

*In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority, interest on the 2020 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the 2020 Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the Senior 2020A-T Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the 2020 Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. See “2020 TAX-EXEMPT BONDS TAX MATTERS” and “SENIOR 2020A-T BONDS TAX MATTERS” in this Official Statement regarding certain other tax considerations.*

## TRANSBAY JOINT POWERS AUTHORITY

**\$189,480,000**

**Senior Tax Allocation Bonds**

**Series 2020A (Tax-Exempt) (Green Bonds)**

**\$28,355,000**

**Senior Tax Allocation Bonds**

**Series 2020A-T (Federally Taxable) (Green Bonds)**



**\$53,370,000**

**Subordinate Tax Allocation Bonds**

**Series 2020B (Tax-Exempt) (Green Bonds)**



**Dated: Date of Delivery**

**Due: October 1, as shown on inside cover**

**Bonds.** The Transbay Joint Powers Authority (the “Authority”) is issuing the above-captioned bonds (the “Senior 2020A Bonds,” the “Senior 2020A-T Bonds,” and the “Subordinate 2020B Bonds” and, collectively, the “2020 Bonds”). The Senior 2020A Bonds and the Subordinate 2020B Bonds are referred to herein as the “2020 Tax-Exempt Bonds.” The Senior 2020A Bonds and the Senior 2020A-T Bonds are referred to herein as the “Senior 2020 Bonds.” The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Interest on the 2020 Bonds is payable on April 1 and October 1 of each year, commencing on October 1, 2020, until maturity or prior redemption at the rates set forth on the inside front coverage page hereof.

**Purpose.** Proceeds from the sale of the 2020 Bonds will be applied to: (i) refinance a loan from the United States Department of Transportation used to finance a portion of the costs related to the construction and the design of Phase 1 and Phase 2 of the Transbay Program (as defined and explained in more detail herein), (ii) finance certain additional costs associated with the construction and the design of Phase 1 and Phase 2 of the Transbay Program, including, but not limited to, payment of certain judgment or settlement obligations arising from litigation or other disputes relating to past or future Phase 1 or Phase 2 Transbay Program construction or design activities, and other related costs, (iii) fund a debt service reserve for the Senior 2020 Bonds, (iv) fund a debt service reserve for the Subordinate 2020B Bonds, and (v) pay costs of issuance of the 2020 Bonds, all as further described herein. See “PLAN OF FINANCING” and “TRANSBAY PROGRAM” herein.

**Security.** The Senior 2020 Bonds are payable from and secured by (i) a pledge of, security interest in and lien on Pledged Revenues (defined herein) and (ii) amounts in certain funds and accounts held by the Trustee under the Indenture, including the Senior Bonds Reserve Account, as described in this Official Statement. The Subordinate 2020B Bonds are payable from and secured by (i) a pledge of, security interest in and lien on Pledged Revenues that is subordinate to the payment of debt service on the Senior 2020 Bonds and the replenishment of the Senior Bond Reserve Account, and (ii) amounts in certain funds and accounts held by the Trustee under the Indenture, including the Subordinate Bonds Reserve Account, as described in this Official Statement.

“Pledged Revenues” means all Net Tax Increment (as defined and explained in more detail herein) attributable to the Former State Owned Parcels (as defined herein) to which the Authority is entitled under the Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement (the “Pledge Agreement”).

**Book-Entry.** The 2020 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2020 Bonds.

**Redemption.** The 2020 Bonds will be subject to optional redemption and mandatory sinking account redemption prior to their maturity as described in this Official Statement. The Subordinate 2020B Bonds will be also subject to mandatory redemption from Excess Pledged Revenues. See “2020 BONDS – Redemption” herein.

**Limited Obligations.** *The 2020 Bonds are special obligations of the Authority payable from and secured by a pledge and lien on (1) Pledged Revenues, as described in the Indenture, and (2) amounts in certain funds and accounts held by the Trustee in the Indenture. The 2020 Bonds are not debts, liabilities or obligations of the City and County of San Francisco (the “City”), any member agency of the Authority, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”), the State of California (the “State”), or any of its political subdivisions, and neither said City, said member agencies, said Successor Agency, said State, nor any of its political subdivisions is liable thereon, nor in any event shall the 2020 Bonds be payable out of any funds or properties other than Pledged Revenues. The 2020 Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.*

This cover page contains certain information for general reference only. It is not intended to be a summary of all factors relating to an investment in the 2020 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page have the meanings set forth in this Official Statement. For a discussion of some of the risks associated with a purchase of the 2020 Bonds, see “RISK FACTORS.”

*The 2020 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval as to their legality by Nixon Peabody LLP, Bond Counsel. Nixon Peabody LLP also serves as Disclosure Counsel to the Authority in connection with the issuance of the 2020 Bonds. Certain legal matters will also be passed upon for the Authority by its General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the 2020 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about June 25, 2020.*

**Citigroup**

**STIFEL**

**Morgan Stanley**

**MATURITY SCHEDULE**

**\$189,480,000**  
**TRANSBAY JOINT POWERS AUTHORITY**  
**Senior Tax Allocation Bonds**  
**Series 2020A (Tax-Exempt) (Green Bonds)**

**\$87,980,000 Serial Bonds**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (Base: 89356C)</b>
2020	\$1,735,000	5.000%	1.020%	101.055	AA4
2025	3,330,000	5.000	1.340	118.549	AB2
2026	3,500,000	5.000	1.530	120.657	AC0
2027	3,675,000	5.000	1.690	122.542	AD8
2028	3,855,000	5.000	1.830	124.214	AE6
2029	4,050,000	5.000	1.930	125.932	AF3
2030	4,255,000	5.000	2.030*	126.189	AG1
2031	4,465,000	5.000	2.170*	124.783	AH9
2032	4,690,000	5.000	2.320*	123.297	AJ5
2033	4,925,000	5.000	2.410*	122.415	AK2
2034	5,170,000	5.000	2.440*	122.123	AL0
2035	5,430,000	5.000	2.490*	121.638	AM8
2036	6,260,000	5.000	2.530*	121.252	AN6
2037	7,575,000	5.000	2.570*	120.867	AP1
2038	7,950,000	5.000	2.610*	120.483	AQ9
2039	8,350,000	5.000	2.650*	120.101	AR7
2040	8,765,000	5.000	2.690*	119.720	AS5

\$50,865,000 5.000% Term Bonds due October 1, 2045, Yield 2.710%\*; Price: 119.531; CUSIP<sup>†</sup>: AT3  
\$50,635,000 5.000% Term Bonds due October 1, 2049, Yield 2.750%\*; Price: 119.152; CUSIP<sup>†</sup>: AU0

\* Yield to optional redemption date of April 1, 2030 at par.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP © 2020 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters takes any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2020 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 certain maturities of the 2020 Bonds.

**MATURITY SCHEDULE (continued)**

**\$28,355,000**  
**TRANSBAY JOINT POWERS AUTHORITY**  
**Senior Tax Allocation Bonds**  
**Series 2020A-T (Federally Taxable) (Green Bonds)**

**\$14,950,000 Serial Bonds**

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (Base: 89356C)</b>
2020	\$3,755,000	1.970%	1.970%	100.000	BQ8
2021	1,915,000	2.050	2.050	100.000	BR6
2022	1,955,000	2.170	2.170	100.000	BS4
2023	2,750,000	2.330	2.330	100.000	BT2
2024	3,545,000	2.420	2.420	100.000	BU9
2025	1,030,000	2.480	2.480	100.000	BV7

\$8,230,000 3.580% Term Bonds due October 1, 2032, Yield 3.580%; Price: 100.000; CUSIP<sup>†</sup>: BW5  
\$5,175,000 4.050% Term Bonds due October 1, 2036, Yield 4.050%; Price: 100.000; CUSIP<sup>†</sup>: BX3

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<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP © 2020 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. Neither the Authority nor the Underwriters takes any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2020 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 certain maturities of the 2020 Bonds.

**MATURITY SCHEDULE (continued)**

**\$53,370,000**  
**TRANSBAY JOINT POWERS AUTHORITY**  
**Subordinate Tax Allocation Bonds**  
**Series 2020B (Tax-Exempt) (Green Bonds)**

**\$19,980,000 Serial Bonds**

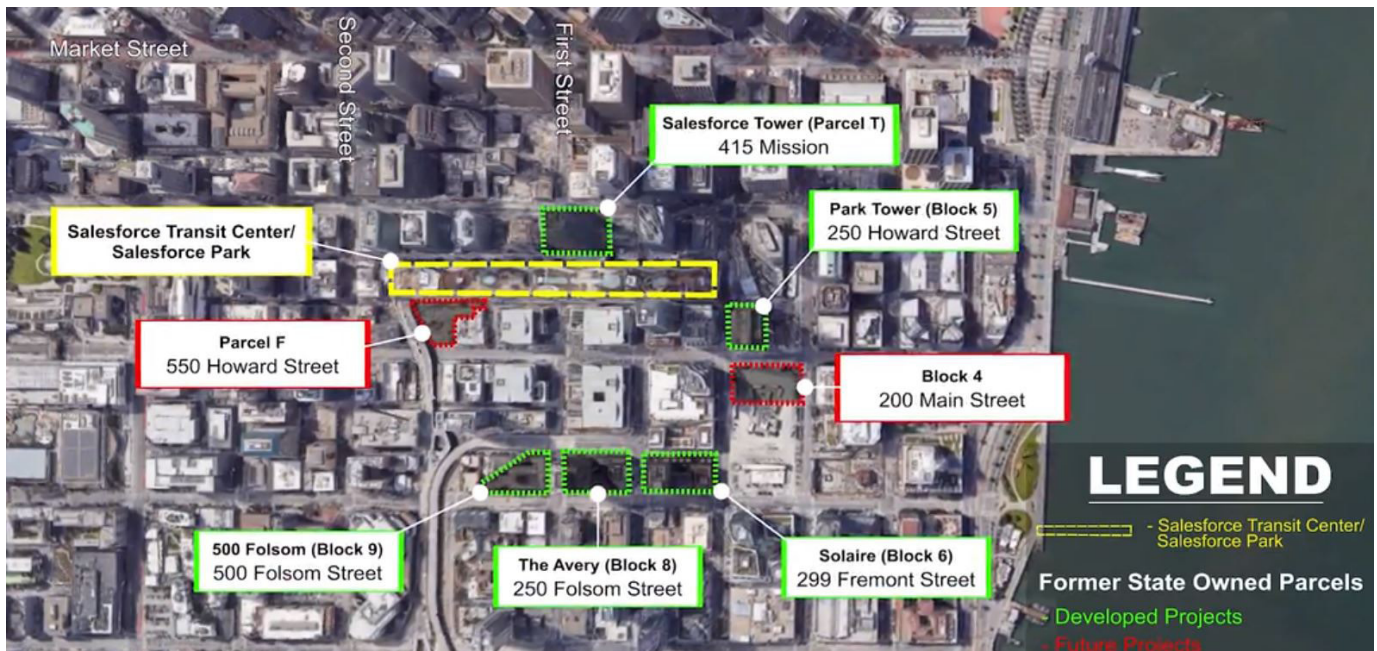
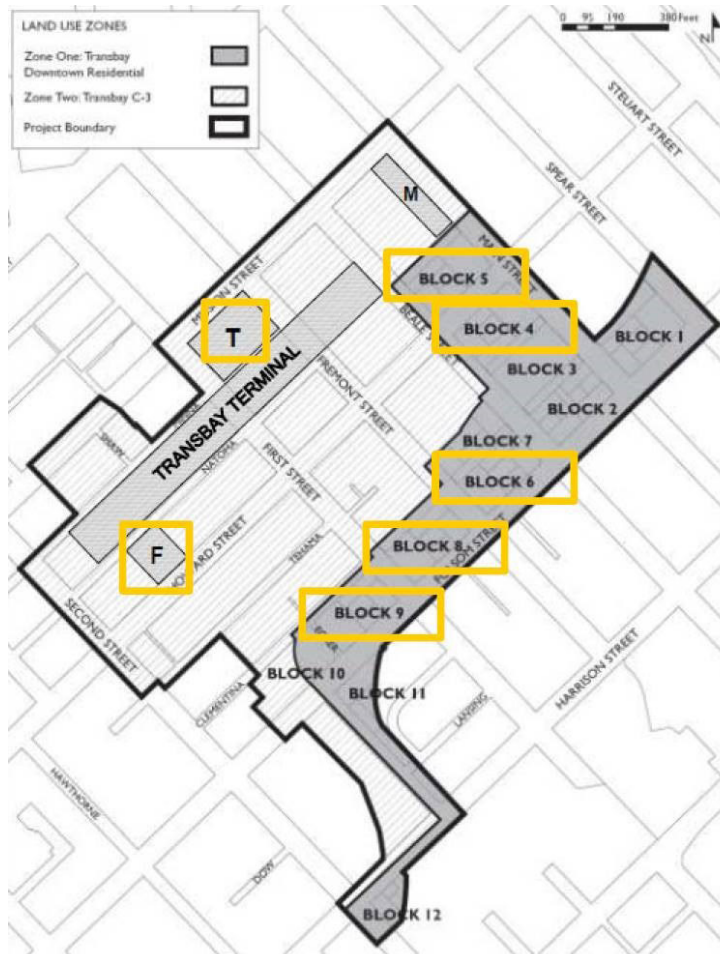
<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> (Base: 89356C)</b>
2020	\$1,130,000	5.000%	1.450%	100.938	AV8
2021	550,000	5.000	1.510	104.360	AW6
2022	575,000	5.000	1.580	107.582	AX4
2023	750,000	5.000	1.660	110.574	AY2
2024	935,000	5.000	1.760	113.258	AZ9
2025	1,130,000	5.000	1.890	115.517	BA3
2026	1,185,000	5.000	2.070	117.134	BB1
2027	1,245,000	5.000	2.230	118.484	BC9
2028	1,310,000	5.000	2.370	119.635	BD7
2029	1,370,000	5.000	2.480	120.744	BE5
2030	1,440,000	5.000	2.600*	120.579	BF2
2031	1,515,000	5.000	2.740*	119.247	BG0
2032	1,590,000	5.000	2.870*	118.025	BH8
2033	1,665,000	5.000	2.940*	117.373	BJ4
2034	1,750,000	5.000	2.970*	117.096	BK1
2035	1,840,000	5.000	3.010*	116.726	BL9

