redevelopment agency receives tax increments and continuing through the last fiscal year in which the redevelopment agency receives tax increments, the redevelopment agency is required to pay to the affected taxing entities, other than the community which has adopted the project, in addition to the amounts paid as described in the preceding sentence and after deducting the amount allocated to the Low and Moderate Income Housing Fund, an amount equal to 14 percent of the portion of tax increments received by the redevelopment agency, which is calculated by
applying the tax rate against the amount of assessed value by which the then current year assessed value exceeds the second adjusted base year assessed value. The second adjusted base year assessed value is the assessed value of the project area in the 30th fiscal year in which the redevelopment agency receives affected tax increments.

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

Section 33607.5 permits a redevelopment agency to subordinate the payments required to be paid to an affected taxing entity to loans, bonds, or other indebtedness of the redevelopment agency, except loans or advances from the community which adopted the redevelopment project area, if the redevelopment agency obtains the consent of the affected taxing entity prior to incurring such indebtedness. Such section further provides that an affected taxing entity will be deemed to have approved the requested subordination if it does not reply to the redevelopment agency’s request for subordination. The Successor Agency believes its payments under Sections 33607.5 and 33607.7 (together, the “AB 1290 Payments”) have been subordinated to the Successor Agency’s obligations under the Indenture.

Pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, the Successor Agency’s obligations with respect to the AB 1290 Payments related to the Project Area is estimated to be approximately $3.4 million in Fiscal Year 2013-14.

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

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

On November 2, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to reduce significantly the State’s authority over major local government revenue sources. Proposition 1A prohibits the State from reducing any local sales tax rate, limiting existing local government authority to levy a sales tax rate or changing the allocation of local sales tax revenues.
Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below 0.65 percent of the market value of a vehicle, which is the current minimum rate, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. First, beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. In connection with various legislation related to the State’s budget for Fiscal Year 2009-10, in late July 2009, the State Legislature adopted, and the Governor of the State signed, a budgetary measure to shift $1.98 billion in local property tax revenues to be repaid within three years. The City Controller has estimated that the shift of tax revenues will result in a reduction of approximately $91.0 million to the City for Fiscal Year 2009-10, of which approximately $72.4 million will affect the City’s general fund. Second, Proposition 1A allows the State to approve voluntary exchanges of local sales and use tax and property tax revenues among local governments within a county.

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

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

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

**Future Initiatives**

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

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

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

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

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 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 Bonds under federal individual and corporate alternative minimum taxes.

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

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

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 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 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 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 Bonds. In the opinion of counsel to the Successor Agency, there is no lawsuit or claim 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 Bonds as it becomes due.

Syncora Lawsuit – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “Syncora”) filed a lawsuit against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215) (the “Syncora Lawsuit”). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleges that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleges that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation. Specifically, the complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds’ marketability in at least three manners:

(i) tax increment revenues which have been previously irrevocably pledged are now subject to restrictive terms such as periodic Recognized Obligation Payment Schedules, oversight board approval, and State Department of Finance approval, that unconstitutionally impair the contract providing for such pledge;
(ii) excess tax increment revenues previously could be held by a redevelopment agency in reserve to protect against potential future shortfalls (in contrast to the provisions under the Dissolution Act that require the County Auditor-Controller to distribute surplus monies from the Redevelopment Property Tax Trust Fund amounts to taxing entities each six-month period); and

(iii) the pre-Dissolution Act Redevelopment Law and bond indentures or trust agreements governing redevelopment bonds typically included requirements and covenants for the redevelopment agency to use surplus tax increment revenues received in excess of amounts required for debt service on redevelopment activities, which were calculated under the Redevelopment Law to stimulate growth and general increases in assessed valuation, and therefore increase additional security for the 2014 Bonds, and such covenants have been substantially and unconstitutionally impaired by the Dissolution Act, in particular the Redistribution Provisions.

The Syncora Lawsuit was brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought includes an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, bondowners until such a time when the bondowners are completely repaid.

On May 29, 2013, the Superior Court issued a preliminary ruling, in which it denied Syncora’s claims that the Dissolution Act unconstitutionally impaired its contracts on the grounds that those claims are premature; the court noted that Syncora had provided no evidence that successor agencies actually are unable to meet their obligations as they become due, or that successor agencies will be prevented from ultimately paying all redevelopment obligations. The Superior Court concluded that Syncora’s takings claims are not necessarily premature, but that an evidentiary hearing should be conducted to address those claims. Finally the superior court concluded that possible certification of a class of county auditor-controllers was moot because the auditor-controllers have no role or duty in connection with the alleged takings or in providing compensation for those takings.

Subsequently, on August 16, 2013, the parties entered into a stipulated judgment dismissing all of Syncora’s claims, although the dismissal was without prejudice with respect to Syncora’s impairment of contract and takings claims.

CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than six months after the end of the Successor Agency’s Fiscal Year (presently June 30) in each year commencing with its report for the 2013-14 fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Successor Agency or the Dissemination Agent, if any, on behalf of the Successor Agency with the MSRB. The notices of material 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 or the notices of material events by the Successor Agency is summarized in APPENDIX D–“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The Successor Agency has not defaulted on its obligation to provide continuing disclosure about the Successor Agency or any material events affecting its bonds under any existing Continuing Disclosure Agreement or Continuing Disclosure Certificate to which it is a party.
LEGAL MATTERS

Certain legal matters incident to the issuance, sale and delivery of the Bonds are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, as Bond Counsel. Certain legal matters incident to the issuance of the Bonds will be passed upon for the Successor Agency by its General Counsel. Schiff Hardin LLP is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed upon for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California.