\$4,745,000 5.000% Term Bonds due October 1, 2038, Yield 3.200%\*; Price: 114.991; CUSIP<sup>†</sup>: BM7  
\$28,645,000 2.400% Term Bonds due October 1, 2049\*\*, Yield 2.400%; Price: 100.000; CUSIP<sup>†</sup>: BPO

\* Yield to optional redemption date of April 1, 2030 at par.

\*\* Constitutes Subordinate Turbo Bonds. The Subordinate Turbo Bonds are subject to mandatory redemption from Excess Pledged Revenues. See “2020 BONDS – Redemption – *Mandatory Redemption of Subordinate Turbo Bonds from Excess Pledged Revenues*” herein.

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# TRANSBAY JOINT POWERS AUTHORITY

## GOVERNING BOARD

Nadia Sesay, *Chair (City and County of San Francisco Representative)*  
Jeff Gee, *Vice Chair (Peninsula Corridor Joint Powers Board Representative)*  
Elaine Forbes, *Board Member (City and County of San Francisco Representative)*  
Matt Haney, *Board Member (City and County of San Francisco Representative)*  
Michael Hursh, *Board Member (Alameda-Contra Costa Transit District Representative)*  
Boris Lipkin, *Board Member (California High Speed Rail Authority Representative)*  
Jeffrey Tumlin, *Board Member (City and County of San Francisco Representative)*  
Tony Tavares, *Ex officio Board Member (Caltrans Representative)*

## AUTHORITY STAFF

Mark Zabaneh\*, *Executive Director*  
Erin Roseman, *Chief Financial Officer*  
Nila Gonzales, *Secretary*

Deborah Miller (Shute Mihaly & Weinberger LLP), *General Counsel*

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## SPECIAL SERVICES

**Municipal Advisor**  
Sperry Capital Inc.  
Sausalito, California

**Bond and Disclosure Counsel**  
Nixon Peabody LLP  
San Francisco, California

**Fiscal Consultant**  
Seifel Consulting Inc. and Urban Analytics LLC  
San Francisco, California

**Trustee**  
The Bank of New York Mellon Trust Company, N.A.  
San Francisco, California

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\*Mr. Zabaneh has announced his resignation that will be effective the first week of September 2020. The Authority has begun the recruiting process for the next Executive Director.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the 2020 Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the 2020 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds.

**Estimates and Forecasts.** Certain statements included or incorporated by reference in this Official Statement and in any continuing disclosure by the Authority, any press release and in any oral statement made by or with the approval of an authorized officer of the Authority, acting as the Authority, or any other entity described or referenced in this Official Statement, constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “anticipate,” “estimate,” “budget,” or other similar words and include, but are not limited to, statements under the captions “FORMER STATE OWNED PARCELS” and “PLEGGED REVENUES AND DEBT SERVICE COVERAGE.” The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the Authority has undertaken to provide certain on-going financial and other data pursuant to a Continuing Disclosure Certificate (see “CONTINUING DISCLOSURE”), the Authority does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based change.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness of the information from such sources. 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.

**Information as of Dated Date of Official Statement.** The information and expressions of opinions in this Official Statement are subject to change without notice. Neither delivery of this Official Statement nor any sale of the 2020 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or any other entity described or referenced in this Official Statement since the dated date shown on the front cover. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

**Stabilization of Prices.** In connection with this offering, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover and such public offering prices may be changed from time to time by the Underwriters.

**No Incorporation of Websites.** References to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including, but not limited to, the content of the Authority’s website and pages pertaining to the Authority on the Authority’s website) is incorporated by reference. The Authority makes no representation regarding the accuracy or completeness of information presented on such websites.

THE 2020 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2020 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

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## TRANSBAY JOINT POWERS AUTHORITY

<b>\$189,480,000</b> <b>Senior Tax Allocation Bonds</b> <b>Series 2020A (Tax-Exempt) (Green Bonds)</b>	<b>\$28,355,000</b> <b>Senior Tax Allocation Bonds</b> <b>Series 2020A-T (Federally Taxable) (Green Bonds)</b>
<b>\$53,370,000</b> <b>Subordinate Tax Allocation Bonds</b> <b>Series 2020B (Tax-Exempt) (Green Bonds)</b>	

### INTRODUCTION

*This Introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the actual documents for more complete information with respect to matters concerning the 2020 Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used in this Official Statement and not defined herein shall have the meanings set forth in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”*

#### **The 2020 Bonds**

This Official Statement, including the cover page, the inside front cover and appendices, is being provided in connection with the sale by the Transbay Joint Powers Authority (the “Authority”) of the above-captioned bonds (the “Senior 2020A Bonds,” the “Senior 2020A-T Bonds” and the “Subordinate 2020B Bonds,” and collectively the “2020 Bonds”). The Senior 2020A Bonds and the Subordinate 2020B Bonds are referred to herein as the “2020 Tax-Exempt Bonds” and the Senior 2020A-T Bonds are also referred to herein as the “Senior 2020A-T Bonds.” The Senior 2020A Bonds and the Senior 2020A-T Bonds are referred to herein as the “Senior 2020 Bonds.” The 2020 Bonds will be issued pursuant to an Indenture of Trust, dated as of June 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Interest on the 2020 Bonds will be payable semiannually on April 1 and October 1 of each year, commencing October 1, 2020. The 2020 Bonds will be subject to optional redemption and mandatory sinking account redemption prior to maturity as described in this Official Statement. In addition, the 2020 Subordinate Bonds will be subject to mandatory redemption from Excess Pledged Revenues as described in this Official Statement.

The 2020 Bonds, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the 2020 Bonds and all payments due on the 2020 Bonds will be made to Cede & Co. Ownership interests in the 2020 Bonds may be purchased only in book-entry form. **So long as the 2020 Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners, or just “Owners,” of the 2020 Bonds shall mean Cede & Co. or such other nominee of DTC, and shall not mean the beneficial owners of the 2020 Bonds.** See “2020 BONDS – Book-Entry Only System” and “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM.”

## **Purpose**

Proceeds from the sale of the 2020 Bonds will be applied to: (i) refinance a loan from the United States Department of Transportation used to finance a portion of the costs related to the construction and the design of Phase 1 and Phase 2 of the Transbay Program (as defined and explained in more detail below), (ii) finance certain additional costs associated with the construction and the design of Phase 1 and Phase 2 of the Transbay Program, including, but not limited to, payment of certain judgment or settlement obligations arising from litigation or other disputes relating to past or future Phase 1 or Phase 2 Transbay Program construction or design activities, and other related costs, (iii) fund a debt service reserve for the Senior 2020 Bonds, (iv) fund a debt service reserve for the Subordinate 2020B Bonds, and (v) pay costs of issuance of the 2020 Bonds. See “PLAN OF FINANCING” herein.

## **The Authority**

The Authority was formed pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and the Joint Powers Agreement, dated as of April 4, 2001 (the “JPA Agreement”), by and among the City and County of San Francisco (the “City”), Alameda-Contra Costa Transit District and the Peninsula Corridor Joint Powers Board-Caltrain, to develop, design, construct, renovate, rehabilitate, improve, operate, manage and maintain Phase 1 and Phase 2 of the Transbay Program. The JPA Agreement was amended on November 9, 2017 to include the California High-Speed Rail Authority as a new member. The City appoints four board members and the other three members appoint one board member each. A State Department of Transportation (Caltrans) representative serves as an ex officio member.

Under California Public Resources Code Section 5027.1, the Authority has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of Phase 1 and Phase 2 of the Transbay Program.

## **Net Tax Increment, Pledge Agreement, and Pledged Revenues**

Under a July 11, 2003 Cooperative Agreement between the Authority, the City, and the State of California (the “State”), the State agreed to transfer to the City and the Authority more than 10 acres of blighted and underutilized publicly owned land (the “Former State Owned Parcels”) that resulted from the demolition of highway ramps damaged in the 1989 Loma Prieta earthquake, and the “Former Transbay Terminal.” Under a January 31, 2008 Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement (the “Pledge Agreement”), among the Authority, the Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) and the City, the Former Agency and the City pledged all property tax increment revenues (excluding some specified amounts described in more detail in this Official Statement such as administrative charges, housing set-aside and pass-through amounts) attributable to the Former State Owned Parcels, and any interest thereon, to the Authority for costs associated with the construction and design of Phase 1 and Phase 2 of the Transbay Program (the “Net Tax Increment”). Under the terms of the Pledge Agreement, the pledge of Net Tax Increment remains in effect for 45 years after the effective date of the ordinance adopting the Transbay Redevelopment Plan, which termination date would occur no earlier than June 21, 2050.

## **Security for the 2020 Bonds**

The Senior 2020 Bonds are payable from and secured by (i) a pledge of, security interest in and lien on Pledged Revenues (defined herein) and (ii) amounts in certain funds and accounts held by the Trustee under the Indenture, including the Senior Bonds Reserve Account, as described in this Official Statement. The Subordinate 2020B Bonds are payable from and secured by (i) a pledge of, security interest

in and lien on Pledged Revenues that is subordinate to the payment of debt service on the Senior 2020 Bonds and the replenishment of the Senior Bond Reserve Account, and (ii) amounts in certain funds and accounts held by the Trustee under the Indenture, including the Subordinate Bonds Reserve Account, as described in this Official Statement.

“Pledged Revenues” means all Net Tax Increment to which the Authority is entitled under the Pledge Agreement.

See “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS” below.

### **Tax Increment Financing Generally**

Before the enactment of California Assembly Bill X1 26 (defined below), also known as the Dissolution Act, a redevelopment agency was authorized to pledge “tax increment” to repay debt incurred to finance or refinance the redevelopment agency’s projects. The Redevelopment Law (defined below) provided a method for financing projects based upon an allocation of taxes collected within each redevelopment project area. Under this method, the taxable value of a redevelopment project area (or a later added component area of a redevelopment project area) last equalized before the adoption of the redevelopment plan (or, as applicable, the plan amendment adding such component area) became the base year value. Except for any period during which the taxable value dropped below the base year level, the taxing agencies received the taxes produced by applying the then current tax rates to the base year roll. The redevelopment agency received taxes collected upon any increase in taxable value over the base year roll (except for any portion generated by rates levied to pay voter-approved bonded indebtedness on or after January 1, 1989 for the acquisition or improvement of real property, commonly known as “overrides”). The portion of such property taxes allocated to the redevelopment agency was referred to as “tax increment.” Net Tax Increment constitutes such tax increment attributable to the Former State Owned Parcels net of administrative expenses, certain statutorily-required pass-through payments and statutorily required deposits to the redevelopment agency’s low and moderate income housing fund set-aside. See “TAX INCREMENT FINANCING GENERALLY AND THE DISSOLUTION ACT” below.

### **The Successor Agency**

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”), also referred to as the “Office of Community Investment & Infrastructure” (“OCII”), pursuant to the Dissolution Act, is required to continue to make payments for enforceable obligations (as defined under the Dissolution Act) approved by the California Department of Finance (the “DOF”). The DOF has issued the Successor Agency a final and conclusive determination letter with respect to the Pledge Agreement informing the Successor Agency that the DOF’s approval of the Pledge Agreement as an enforceable obligation is final and conclusive. The Former Agency was established in 1948 by action of the Board of Supervisors of the City and County of San Francisco (the “Board of Supervisors”) pursuant to the Community Redevelopment Law (the “Redevelopment Law”), constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State. The Former Agency was a separate public body and exercised governmental functions in planning and carrying out redevelopment projects. See “TAX INCREMENT FINANCING GENERALLY AND THE DISSOLUTION ACT” below.

### **Reserve Accounts**

The Trustee will maintain a Senior Bonds Reserve Account and a Subordinate Bonds Reserve Account. Upon their issuance, the Senior Bonds Reserve Requirement and the Subordinate Bonds Reserve Requirement (as defined below) with respect to the Senior 2020 Bonds and the Subordinate 2020B Bonds

will be \$14,282,000 and \$2,858,730, respectively. See “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – Reserve Accounts.”

### **“Green Bonds” Designation**

The Authority is designating the 2020 Bonds as “Green Bonds” (also known as “Climate Bonds”). The purpose of designating the 2020 Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial projects (“Green Projects”). The particular capital improvements that the Authority has defined as “Green Projects” in connection with the 2020 Bonds are part of the development of Phase 1 and Phase 2 of the Transbay Program and its related facilities, including the Salesforce Transit Center and Downtown Rail Extension (each as described herein). The Authority will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2020 Bonds will not result in revision or withdrawal of the Climate Bonds Initiative (the “CBI”) certification described herein; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI’s criteria for certifying bonds will not result in a withdrawal or revision of the CBI’s certification. See “DESIGNATION OF 2020 BONDS AS GREEN BONDS/CLIMATE BOND CERTIFIED” herein.

### **Limited Obligation**

The 2020 Bonds are special obligations of the Authority payable from and secured by a pledge and lien on (1) Pledged Revenues, as described in the Indenture, and (2) amounts in certain funds and accounts held by the Trustee in the Indenture. The 2020 Bonds are not debts, liabilities or obligations of the City, any member agency of the Authority, the Successor Agency, the State, or any of its political subdivisions, and neither said City, said member agencies, said Successor Agency, said State, nor any of its political subdivisions is liable thereon, nor in any event shall the 2020 Bonds be payable out of any funds or properties other than Pledged Revenues. The 2020 Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

### **Continuing Disclosure**

In connection with the sale of the 2020 Bonds, the Authority will execute and deliver a Continuing Disclosure Certificate, covenanting to prepare and file an annual report and certain other notices with the Municipal Securities Rulemaking Board. See “CONTINUING DISCLOSURE” and “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **COVID-19 Pandemic**

The financial and operating data contained in this Official Statement are the latest available, but unless otherwise indicated are as of dates and for periods before the economic impact of the COVID-19 pandemic and measures instituted in response to the pandemic. Accordingly, they are not necessarily indicative of the current financial condition or future prospects of the Authority, the City, and the region. The Authority can provide no assurance that assessed values of the Former State Owned Parcels and accordingly the Pledged Revenues, as projected, will not be adversely impacted. See “RISK FACTORS – Risks Related to Assessed Valuation – *COVID-19 Pandemic*.”

### **Other Information**

There follows in this Official Statement brief descriptions of the 2020 Bonds, the Pledged Revenues, certain risk factors, the Indenture, the Authority, the Successor Agency and certain other documents and information relevant to the issuance of the 2020 Bonds. All references to the 2020 Bonds,



the Indenture, the Dissolution Act or other documents or law are qualified in their entirety by reference to such documents or law. Unless context clearly requires otherwise, capitalized terms used but not otherwise defined in this Official Statement have the meanings assigned to them in the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

## **TRANSBAY PROGRAM**

### **Background of the Transbay Program**

The Former Transbay Terminal was built in 1939 at First and Mission Streets as the terminal for trains crossing the then newly opened Bay Bridge. For the first time, San Francisco was directly linked by rail to the East Bay, Central Contra Costa County and Sacramento. At the time, trucks and trains used the lower deck of the Bay Bridge, and automobiles operated in both directions on the upper deck. In its heyday at the end of World War II, the Former Transbay Terminal’s rail system served 26 million passengers annually. Regional commuter buses from the East Bay, Marin County and San Mateo County, local buses within the City and long-distance buses such as Greyhound also used the Former Transbay Terminal. As automobile usage increased after the war ended and gas rationing was eliminated, the Former Transbay Terminal’s use began to steadily decline. In 1958, the lower deck of the Bay Bridge was converted to automobile traffic only and the train tracks crossing the Bay Bridge were dismantled. In 1959, the inter-modal Former Transbay Terminal was converted into a bus-only facility. In 1989, the Former Transbay Terminal, which was owned by the State of California, suffered structural damage in the Loma Prieta earthquake that required its replacement. In 1999, San Francisco voters approved a ballot measure to extend the northern terminus of Caltrain, the commuter rail line serving the San Francisco Peninsula, from its current location at Fourth and King Streets to a new or rebuilt transit station at the site of the Former Transbay Terminal. In 2001, the Authority, a joint exercise of powers authority, was created by the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board (Caltrain), to develop a new regional transit hub to replace the Former Transbay Terminal and construct Phase 1 and Phase 2 of the Transbay Program (as defined below). Caltrans serves as an ex officio member. The California High-Speed Rail Authority joined the Authority as a member in 2017. Beginning in 2010, the Former Transbay Terminal was demolished to make way for the construction of the Salesforce Transit Center and its related facilities. A temporary terminal at Howard and Main Streets (the “Temporary Terminal”) served bus passengers during such construction.

### **Transbay Redevelopment Plan and Transit Center District Plan**

After the Loma Prieta earthquake, the Embarcadero Freeway connecting the Bay Bridge to the City’s northeastern waterfront Embarcadero was demolished, creating several blocks of land available for development. In 2003, the State donated to the City and the Authority the Former State Owned Parcels, more than 10 acres of developable land in the vicinity of the Former Transbay Terminal. The sale and development of these parcels helped to finance a portion of the Salesforce Transit Center and its related facilities.

In 2005, the City established the Transbay Redevelopment Area encompassing portions of the area surrounding the Salesforce Transit Center, generally bounded by Mission Street and Folsom Street between Spear Street and Second Street, and adopted a Redevelopment Plan for the Transbay Redevelopment Project (the “Transbay Redevelopment Plan”). The Transbay Redevelopment Plan specifically laid out development parameters for most of the Former State Owned Parcels that once held the Embarcadero Freeway.

In 2012, the City adopted the Transit Center District Plan (the “TCDP”) to shape growth on the southern side of downtown San Francisco to respond to and support the construction of the Salesforce

Transit Center. The TCDP provides policy recommendations to accommodate additional transit-oriented growth, sculpt the downtown skyline, improve streets and open spaces, and expand protection of historic resources. The TCDP encourages development around the Salesforce Transit Center and its related facilities by eliminating density caps and increasing certain height limits, primarily for privately-owned parcels and a small number of the Former State Owned Parcels donated to the Authority in the area.

In 2014, the City formed its Community Facilities District No. 2014-1 (Transbay Transit Center) to raise funds to finance portions of the Transbay Program, described below.

## **The Transbay Program**

The Transbay Program (the “Transbay Program”) is a multi-billion dollar transportation infrastructure investment that includes replacement of the Former Transbay Terminal with the Salesforce Transit Center, a state-of-the-art regional transit station connecting eight Bay Area counties through eleven bus and rail transit systems: Alameda-Contra Costa Transit District, San Francisco Bay Area Rapid Transit District, Caltrain, Golden Gate Transit, Greyhound, San Francisco Municipal Railway, SamTrans, WestCAT Lynx, Amtrak, Paratransit, and future high-speed rail from San Francisco to Los Angeles. The Transbay Program consists of three interconnected elements: (1) replacing the Former Transbay Terminal at First and Mission Streets (“Phase 1”), (2) extending Caltrain rail tracks underground from its current terminus at Fourth and King Streets into the new downtown Salesforce Transit Center and accommodating future California High-Speed Rail (“Phase 2”), and (3) creating a new neighborhood with homes, offices, parks, and shops surrounding the new transit center. The Authority is charged with the responsibility of delivering the first two of these three interconnected elements and the Successor Agency is responsible for delivering the third.

Phase 1 includes the design and construction of the above-grade levels of the Salesforce Transit Center and its related components, a below grade train box (further described below) a bus ramp connecting the Salesforce Transit Center to the San Francisco–Oakland Bay Bridge, a bus storage facility for off-peak bus layovers, the Temporary Terminal, and a utility relocation project to clear the area of utilities ahead of excavation.

The principal component of Phase 2 is the Downtown Rail Extension, which will extend Caltrain rail tracks underground from its current terminus at Fourth and King Streets into the Salesforce Transit Center and accommodate future high-speed rail service between San Francisco and Los Angeles. Phase 2 also includes the build-out of the Salesforce Transit Center’s below-grade train box, a new underground station at Fourth and Townsend Streets, a pedestrian tunnel to the Embarcadero BART/Muni Metro station, and an intercity bus facility.

## **Description of Phase 1 of the Transbay Program**

Designed by Pelli Clarke Pelli Architects, the Salesforce Transit Center, a six-story modern, regional transportation hub, extends nearly four city blocks. The sustainable design of the six-level building features extensive use of natural daylighting, a geothermal heating and cooling system, and a 5.4-acre rooftop park. Site-specific artworks have been incorporated into the design to engage and enrich the experience of daily commuters, visitors, and residents of the district. In 2017, Salesforce purchased the naming rights to the transit center, the park, and the amphitheater, all of which bear the Salesforce name.