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

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

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California, has served as Financial Advisor to the Successor Agency with respect to the sale of the Bonds. The Financial Advisor has assisted the Successor Agency in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Successor Agency to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Bonds.

RATING

Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc. (“S&P”), has assigned a rating to the 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 such organization at: Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc., 25 Broadway, New York, New York 10004. Such rating is not a recommendation to buy, sell or hold the 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 ratings 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 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, 2013, are included as part of Appendix A—“SUCCESSOR AGENCY’S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013.” Such financial statements have been audited by Macias Gini & O’Connell, LLP (the “Auditor”), independent certified public accountants, whose report also appears in Appendix A. The Auditor was not requested to consent to the inclusion of its report in Appendix A, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

FISCAL CONSULTANT REPORT

In connection with the issuance of the Bonds, the Successor Agency has engaged Urban Analytics, San Francisco, California (the “Fiscal Consultant”), to prepare a Fiscal Consultant Report. See Appendix B—“FISCAL CONSULTANT REPORT.”

UNDERWRITING

The Bonds will be sold to E. J. De La Rosa & Co., Inc., as representative of itself and Backstrom McCarley Berry & Co., LLC (the “Underwriters”), pursuant to a bond purchase contract (the “Purchase Contract”) between the Successor Agency and the Underwriters. The Underwriters have agreed to purchase the Bonds for $________ (which represents the $____ aggregate principal amount of the Bonds, less an aggregate net original issue discount of $______, and less an underwriters’ discount of $______).

The initial public offering prices of the Bonds may be changed from time to time by the Underwriters. The Purchase Contract for the Bonds among the Successor Agency and the Underwriters provides that the Underwriters will purchase all the 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.

De La Rosa & Co., one of the Underwriters of the Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Bonds, with Credit Suisse Securities USA LLC or City National Securities, Inc.
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 Bond Owners 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 Executive Director,
Finance and Administration
APPENDIX A

AGENCY’S AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
APPENDIX B

FISCAL CONSULTANT REPORT
APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Successor Agency of the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) in connection with its issuance of $___________ aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series A Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “Bonds”). The Bonds are being issued in accordance with Section 34177.5(a)(4) of the California Health and Safety Code (the “Bond Law”), resolutions of the Successor Agency adopted November 5, 2013 (the “Resolution”), and the Indenture of Trust, dated as of __________ 1, 2014 (the “Indenture”), by and between the Successor Agency and _______________, 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.


“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.


“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.
“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing with the report for the 2013-14 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 Underwriter. Not later than fifteen (15) Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent, if other than the Successor Agency. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding the Project Area described in the Official Statement (the “Project Area” or the “Project Area”) may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Successor Agency’s or the Project Area’s Fiscal Year changes, the Successor Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(d). 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 shall provide to the MSRB (with a copy to the Trustee and the Participatory Underwriter) a notice, in substantially the form attached as Exhibit A.

(d) Unless the Successor Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a certificate with the Successor Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Successor Agency’s audited financial statements are not available by the Annual Report Date, the
Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Successor Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. Assessed valuations, tax revenues and allocable tax revenues for the fiscal year to which the Annual Report pertains, by means of an update to the “Property Taxable Values and Allocable Tax Revenues” table for the Project Area shown in the Official Statement for the Bonds;

2. 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 amount of all Agency debt outstanding payable with tax increment revenue from the Project Area as of the end of the fiscal year to which the Annual Report pertains;

3. Estimated annual debt service coverage for obligations of the Successor Agency by means of an update to the “Estimated Annual Debt Service Coverage” table for the Project Area shown in the Official Statement for the Bonds;

4. Assessment appeals, of which the Successor Agency is aware after reasonable inquiry, of property holdings in the Project Area which, if successful, could reduce the tax increment revenue in such Project Area by ten percent (10%) or more;

5. Top ten property tax assessees in the Project Area for the fiscal year to which the Annual Report pertains, taxable value and percentage of total taxable value for such Project Area.

6. The most recent available tax rolls for the Project Area, including assessed valuations and allocable tax increment; provided that the information shall be provided in the form provided by the City Controller.

7. Any actions of the Oversight Board or Department of Finance that could impair the ability of the Successor Agency to pay debt service on the Bonds on a timely basis.

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 web site 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 the 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; and
9. Bankruptcy, insolvency, receivership or similar proceedings.

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 2011 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 Agreement is the responsibility of the Successor Agency and, if the Dissemination Agent is other than the Successor Agency, the Dissemination Agent shall not be responsible for determining
whether the Successor Agency’s instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Successor Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 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 any other designated Dissemination Agent, the Successor Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty 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 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 Executive Director, Finance and Administration

To the Participating Underwriter: E. J. De La Rosa & Co., Inc. 10866 Wilshire Boulevard, Suite 1650 Los Angeles, CA 90024 Fax: (310) 207-2995 Attention: John Kim

To the Trustee:

Fax:
Attention:

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: ______________, 2014

REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

By: ____________________________
   Deputy Executive Director, Finance and Administration
EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of 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 2014 Series A Tax Allocation Bonds (Mission Bay South Redevelopment Project)

Date of Issuance: __________, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Agency”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.17 of the Indenture. The Successor Agency anticipates that the Annual Report will be filed by __________________________.

Dated: __________________________

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

By: __________________________
Title: __________________________

cc: Trustee and Participating Underwriter
APPENDIX E

FORM OF BOND COUNSEL FINAL OPINION
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 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The 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 the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their
purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 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 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 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 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a 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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the 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 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

STATE DEPARTMENT OF FINANCE
DETERMINATION LETTER APPROVING THE BONDS