The Salesforce Transit Center, bus ramp, and bus storage facility opened for transit operations on August 12, 2018. In September 2018, the Salesforce Transit Center was temporarily closed as crews repaired two fissured beams, conducted a thorough facility-wide review, cooperated with an independent review and recommissioned the facility to reopen to the public in July 2019. The Authority has no

indication that there is a regional settling or subsidence issue that contributed to the fissures. The Salesforce Transit Center reopened to the public on July 1, 2019. Trade work and tenant improvements are ongoing.

***Train Box.*** The core and shell of the two below-grade levels of the Salesforce Transit Center, collectively referred to as the “Train Box,” were built to accommodate the planned Downtown Rail Extension. The bottom level will have three passenger platforms to accommodate six train tracks for Caltrain and California High Speed Rail. The lower concourse is one level below grade and will serve as the passenger connection between the Salesforce Transit Center building ground floor and the train platforms. Space will be provided in the concourse for retail, ticketing and bike storage.

***Salesforce Park.*** The Salesforce Transit Center’s roof is a 5.4 acre, 1,400-foot long public elevated park (the “Salesforce Park”) that includes, an outdoor amphitheater, gardens, walking paths, open grass areas, and children’s play space, as well as a restaurant and lease space. The Salesforce Park serves as a “green roof” or “living” roof for the Salesforce Transit Center. It provides shade to much of the ground-level sidewalk when the sun is strongest and provides biological habitat for flora and fauna and public open space for transit passengers, neighborhood residents, and employees. It also acts as insulation for interior spaces, moderating heat build-up in warm weather and retaining heat during cooler weather. Unlike asphalt paving or dark colored roofing surfaces, planting on the green roof cools the surrounding environment and improves air quality by acting as a carbon sink. As a biological organism itself, the park helps to capture and filter the exhaust in the area and helps to improve the air quality of the neighborhood. In July 2019, a new privately-owned and operated gondola opened that provides access to Salesforce Park from the plaza in front of Salesforce Tower.

### **Funding of the Transbay Program**

Under a July 11, 2003 Cooperative Agreement among the Authority, the City and the State, the State agreed to transfer to the City and the Authority the Former State Owned Parcels, more than 10 acres of blighted and underutilized publicly owned land that resulted from demolition of highway ramps damaged in the Loma Prieta earthquake. In 2003, the Former State Owned Parcels were vacant and used for parking.

To provide funding for the Authority’s work on Phase 1 and Phase 2 of the Transbay Program, the Authority, the City, and the Former Agency entered into the “Pledge Agreement.” Under the Pledge Agreement, the City and the Former Agency pledged the Net Tax Increment attributable to the Former State Owned Parcels to the Authority for costs associated with construction and design of Phase 1 and Phase 2 of the Transbay Program, and pledged the gross sale proceeds from the sale of the Former State Owned Parcels to the Authority to defray costs associated with construction of Phase 1 and Phase 2 of the Transbay Program.

Among the Former State Owned Parcels, there are seven redevelopment blocks that are expected to generate the majority of Net Tax Increment. The Authority and the Successor Agency have sold six of the seven redevelopment blocks to developers, five of which have been developed into a mixture of commercial and residential uses. See “FORMER STATE OWNED PARCELS” herein.

## **PLAN OF FINANCING**

### **Refinancing the TIFIA Loan**

A portion of the net proceeds of the 2020 Bonds will be used to refinance the Authority’s obligation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, dated as of January 1, 2010 (as amended, the “TIFIA Loan”), between the Authority and the United States Department

of Transportation. The outstanding balance of the TIFIA Loan is approximately \$178.9 million. The proceeds of the TIFIA Loan were used for the development of components of the Transbay Program.

### Other Uses

A portion of the net proceeds of the 2020 Bonds will be used to finance certain additional costs associated with the construction and the design of Phase 1 and Phase 2 of the Transbay Program including, but not limited to, payment of certain judgment or settlement obligations arising from litigation or other disputes relating to past or future Phase 1 or Phase 2 Transbay Program construction or design activities, and other related costs. See “LITIGATION.”

## SOURCES AND USES OF FUNDS

The following is a summary of the anticipated sources and uses of funds relating to the 2020 Bonds:

	<b>Senior 2020A Bonds</b>	<b>Senior 2020A-T Bonds</b>	<b>Subordinate 2020B Bonds</b>	<b>Total</b>
<b>Sources:</b>				
Principal Amount	\$189,480,000	\$28,355,000	\$53,370,000	\$271,205,000
Plus: Original Issue Premium	38,485,667	--	3,913,409	42,399,077
Plus: Available Funds	681,605	--	--	681,605
<b>Total Sources</b>	<b><u>\$228,647,273</u></b>	<b><u>\$28,355,000</u></b>	<b><u>\$57,283,409</u></b>	<b><u>\$314,285,682</u></b>
<b>Uses:</b>				
Refinance TIFIA Loan	182,129,963	--	--	182,129,963
Construction Costs	32,144,101	26,542,392	53,855,900	112,542,392
Senior Bonds Reserve Account	12,702,080	1,579,920	--	14,282,000
Subordinate Bonds Reserve Account	--	--	2,858,730	2,858,730
Costs of Issuance <sup>(2)</sup>	1,671,129	232,689	568,780	2,472,597
<b>Total Uses</b>	<b><u>\$228,647,273</u></b>	<b><u>\$28,355,000</u></b>	<b><u>\$57,283,409</u></b>	<b><u>\$314,285,682</u></b>

<sup>(1)</sup> To pay fees and expenses of Bond Counsel, Disclosure Counsel, Fiscal Consultant, Trustee, Municipal Advisor, climate bond certification fees, rating fees, Underwriters' discount, costs of posting and printing this Official Statement, and other costs of issuance relating to the 2020 Bonds.

## DEBT SERVICE SCHEDULE

Annual debt service on the 2020 Bonds, without regard to any optional redemption or mandatory redemption of Subordinate 2020B Bonds maturing on October 1, 2049 (the “Subordinate Turbo Bonds”) from Excess Pledged Revenues, are shown in the following tables.

Bond Year Ending (October 1)	Senior 2020A Bonds			Senior 2020A-T Bonds			Total Senior 2020 Bonds Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2020	\$1,735,000	\$2,526,400	\$4,261,400	\$3,755,000	\$222,742	\$3,977,742	\$8,239,142
2021	--	9,387,250	9,387,250	1,915,000	761,311	2,676,311	12,063,561
2022	--	9,387,250	9,387,250	1,955,000	722,053	2,677,053	12,064,303
2023	--	9,387,250	9,387,250	2,750,000	679,630	3,429,630	12,816,880
2024	--	9,387,250	9,387,250	3,545,000	615,555	4,160,555	13,547,805
2025	3,330,000	9,387,250	12,717,250	1,030,000	529,766	1,559,766	14,277,016
2026	3,500,000	9,220,750	12,720,750	1,055,000	504,222	1,559,222	14,279,972
2027	3,675,000	9,045,750	12,720,750	1,090,000	466,453	1,556,453	14,277,203
2028	3,855,000	8,862,000	12,717,000	1,135,000	427,431	1,562,431	14,279,431
2029	4,050,000	8,669,250	12,719,250	1,175,000	386,798	1,561,798	14,281,048
2030	4,255,000	8,466,750	12,721,750	1,215,000	344,733	1,559,733	14,281,483
2031	4,465,000	8,254,000	12,719,000	1,260,000	301,236	1,561,236	14,280,236
2032	4,690,000	8,030,750	12,720,750	1,300,000	256,128	1,556,128	14,276,878
2033	4,925,000	7,796,250	12,721,250	1,350,000	209,588	1,559,588	14,280,838
2034	5,170,000	7,550,000	12,720,000	1,405,000	154,913	1,559,913	14,279,913
2035	5,430,000	7,291,500	12,721,500	1,460,000	98,010	1,558,010	14,279,510
2036	6,260,000	7,020,000	13,280,000	960,000	38,880	998,880	14,278,880
2037	7,575,000	6,707,000	14,282,000	--	--	--	14,282,000
2038	7,950,000	6,328,250	14,278,250	--	--	--	14,278,250
2039	8,350,000	5,930,750	14,280,750	--	--	--	14,280,750
2040	8,765,000	5,513,250	14,278,250	--	--	--	14,278,250
2041	9,205,000	5,075,000	14,280,000	--	--	--	14,280,000
2042	9,665,000	4,614,750	14,279,750	--	--	--	14,279,750
2043	10,150,000	4,131,500	14,281,500	--	--	--	14,281,500
2044	10,655,000	3,624,000	14,279,000	--	--	--	14,279,000
2045	11,190,000	3,091,250	14,281,250	--	--	--	14,281,250
2046	11,750,000	2,531,750	14,281,750	--	--	--	14,281,750
2047	12,335,000	1,944,250	14,279,250	--	--	--	14,279,250
2048	12,950,000	1,327,500	14,277,500	--	--	--	14,277,500
2049	13,600,000	680,000	14,280,000	--	--	--	14,280,000
Total	\$189,480,000	\$191,168,900	\$380,648,900	\$28,355,000	\$6,719,443	\$35,074,443	\$415,723,343

**Subordinate 2020B Bonds**

<b>Bond Year Ending (October 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Total 2020 Bond Debt Service</b>
2020	\$1,130,000	\$512,995	\$1,642,995	\$9,882,137
2021	550,000	1,867,230	2,417,230	14,480,791
2022	575,000	1,839,730	2,414,730	14,479,033
2023	750,000	1,810,980	2,560,980	15,377,860
2024	935,000	1,773,480	2,708,480	16,256,285
2025	1,130,000	1,726,730	2,856,730	17,133,746
2026	1,185,000	1,670,230	2,855,230	17,135,202
2027	1,245,000	1,610,980	2,855,980	17,133,183
2028	1,310,000	1,548,730	2,858,730	17,138,161
2029	1,370,000	1,483,230	2,853,230	17,134,278
2030	1,440,000	1,414,730	2,854,730	17,136,213
2031	1,515,000	1,342,730	2,857,730	17,137,966
2032	1,590,000	1,266,980	2,856,980	17,133,858
2033	1,665,000	1,187,480	2,852,480	17,133,318
2034	1,750,000	1,104,230	2,854,230	17,134,143
2035	1,840,000	1,016,730	2,856,730	17,136,240
2036	1,930,000	924,730	2,854,730	17,133,610
2037	2,025,000	828,230	2,853,230	17,135,230
2038	2,130,000	726,980	2,856,980	17,135,230
2039	2,195,000	655,320	2,850,320	17,131,070
2040	2,250,000	602,640	2,852,640	17,130,890
2041	2,305,000	548,640	2,853,640	17,133,640
2042	2,360,000	493,320	2,853,320	17,133,070
2043	2,415,000	436,680	2,851,680	17,133,180
2044	2,475,000	378,720	2,853,720	17,132,720
2045	2,535,000	319,320	2,854,320	17,135,570
2046	2,595,000	258,480	2,853,480	17,135,230
2047	2,660,000	196,200	2,856,200	17,135,450
2048	2,725,000	132,360	2,857,360	17,134,860
2049	<u>2,790,000</u>	<u>66,960</u>	<u>2,856,960</u>	<u>17,136,960</u>
<b>Total</b>	<b><u>\$53,370,000</u></b>	<b><u>\$29,745,775</u></b>	<b><u>\$83,115,775</u></b>	<b><u>\$498,839,118</u></b>

## DESIGNATION OF 2020 BONDS AS GREEN BONDS/CLIMATE BOND CERTIFIED

*The information set forth under this caption “Climate Bond Certified” concerning the Climate Bonds Initiative (the “Climate Bonds Initiative” or “CBI”) and the process for obtaining Climate Bond Certification (the “Climate Bond Certification”), all as more fully described below, has been extracted from materials provided by the Climate Bonds Initiative, for such purposes, and none of such information is guaranteed as to accuracy or completeness or is to be construed as a representation by the Authority or the Underwriters. Additional information relating to the Climate Bonds Initiative, the Climate Bond Standard, the Certification Process (defined herein) and the process for obtaining Climate Bond Certification can be found at [www.climatebonds.net](http://www.climatebonds.net). This hyperlink is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.*

**Designation as Green Bonds.** As a critical component of the Bay Area regional public transportation network, the Transbay Program contributes greatly to the regional sustainability goal of alternative public transportation to reduce greenhouse gas emissions. Transbay Program sustainability-related information is available at <https://tjpa.org/project/program-sustainability>. The Authority is issuing the 2020 Bonds as “Green Bonds” (also known as “Climate Bonds”) based on these environmentally sustainable elements of the projects (“Green Projects”) being undertaken. The particular capital improvements that the Authority has defined as “Green Projects” in connection with the 2020 Bonds are part of the development of Phase 1 and Phase 2 of the Transbay Program. The Authority’s Green Bonds designation is designed to track the “Green Bond Principles” as promulgated by the International Capital Market Association (“ICMA”), updated most recently in June 2018. By reference to the ICMA’s “Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals” (June 2018), the Authority’s Green Bonds aim to further certain of the United Nations Sustainable Development Goals. Specifically, the projects discussed herein primarily aim to address goals 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities).

Because the 2020 Bonds have been designated as Green Bonds, proceeds of the 2020 Bonds shall be spent only on costs related to the construction and the design of Phase 1 and Phase 2 of the Transbay Program. If any moneys are not spent on such costs related to the construction and the design of Phases 1 and 2 of the Transbay Program, the Authority shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to the Climate Bonds Initiative in accordance with the Indenture.

The terms “Green Project,” “Green Bonds” and “Climate Bonds” are neither defined in, nor related to, provisions in the Indenture. Owners of the 2020 Bonds do not have any security other than as provided in the Indenture.

**The Climate Bonds Initiative and Climate Bond Certification.** Green Bonds were popularized in 2008 as a method for raising capital for climate-friendly projects across the globe. In 2019, \$257.7 billion in Green Bonds were issued worldwide, according to the Climate Bonds Initiative. The CBI is an international, investor-focused non-profit organization working to focus the global bond market on climate change solutions through the development and promotion of an efficient Green Bond market. The CBI has established and manages the Climate Bonds Standard (the “Climate Bonds Standard”) under which the 2020 Bonds have been certified, in accordance with the “Low Carbon Land Transport Criteria” under the Climate Bonds Standard. The certification of the 2020 Bonds reflects only the views of the CBI and no assurance can be provided that CBI standards with respect to the Green Projects identified herein will not change. The explanation of the significance of this certification may be obtained from the CBI. The Authority has provided certain information and materials to the CBI, including information concerning the Transbay Program.

The City and County of San Francisco has previously issued several series of special tax bonds (the “CFD Bonds”) for its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), including the Series 2017B, Series 2019B and 2020B Bonds which funded portions of the Transbay Program and were issued as Green Bonds. As part of the process of securing Green Bond Certification for those bonds, Sustainalytics U.S., Inc., a subsidiary of Sustainalytics Holding, B.V, Netherlands (collectively, “Sustainalytics”), prepared certain post-issuance verifications that the projects financed by the Transbay Program are consistent with the Low Carbon Land Transport Criteria of the Climate Bonds Standard.

The Authority applied to the Climate Bonds Initiative under the Climate Bonds Standard & Certification Scheme (the “Certification Process”) to obtain (i) a programmatic certification that the Authority’s projects under Phase 1 and Phase 2 of the Transbay Program are consistent with the Low Carbon Land Transport Standard; and (ii) a designation of the 2020 Bonds as “Climate Bond Certified”. To do this, the Authority submitted the post-issuance verification letter for the CFD Bonds Series 2017B and 2019B to CBI in connection with its application for the 2020 Bonds as the Green Projects were covered by such post-issuance verification letter. CBI approved the pre-issuance programmatic certification of the 2020 Bonds based on the Low Carbon Land Transport Criteria of the Climate Bonds Standard also under this programmatic certification

The Certification Process is a voluntary verification initiative which allows the Authority to demonstrate to the investor market, the users of the Salesforce Transit Center, and other stakeholders that the 2020 Bonds meet international standards for climate integrity, management of proceeds and transparency. The Certification Process provides a scientific framework for determining which projects and assets are consistent with a low carbon and climate resilient economy and, therefore, eligible for inclusion in a Certified Climate Bond. The Certification Process relating to the 2020 Bonds includes pre-issuance and post-issuance requirements.

The pre-issuance requirements are designed to ensure that the Authority has established appropriate internal processes and controls prior to issuance of the 2020 Bonds, and that these internal processes and controls are sufficient to enable conformance with the Certification Process after the 2020 Bonds have been issued and bond proceeds are expended.

The certification of the 2020 Bonds as Green Bonds by the CBI is based solely on the Climate Bonds Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the 2020 Bonds or any project, including but not limited to this Official Statement, the transaction documents, the Authority or the management of the Authority.

The certification of the 2020 Bonds as Green Bonds by the CBI was addressed solely to the Authority and is not a recommendation to any person to purchase, hold or sell the 2020 Bonds and such certification does not address the market price or suitability of the 2020 Bonds for a particular investor. The certification also does not address the merits of the decision by the Authority or any third party to participate in any project and does not express and should not be deemed to be an expression of an opinion as to the Authority or any aspect of any project (including, but not limited, to the financial viability of any project) other than with respect to conformance with the Climate Bond Standard.

The 2020 Bonds will not constitute “exempt facility bonds” issued to finance “green building and sustainable design projects” within the meaning of Section 142(1) of the Internal Revenue Code of 1986.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person



for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any project or the Authority. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of a project. The certification may only be used with the 2020 Bonds and may not be used for any other purpose without the CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2020 Bonds and/or the payment of principal at maturity or any other date. The certification may be withdrawn at any time in the CBI's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

The CBI is not a licensed broker-dealer or a nationally recognized statistical ratings organization. Certification by the CBI is not a recommendation to buy, sell or hold securities, and such certification may be subject to revision or withdrawal, including, without limitation, if the Authority's future capital expenditures from the proceeds of the 2020 Bonds vary from the anticipated expenditures reviewed by the CBI. The Authority will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2020 Bonds will not result in revision or withdrawal of the CBI's certification; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification.

***Use of Proceeds.*** The 2020 Bonds are being issued to finance or refinance projects under Phases 1 and 2 of the Transbay Program that assist the Authority in providing mass transit services that provides a low-carbon alternative to automobile travel. See "TRANSBAY PROGRAM" and "PLAN OF FINANCING." The Salesforce Transit Center's broader sustainability statistics include the following estimates:

(i) Caltrans defines Transit Oriented Development ("TOD") as a transportation related land use strategy that can be used in large urban and small communities in coordination with bus, rail and/or ferry transit systems. TOD is an alternative to the predominant pattern of low-density sprawl that results in dependency on automobile travel. The Transbay Program is a national model for TOD. The Salesforce Transit Center will bring 11 different public transportation systems under a single roof. The Salesforce Transit Center is the centerpiece of a new transit-oriented neighborhood where people live, work, visit parks, and shop within walking distance of public transportation. TOD will slow global warming; reduce energy and commuting costs, resulting in increases in household incomes; reduce traffic congestion and commute times, thereby increasing productivity; conserve land, particularly sensitive natural areas, by reducing suburban sprawl; improve health as more people walk and ride bikes; increase mobility; and provide new recreational opportunities through development of urban parks, such as the 5.4-acre rooftop park on the Salesforce Transit Center.

(ii) The Transbay Program is a leader in the drive to reduce global greenhouse gas emissions. The Downtown Rail Extension alone is projected to eliminate 36,000 metric tons of carbon dioxide emissions annually; the full high-speed rail system will reduce emissions by another 3.4 million tons per year when completed.

(iii) In addition to its role on the forefront of Transit Oriented Development, the Transbay Program will incorporate many sustainable design and green building features, including the following:

One of the most visible sustainable features is the 5.4-acre roof top park. The Salesforce Park serves as a living roof on the Salesforce Transit Center, reducing the urban heat island effect common in dense city environments and helping to filter the surrounding air. The park was

designed with efficient irrigation and drainage systems and has incorporated climate appropriate plants.

The Salesforce Transit Center takes advantage of natural daylight to offset the need for electric lighting during daylight hours while the Light Column feature in the Grand Hall brings natural light into the internal areas of the station. The Salesforce Transit Center also features natural ventilation in the Grand Hall and on the bus deck level.

The Transit Center will help support San Francisco's aggressive recycling goal of reaching 75 percent diversion (and eventually zero waste) by providing three-stream waste separation that includes compost and recyclables.

During demolition of the former Transbay Terminal, the Authority recycled over 7,500 tons of steel and over 92,000 cubic yards of concrete, enough to fill 28 Olympic size swimming pools.

The project will also earn several LEED credits for storm water runoff reduction, water conservation and irrigation water use reduction. The current water system design will reduce total potable water use in the Transit Center by half and will address all aspects of water conservation including building uses, irrigation, water reuse and more. The Transit Center will include storage tanks for greywater as well as storm water runoff from the rooftop park. As a result of these and other sustainability features, the Transit Center is on track to earn a LEED gold rating.

***Project Evaluation and Selection.*** As described in "PLAN OF FINANCING", the Authority will use proceeds from the 2020 Bonds to refinance debt used to develop the Salesforce Transit Center component of the Transbay Program as well as new money proceeds for Phases 1 and 2 of the Transbay Program. These projects are all considered Green Projects and consistent with the Climate Bonds Initiative's Low Carbon Land Transport Criteria.

***Management of Proceeds.*** Proceeds of the 2020 Bonds will be deposited into the funds in accordance with the Indenture and may be invested in any investments permitted by the Authority's investment policy or in Permitted Investments as such term is defined in the Indenture.

***Green Bond Reporting.*** Pursuant to the Continuing Disclosure Certificate, the Authority will provide to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access website ("EMMA") an annual report with a statement confirming if applicable that, during the most recent fiscal year, proceeds of the 2020 Bonds were spent only on the Green Projects identified herein.

In addition, under the Continuing Disclosure Certificate, within 10 days after the Authority receives a written statement from the Climate Bonds Initiative to the effect that the 2020 Bonds are no longer certified in accordance with the "Low Carbon Land Transport Criteria" under the Climate Bonds Standard, the Authority will post, or cause to be posted, notice of such written statement on EMMA. See "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

The Indenture does not restrict the use of proceeds of the 2020 Bonds or future issuances of bonds to the financing of Green Projects and, in the future, the Authority may issue additional bonds which are not designated as Green Bonds or certified by the CBI. The repayment obligations with respect to the 2020 Bonds are not conditioned on the completion of any particular project or the satisfaction of any condition relating to the status of the 2020 Bonds as Green Bonds or the certification of such bonds by the CBI. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS" herein.

## 2020 BONDS

### Description

The 2020 Bonds will be issued as fully registered bonds, and will bear interest at the rates, and mature on October 1 of the years and in the amounts all as set forth on the inside front cover of this Official Statement. The 2020 Bonds will be dated their date of delivery.

Interest on the 2020 Bonds will be payable semiannually on April 1 and October 1 of each year, commencing October 1, 2020 (each, an “Interest Payment Date”), and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The 2020 Bonds of each series will be initially delivered as one fully registered certificate for each maturity (unless the 2020 Bonds of such maturity bear different interest rates, then one certificate for each interest rate among such maturity) and will be delivered by means of the book-entry system of DTC. While the 2020 Bonds are held in DTC’s book-entry only system, all payments of principal of, interest and premium (if any) on the 2020 Bonds will be made to Cede & Co., as the registered owner of the 2020 Bonds. See “—Book-Entry Only System” below and “APPENDIX F – DTC’S BOOK-ENTRY ONLY SYSTEM.”

### Redemption

#### *Optional Redemption.*

The 2020 Bonds maturing on or before October 1, 2029 will not be subject to optional redemption prior to their maturity. The 2020 Bonds maturing on or after October 1, 2030 will be subject to redemption on any date on or after April 1, 2030, as a whole or in part, by such maturities as determined by the Authority, from any available source of funds, at a redemption price equal to the principal amount of 2020 Bonds called for redemption, plus accrued interest thereon to the redemption date, without premium.

***Mandatory Sinking Fund Redemption of Senior 2020A Bonds.*** The Senior 2020A Bonds maturing on October 1, 2045 and October 1, 2049 (the “Senior 2020A Term Bonds”) will also be subject to redemption on October 1 in each of the years as set forth in the following table, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount of such Senior 2020A Term Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof will be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table); provided, however, that if some but not all of such Senior 2020A Term Bonds have been optionally redeemed, the total amount of all future mandatory sinking fund payments with respect to such Senior 2020A Term Bonds will be reduced by the aggregate principal amount of Senior 2020A Term Bonds so optionally redeemed, to be allocated among such mandatory sinking fund payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Authority:

Senior 2020A Term Bonds maturing October 1, 2045

Redemption Date (October 1)	Principal Amount
2041	\$9,205,000
2042	9,665,000
2043	10,150,000
2044	10,655,000
2045 (maturity)	11,190,000

Senior 2020A Term Bonds maturing October 1, 2049

Redemption Date (October 1)	Principal Amount
2046	\$11,750,000
2047	12,335,000
2048	12,950,000
2049 (maturity)	13,600,000

***Mandatory Sinking Fund Redemption of Senior 2020A-T Bonds.*** The Senior 2020A-T Bonds maturing on October 1, 2032 and October 1, 2036 (the “Senior 2020A-T Term Bonds”) will also be subject to redemption on October 1 in each of the years as set forth in the following table, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount of such Senior 2020A-T Term Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof will be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table); provided, however, that if some but not all of such Senior 2020A-T Term Bonds have been optionally redeemed, the total amount of all future mandatory sinking fund payments with respect to such Senior 2020A-T Term Bonds will be reduced by the aggregate principal amount of Senior 2020A-T Term Bonds so optionally redeemed, to be allocated among such mandatory sinking fund payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Authority:

Senior 2020A-T Term Bonds maturing October 1, 2032

Redemption Date (October 1)	Principal Amount
2026	\$1,055,000
2027	1,090,000
2028	1,135,000
2029	1,175,000
2030	1,215,000
2031	1,260,000
2032 (maturity)	1,300,000

Senior 2020A-T Term Bonds maturing October 1, 2036

Redemption Date (October 1)	Principal Amount
2033	\$1,350,000
2034	1,405,000
2035	1,460,000
2036 (maturity)	960,000

***Mandatory Sinking Fund Redemption of Subordinate 2020B Bonds.*** The Subordinate 2020B Bonds maturing on October 1, 2038 and October 1, 2049 (the “Subordinate 2020B Term Bonds”) will also be subject to redemption on October 1 in each of the years as set forth in the following table, from mandatory sinking fund payments made by the Authority, at a redemption price equal to the principal amount of such Subordinate 2020B Term Bonds to be redeemed together with accrued interest thereon to the redemption date, without premium (or in lieu thereof will be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following table); provided, however, that if some but not all of such Subordinate 2020B Term Bonds have been optionally redeemed, the total amount of all future mandatory sinking fund payments with respect to such Subordinate 2020B Term Bonds will be reduced by the aggregate principal amount of Subordinate 2020B Term Bonds so optionally redeemed, to be allocated among such mandatory sinking fund payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Authority:

Subordinate 2020B Term Bonds maturing October 1, 2038

Redemption Date (October 1)	Principal Amount
2036	\$1,930,000
2037	2,025,000
2038 (maturity)	790,000

Subordinate Turbo Bonds maturing October 1, 2049

Redemption Date (October 1)	Principal Amount
2038	\$1,340,000
2039	2,195,000
2040	2,250,000
2041	2,305,000
2042	2,360,000
2043	2,415,000
2044	2,475,000
2045	2,535,000
2046	2,595,000
2047	2,660,000
2048	2,725,000
2049 (maturity)	2,790,000

In lieu of redemption of Senior 2020A Bonds or Senior 2020A-T Bonds of a maturity pursuant to “—Mandatory Sinking Fund Redemption of Senior 2020A Bonds” or “—Mandatory Sinking Fund Redemption of Senior 2020A-T Bonds” above, amounts on deposit in the Senior Bonds Principal Account may also be used and withdrawn by the Authority and the Trustee, respectively, at any time, upon the Written Request of the Authority, for the purchase of the Senior 2020A Bonds or Senior 2020A-T Bonds of like maturity at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Senior Bonds Interest Account) as the Authority may in its discretion determine. The par amount of any Senior 2020A Bonds or Senior 2020A-T Bonds so purchased by the Authority in any twelve-month period ending on October 1 in any year shall be credited towards and shall reduce the par amount of the Senior 2020A Bonds or Senior 2020A-T Bonds required to be redeemed on October 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said October 1.

In lieu of redemption of Subordinate 2020B Bonds of a maturity pursuant to “—Mandatory Sinking Fund Redemption of Subordinate 2020B Bonds” above, amounts on deposit in the Subordinate Bonds Principal Account may also be used and withdrawn by the Authority and the Trustee, respectively, at any time, upon the Written Request of the Authority, for the purchase of the Subordinate 2020B Bonds of like maturity at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Subordinate Bonds Interest Account) as the Authority may in its discretion determine. The par amount of any Subordinate 2020B Bonds so purchased by the Authority in any twelve-month period ending on October 1 in any year shall be credited towards and shall reduce the par amount of the Subordinate 2020B Bonds required to be redeemed on October 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said October 1.

The principal amount of any Subordinate Turbo Bonds redeemed from Excess Pledged Revenues pursuant to “—Mandatory Redemption of Subordinate Turbo Bonds from Excess Pledged Revenues” below shall reduce the amount of any mandatory sinking fund payments of Subordinate Turbo Bonds pursuant to “—Mandatory Sinking Account Redemption of Subordinate 2020B Bonds” in inverse order of the year in which the mandatory sinking account payment is required to be made.

***Mandatory Redemption of Subordinate Turbo Bonds from Excess Pledged Revenues.*** The Subordinate Turbo Bonds are subject to mandatory redemption, on October 1 of each year in which any such Subordinate Turbo Bonds remain Outstanding, from and to the extent of amounts on deposit in the Excess Pledged Revenues Fund, in Authorized Denominations, 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.

So long as the Subordinate Turbo Bonds are Outstanding, no later than September 1 of each year, the Trustee shall deliver a written notice to the Authority that sets forth the amount of Excess Pledged Revenues in the Excess Pledged Revenues Fund as of the Second Debt Service Transfer Date (during such time as the Subordinate Turbo Bonds are Outstanding, August 15, and otherwise the earlier of 5 Business Days before the October 1 Interest Payment Date or the date specified in any Supplemental Indenture) and the principal amount of Subordinate Turbo Bonds which will be redeemed from Excess Pledged Revenues on the following October 1.

See “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – Flow of Funds Under the Indenture.”

Based on projected Pledged Revenues as estimated in the Fiscal Consultant Report attached hereto as Appendix A, the Authority has estimated mandatory redemption of the Subordinate Turbo Bonds from Excess Pledged Revenues on each of the following October 1 under two scenarios. The first scenario assumes no growth in assessed valuation above the amounts projected in Table 9. The second scenario assumes 2% annual growth in assessed valuation as projected in Table 10. Both of these scenarios assume (i) no declines in assessed valuation through final maturity of the Subordinate Turbo Bonds and (ii) no future growth derived from Parcel F or Block 4 and no increases in assessed valuation from completed construction value or for-sale residential unit sales, including the penthouse units, beyond the growth amounts already projected in Table 8. The Authority can provide no assurance that actual assessed valuations and resultant Pledged Revenues will be received in the amounts projected below. Under the first scenario, the projected average life on the Subordinate Turbo Bonds is 2.95 years. Under the second scenario, the projected average life on the Subordinate Turbo Bonds is 2.68 years. Increases or decreases in assessed values different from what is projected in Tables 9 and 10 will impact the projected turbo redemption shown below and will result in the projected average life of the Subordinate Turbo Bonds being shorter or longer than currently projected under each scenario.

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**First Scenario (No Growth in Assessed Valuation for Inflation)  
Projected Timing and Amount of Turbo Redemption of Subordinate Turbo Bonds**

Year Ending on 10/1	Projected Pledged Revenues	Less:				Less: Turbo Bonds Interest	Less: Administrative Expenses <sup>(1)</sup>	Excess Pledged Revenues	Projected Subordinate Turbo Bonds Redemption
		Less: 2020A Debt Service	Less: 2020A-T Debt Service	2020B Debt Service (Excluding Turbo Bonds)	2020B Turbo Bonds Interest				
2020	\$18,101,495	\$4,261,400	\$3,977,742	\$1,459,667	\$183,328	\$100,000	\$2,376,672 <sup>(2)</sup>	\$2,375,000	
2021	19,225,485	9,387,250	2,676,311	1,729,750	630,480	100,000	4,701,695	4,700,000	
2022	20,324,259	9,387,250	2,677,053	1,727,250	517,680	100,000	5,915,026	5,915,000	
2023	21,423,034	9,387,250	3,429,630	1,873,500	375,720	100,000	6,256,935	6,255,000	
2024	21,423,034	9,387,250	4,160,555	2,021,000	225,600	100,000	5,528,630	5,525,000	
2025	21,423,034	12,717,250	1,559,766	2,169,250	93,000	100,000	4,783,769	3,875,000	
2026	21,423,034	12,720,750	1,559,222	2,167,750	-	100,000	4,875,313	-	
2027	21,423,034	12,720,750	1,556,453	2,168,500	-	100,000	4,877,332	-	
2028	21,423,034	12,717,000	1,562,431	2,171,250	-	100,000	4,872,354	-	
2029	21,423,034	12,719,250	1,561,798	2,165,750	-	100,000	4,876,237	-	
2030	21,423,034	12,721,750	1,559,733	2,167,250	-	100,000	4,874,302	-	
2031	21,423,034	12,719,000	1,561,236	2,170,250	-	100,000	4,872,549	-	
2032	21,423,034	12,720,750	1,556,128	2,169,500	-	100,000	4,876,657	-	
2033	21,423,034	12,721,250	1,559,588	2,165,000	-	100,000	4,877,197	-	
2034	21,423,034	12,720,000	1,559,913	2,166,750	-	100,000	4,876,372	-	
2035	21,423,034	12,721,500	1,558,010	2,169,250	-	100,000	4,874,274	-	
2036	21,423,034	13,280,000	998,880	2,167,250	-	100,000	4,876,904	-	
2037	21,423,034	14,282,000	-	2,165,750	-	100,000	4,875,284	-	
2038	21,423,034	14,278,250	-	829,500	-	100,000	6,215,284	-	
2039	21,423,034	14,280,750	-	-	-	100,000	7,042,284	-	
2040	21,423,034	14,278,250	-	-	-	100,000	7,044,784	-	
2041	21,423,034	14,280,000	-	-	-	100,000	7,043,034	-	
2042	21,423,034	14,279,750	-	-	-	100,000	7,043,284	-	
2043	21,423,034	14,281,500	-	-	-	100,000	7,041,534	-	
2044	21,423,034	14,279,000	-	-	-	100,000	7,044,034	-	
2045	21,423,034	14,281,250	-	-	-	100,000	7,041,784	-	
2046	21,423,034	14,281,750	-	-	-	100,000	7,041,284	-	
2047	21,423,034	14,279,250	-	-	-	100,000	7,043,784	-	
2048	21,423,034	14,277,500	-	-	-	100,000	7,045,534	-	
2049	21,423,034	14,280,000	-	-	-	100,000	7,043,034	-	
2050	21,423,034	-	-	-	-	-	-	-	

<sup>(1)</sup> Amount can be increased to \$500,000 as determined by the Authority.

<sup>(2)</sup> Based on \$12,358,809 of Pledged Revenues that is expected to be received in July 2020. See Table 7 herein.

Source: Underwriters.



**Second Scenario (2% Growth in Assessed Valuation for Inflation)  
Projected Timing and Amount of Turbo Redemption of Subordinate Turbo Bonds**

Year Ending on 10/1	Projected Pledged Revenues	Less:		2020A Debt Service	Less: 2020A-T Debt Service	2020B Debt Service (Excluding Turbo Bonds)	Less: Turbo Bonds Interest	Administrative Expenses <sup>(1)</sup>	Less: Expenses <sup>(1)</sup>	Excess Pledged Revenues	Projected Subordinate Turbo Bonds Redemption
		2020A Debt Service	2020B Debt Service (Excluding Turbo Bonds)								
2020	\$18,101,495	\$4,261,400	\$3,977,742	\$1,459,667	\$183,328	\$100,000	\$2,376,672 <sup>(2)</sup>	\$100,000	\$2,376,672 <sup>(2)</sup>	\$2,376,672 <sup>(2)</sup>	\$2,375,000
2021	19,574,396	9,387,250	2,676,311	1,729,750	630,480	100,000	5,050,606	100,000	5,050,606	5,050,606	5,050,000
2022	21,051,540	9,387,250	2,677,053	1,727,250	509,280	100,000	6,650,707	100,000	6,650,707	6,650,707	6,650,000
2023	22,558,227	9,387,250	3,429,630	1,873,500	349,680	100,000	7,418,168	100,000	7,418,168	7,418,168	7,415,000
2024	22,996,273	9,387,250	4,160,555	2,021,000	171,720	100,000	7,155,749	100,000	7,155,749	7,155,749	7,155,000
2025	23,443,081	12,717,250	1,559,766	2,169,250	-	100,000	6,896,815	100,000	6,896,815	-	-
2026	23,898,824	12,720,750	1,559,222	2,167,750	-	100,000	7,351,102	100,000	7,351,102	-	-
2027	24,363,682	12,720,750	1,556,453	2,168,500	-	100,000	7,817,980	100,000	7,817,980	-	-
2028	24,837,837	12,717,000	1,562,431	2,171,250	-	100,000	8,287,157	100,000	8,287,157	-	-
2029	25,321,476	12,719,250	1,561,798	2,165,750	-	100,000	8,774,678	100,000	8,774,678	-	-
2030	25,814,787	12,721,750	1,559,733	2,167,250	-	100,000	9,266,055	100,000	9,266,055	-	-
2031	26,317,965	12,719,000	1,561,236	2,170,250	-	100,000	9,767,479	100,000	9,767,479	-	-
2032	26,831,205	12,720,750	1,556,128	2,169,500	-	100,000	10,284,828	100,000	10,284,828	-	-
2033	27,354,711	12,721,250	1,559,588	2,165,000	-	100,000	10,808,874	100,000	10,808,874	-	-
2034	27,888,687	12,720,000	1,559,913	2,166,750	-	100,000	11,342,025	100,000	11,342,025	-	-
2035	28,433,343	12,721,500	1,558,010	2,169,250	-	100,000	11,884,583	100,000	11,884,583	-	-
2036	28,988,891	13,280,000	998,880	2,167,250	-	100,000	12,442,761	100,000	12,442,761	-	-
2037	29,513,947	14,282,000	-	2,165,750	-	100,000	12,966,197	100,000	12,966,197	-	-
2038	30,049,505	14,278,250	-	829,500	-	100,000	14,841,755	100,000	14,841,755	-	-
2039	30,595,773	14,280,750	-	-	-	100,000	16,215,023	100,000	16,215,023	-	-
2040	31,152,967	14,278,250	-	-	-	100,000	16,774,717	100,000	16,774,717	-	-
2041	31,721,305	14,280,000	-	-	-	100,000	17,341,305	100,000	17,341,305	-	-
2042	32,301,010	14,279,750	-	-	-	100,000	17,921,260	100,000	17,921,260	-	-
2043	32,892,308	14,281,500	-	-	-	100,000	18,510,808	100,000	18,510,808	-	-
2044	33,495,433	14,279,000	-	-	-	100,000	19,116,433	100,000	19,116,433	-	-
2045	34,110,620	14,281,250	-	-	-	100,000	19,729,370	100,000	19,729,370	-	-
2046	34,738,111	14,281,750	-	-	-	100,000	20,356,361	100,000	20,356,361	-	-
2047	35,378,152	14,279,250	-	-	-	100,000	20,998,902	100,000	20,998,902	-	-
2048	36,030,993	14,277,500	-	-	-	100,000	21,653,493	100,000	21,653,493	-	-
2049	36,696,892	14,280,000	-	-	-	100,000	22,316,892	100,000	22,316,892	-	-
2050	37,376,108	-	-	-	-	-	-	-	-	-	-

<sup>(1)</sup> Amount can be increased to \$500,000 as determined by the Authority.

<sup>(2)</sup> Based on \$12,358,809 of Pledged Revenues that is expected to be received in July 2020. See Table 7 herein.

Source: Underwriters.

***Notice of Redemption; Cancellation of Redemption.*** The Trustee, on behalf of and at the expense of the Authority, will mail (by first class mail, postage prepaid) notice of any redemption at least twenty (20) but not more than sixty (60) days prior to the redemption date, to the Owners of any 2020 Bonds designated for redemption at their respective addresses appearing on the bond registration books of the Trustee, to the Securities Depository and the Municipal Securities Rulemaking Board (via the Electronic Municipal Market Access System); but such mailing will not be a condition precedent to such redemption and neither the failure of any Owner to receive any such notice nor any defect in the notice so sent affect the validity of the proceedings for the redemption of such 2020 Bonds or the cessation of the accrual of interest thereon.

The Authority has the right to rescind any notice of the optional redemption of 2020 Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner and to the same recipient as the original notice of redemption was sent.

So long as DTC is the sole registered owner of the 2020 Bonds, notices of redemption (and notices of cancellation of redemption) will be sent to DTC and not to any beneficial owners. See “—Book-Entry Only System.”

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2020 Bonds so called for redemption will have been duly deposited with the Trustee, such 2020 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

***Manner of Redemption.*** Except for any redemption of the Subordinate Turbo Bonds from amounts on deposit in the Excess Pledged Revenues Fund, in the event of any redemption of any 2020 Tax-Exempt Bonds in part, the Trustee shall select those 2020 Tax Exempt Bonds to be redeemed within that maturity by lot. Whenever any 2020 Tax-Exempt Bonds or portions thereof or any other Series of Bonds or portions thereof that are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Authority thereof to the extent such Series of Bonds are no longer held in book-entry form.

In the event of any redemption of the Senior 2020A-T Bonds or a redemption of the Subordinate Turbo Bonds from amounts on deposit in the Excess Pledged Revenues Fund, the following provisions shall apply.

If such Senior 2020A-T Bonds or the Subordinate Turbo Bonds are registered in book-entry only form as provided in in the Indenture and so long as the Depository is the sole registered owner of such Senior 2020A-T Bonds or the Subordinate Turbo Bonds, as the case may be, if less than all of the Senior 2020A-T Bonds of a maturity or less than all of the Subordinate Turbo Bonds are called for prior redemption, the Senior 2020A-T Bonds or portions thereof or the Subordinate Turbo Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with the procedures of the Depository, provided that, the selection for redemption of such Senior 2020A-T Bonds or Subordinate Turbo Bonds shall be made in accordance with the operational arrangements of the Depository then in effect, and, if the Depository’s operational arrangements do not

allow for redemption on a pro rata pass-through distribution of principal basis, such Senior 2020A-T Bonds or the Subordinate Turbo Bonds will be selected for redemption, in accordance with the Depository's procedures, by lot.

The Authority intends that redemption allocations made by the Depository be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority nor the Trustee assumes any liability in the event that the Depository, any Depository System Participant or any other intermediary allocates the redemption of Senior 2020A-T Bonds or the Subordinate Turbo Bonds on other than such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Trustee will direct the Depository to make a pass-through distribution of principal to the Owners of the Senior 2020A-T Bonds.

For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the Senior 2020A-T Bonds or the Subordinate Turbo Bonds where (a) the numerator of which is equal to the amount due to the respective Owners on a payment date, and (b) the denominator of which is equal to the total original par amount of the Senior 2020A-T Bonds or the Subordinate Turbo Bonds.

If the Senior 2020A-T Bonds or the Subordinate Turbo Bonds are no longer registered in book-entry-only form, each Owner will receive an amount of such Senior 2020A-T Bonds or the Subordinate Turbo Bonds equal to the original face amount then beneficially held by that Owner, registered in such Owner's name. Thereafter, any redemption of less than all of the Senior 2020A-T Bonds or less than all of the Subordinate Turbo Bonds will continue to be paid to the Owners of such Senior 2020A-T Bonds on a pro-rata basis, based on the portion of the original face amount of Senior 2020A-T Bonds or Subordinate Turbo Bonds to be redeemed.

### **Book-Entry Only System**

The 2020 Bonds will be issued as one fully registered bond without coupons for each maturity (unless the 2020 Bonds of such maturity bear different interest rates, then one certificate for each interest rate among Bonds of such maturity) and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the 2020 Bonds. Individual purchases may be made in book-entry form only, in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the 2020 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 2020 Bonds as described in this Official Statement. So long as DTC's book-entry system is in effect with respect to the 2020 Bonds, notices to Owners by the Authority or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the 2020 Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. So long as the 2020 Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners or use of the capitalized term "Owners" mean Cede & Co. or such other nominee of DTC, and do not mean the beneficial owners of the 2020 Bonds. See "APPENDIX F – DTC'S BOOK-ENTRY ONLY SYSTEM."

In the event that such book-entry system is discontinued with respect to the 2020 Bonds, the Authority will execute and deliver replacements in the form of registered certificates and, thereafter, the 2020 Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture. The following provisions would then apply: The principal of, and redemption premium, if any, on the 2020 Bonds will be payable on the surrender thereof at maturity or the redemption date, as applicable, at the

corporate trust office of the Trustee in San Francisco, California, or such other office as designated by the Trustee. The interest on the 2020 Bonds will be payable by check mailed on each Interest Payment Date to the registered owners thereof as shown on the registration books of the Trustee as of the close of business on the Record Date (*i.e.*, the 15th calendar day of the month immediately preceding the Interest Payment Date); provided, that a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds may specify in writing prior to the Record Date that the interest payment payable on each succeeding Interest Payment Date be made by wire transfer.

## **SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS**

### **Pledged Revenues and Pledge Agreement**

***Pledged Revenues.*** The 2020 Bonds are special obligations of the Authority payable from and secured by a pledge of, security interest in and lien on (1) Pledged Revenues, as described in the Indenture, and (2) amounts in certain funds and accounts held by the Trustee in the Indenture. “Pledged Revenues” consist of all Net Tax Increment to which the Authority is entitled under the Pledge Agreement. See “FORMER STATE OWNED PARCELS” below.

***Pledge Agreement.*** Under the Pledge Agreement, the Former Agency and the City pledged all Net Tax Increment attributable from the Former State Owned Parcels, and any interest thereon, to the Authority for costs associated with the construction and design of Phase 1 and Phase 2 of the Transbay Program. Under the Pledge Agreement, “Net Tax Increment” excludes (a) charges for City administrative charges, fees, or costs, (b) the portion of the tax increment revenues that the Former Agency is required by law to set-aside in the Former Agency’s Affordable Housing Fund, and (c) pass-through payments to taxing entities. Under the terms of the Pledge Agreement, the pledge of Net Tax Increment remains in effect for 45 years after the effective date of the ordinance adopting the Transbay Redevelopment Plan, which termination date would occur no earlier than June 21, 2050. The Pledge Agreement required the Former Agency (and, now, requires its successor in interest, the Successor Agency) to provide Net Tax Increment and interest thereon to the Authority within 10 days of receipt from the City, without setoff or counterclaim.

***Irrevocable Instruction to Successor Agency.*** On the date of delivery of the 2020 Bonds, the Authority will have delivered an irrevocable instruction to the Successor Agency to directly transfer the full amount of Pledged Revenues, in amount consistent with the DOF-approved ROPS, directly to the Trustee for deposit in the Debt Service Fund under the Indenture. Such instruction will be acknowledged by the Successor Agency and the Trustee.

### **The Pledge Agreement and the Dissolution Act**

***ROPS under the Dissolution Act.*** The Dissolution Act requires the County Auditor-Controller to establish a fund, known as the Redevelopment Property Tax Trust Fund (the “RPTTF”), for the Successor Agency. Each fiscal year, the County Auditor-Controller must determine the amount of property taxes (formerly, tax increment) that would have been allocated to the former redevelopment agency had the former redevelopment agency not been dissolved pursuant to the Dissolution Act and deposit such amount into the RPTTF.

The Successor Agency must prepare a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule” or the “ROPS”) once a year (to be submitted to the DOF) no later than February 1, listing the payments for enforceable obligations that the Successor Agency is required to make for the upcoming two six-month fiscal periods (*i.e.*, the period from July through December and the period from January through June; each, a “ROPS Payment Period”). The Successor Agency is permitted, however, to hold a reserve when required by the relevant bond indenture or when the next property tax

allocation will be insufficient to pay bond debt service for the next payment due in the following half of the calendar year. The Successor Agency is authorized to make payments only pursuant to an enforceable obligation listed on a ROPS approved by the DOF.

***Inclusion of Pledge Agreement on ROPS.*** The DOF has issued the Successor Agency a final and conclusive determination letter with respect to the Pledge Agreement informing the Successor Agency that the DOF's approval of the Pledge Agreement as an enforceable obligation is final and conclusive. Nonetheless, the DOF retains the authority to review and approve, in its annual review of the Successor Agency's ROPS, specific expenditures for approved enforceable obligations to confirm that the expenditures are necessary. The Successor Agency has listed the Pledge Agreement on its ROPS in each ROPS period since the Dissolution Act and the DOF has approved the ROPS with the Pledge Agreement included as an enforceable obligation each of those ROPS periods.

For a more complete description of the Dissolution Act, the ROPS and other related issues, see "TAX INCREMENT FINANCING GENERALLY AND THE DISSOLUTION ACT" below.

### **TJPA Letter**

In several ROPS periods between Fiscal Year 2013-14 and Fiscal Year 2018-19, the Successor Agency inadvertently overpaid the Authority, transferring amounts that exceeded the amount of Net Tax Increment to which the Authority is entitled under the Pledge Agreement. The overpayments included payment of tax increment on parcels that are not Former State Owned Parcels, and payment of tax increment prior to deduction of certain housing set asides specified by law. To correct the overpayments, the Successor Agency then netted such overpayments against the Net Tax Increment paid to the Authority in subsequent periods, with full reconciliation achieved in Fiscal Year 2019-20. See Table 3 herein. In addition, although the Pledge Agreement requires the Successor Agency to provide Net Tax Increment to the Authority within 10 days after receipt from the City Controller, without setoff or counterclaim, the Authority has been receiving the Net Tax Increment at inconsistent times.

To mitigate future occurrences of miscalculation of the Net Tax Increment payable to the Authority and to reconcile prior differences in such calculations, the Authority has provided a letter (the "TJPA Letter") to the Successor Agency and City Controller describing a reasonable process to ensure that the appropriate amount of Net Tax Increment is listed on the ROPS of the Successor Agency each year, subject to DOF approval, and the Successor Agency timely transfers the full amount of Net Tax Increment to which the Authority is entitled under the Pledge Agreement. Among other things, the TJPA Letter describes the plans of the Authority, the City, and Successor Agency to periodically meet and to review and confirm calculations related to Net Tax Increment and materials related to submission of the ROPS. The TJPA Letter does not affect the City's or the Successor Agency's rights and obligations under the Pledge Agreement and the Dissolution Act. The TJPA Letter also describes that notwithstanding the Pledge Agreement, the Authority will receive the Net Tax Increment on January 15 and July 15 with respect to the January 2 and June 1 RPTTF distribution dates, respectively.

### **Pledge of Pledged Revenues**

Under the Indenture, the Senior 2020 Bonds are equally secured by a pledge of, security interest in and lien on all of the Pledged Revenues and (i) a first pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund and (ii) a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Senior Bonds Interest Account, Senior Bonds Principal Account, and the Senior Bonds Redemption Account therein, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The foregoing pledge and lien is subject to the lien in favor of the Trustee to secure payment of its fees, costs and expenses. The Senior 2020 Bonds are additionally

secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys, or reserve fund sureties, in the Senior Bonds Reserve Account.

Under the Indenture, the Subordinate 2020B Bonds are equally secured by a pledge of, security interest in and lien on all of the Pledged Revenues on a basis subordinate to the payment of debt service on the Senior Bonds and amounts required to be deposited to the accounts established for the Senior 2020 Bonds, and (i) a pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, subject only to the prior and senior pledge of, security interest in and lien on all of the Pledged Revenues therein in favor of the Senior Bonds and (ii) a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, and the Subordinate Bonds Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The foregoing pledge and lien is subject to the lien in favor of the Trustee to secure payment of its fees, costs and expenses. The Subordinate 2020B Bonds are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys, or reserve fund sureties, in the Subordinate Bonds Reserve Account.

### **Flow of Funds Under the Indenture**

***Debt Service Fund.*** The Trustee is required to immediately deposit any Pledged Revenues it receives from the Authority, the Successor Agency or the City Controller into the Debt Service Fund. The Authority has covenanted to use its best efforts to instruct the Successor Agency to deliver any Pledged Revenues by January 15 and July 15 with respect to the January 2 and June 1 RPTTF distribution dates, respectively, directly to the Trustee to be deposited in the Debt Service Fund. If the Authority receives any Pledged Revenues, the Authority shall promptly, and in any event no later than two Business Days after receipt, transfer all Pledged Revenues it receives under the Pledge Agreement to the Trustee to be deposited in the Debt Service Fund. The Trustee is required to retain all amounts on deposit in the Debt Service Fund until and to the extent required by the Indenture.

***Deposit of Amounts by Trustee in Debt Service Fund on First Debt Service Transfer Date.*** So long as any Bonds remain Outstanding, on the First Debt Service Transfer Date (earlier of five Business Days before April 1 or such other date specified in any Supplemental Indenture), the Trustee is required to withdraw from the Debt Service Fund and deposit the following amounts in the following funds and accounts in the following order of priority:

***Senior Bonds Interest Account.*** First, the Trustee is required to withdraw from the Debt Service Fund and deposit into the Senior Bonds Interest Account an amount which, when added to the amount on deposit in the Senior Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Senior Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Senior Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Senior Bonds.

***Senior Bonds Reserve Account.*** Second, if the amount on deposit in the Senior Bonds Reserve Account is less than the Senior Bonds Reserve Requirement as of the First Debt Service Transfer Date, then the Trustee is required to withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Senior Bonds Reserve Account.

***Subordinate Bonds Interest Account.*** Third, the Trustee is required to withdraw from the Debt Service Fund and deposit into the Subordinate Bonds Interest Account an amount which, when added to the amount on deposit in the Subordinate Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Subordinate Bonds on the next

succeeding Interest Payment Date. No such deposit need be made to the Subordinate Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Subordinate Bonds.

***Deposit of Amounts by Trustee in Debt Service Fund on Second Debt Service Transfer Date.*** So long as any Bonds remain Outstanding, on the Second Debt Service Transfer Date the Trustee is required to withdraw from the Debt Service Fund and deposit the following amounts in the following funds and accounts in the following order of priority:

*Senior Bonds Interest Account.* First, the Trustee is required to withdraw from the Debt Service Fund and deposit into the Senior Bonds Interest Account an amount which, when added to the amount on deposit in the Senior Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Senior Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Senior Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Senior Bonds.

*Senior Bonds Principal Account.* Second, the Trustee is required to withdraw from the Debt Service Fund and deposit in the Senior Bonds Principal Account an amount which, when added to the amount on deposit in the Senior Bonds Principal Account on that date, will be equal to the sum of (i) the aggregate amount of principal coming due and payable on the next October 1 on the Senior Bonds and (ii) the aggregate principal amount of the Term Senior Bonds scheduled to be redeemed on the next October 1. No such deposit need be made to the Senior Bonds Principal Account if the amount contained therein is at least equal to the sum of (i) the aggregate amount of principal coming due and payable on the next October 1 on the Senior Bonds and (ii) the aggregate principal amount of the Term Senior Bonds required to be redeemed on the next October 1.

*Senior Bonds Reserve Account.* Third, if the amount on deposit in the Senior Bonds Reserve Account as of the Second Debt Service Transfer Date is less than the Senior Bonds Reserve Requirement, then the Trustee is required to withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Senior Bonds Reserve Account. The Trustee is required to calculate the Senior Bonds Reserve Requirement as of the next October 1 after giving effect to any scheduled payments of principal of Senior Bonds and any scheduled redemption of Term Senior Bonds that will be paid from amounts on deposit in the Senior Bonds Principal Account after giving effect to the deposit on the Second Debt Service Transfer Date into the Senior Bonds Principal Account required above.

*Subordinate Bonds Interest Account.* Fourth, the Trustee is required to withdraw from the Debt Service Fund and deposit into the Subordinate Bonds Interest Account an amount which, when added to the amount on deposit in the Subordinate Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Subordinate Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Subordinate Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Subordinate Bonds.

*Subordinate Bonds Principal Account.* Fifth, the Trustee is required to withdraw from the Debt Service Fund and deposit in the Subordinate Bonds Principal Account an amount which, when added to the amount on deposit in the Subordinate Bonds Principal Account on that date, will be equal to the sum of (i) the aggregate amount of principal coming due and payable on the next October 1 on the Subordinate Bonds and (ii) the aggregate principal amount of the Term Subordinate Bonds required to be redeemed on the next October 1. No such deposit need be made to the Subordinate Bonds Principal Account if the amount contained therein is at least equal to the sum of (i) the aggregate amount of principal coming due and

payable on the next October 1 on the Subordinate Bonds and (ii) the aggregate principal amount of the Term Subordinate Bonds required to be redeemed on the next October 1.

*Subordinate Bonds Reserve Account.* Sixth, if the amount on deposit in the Subordinate Bonds Reserve Account as of the Second Debt Service Transfer Date is less than the Subordinate Bonds Reserve Requirement, then the Trustee is required to withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Subordinate Bonds Reserve Account. The Trustee is required to calculate the Subordinate Bonds Reserve Requirement as of the immediately succeeding October 1 after giving effect to any scheduled payments of principal of Subordinate Bonds, any scheduled redemption of Term Subordinate Bonds that will be paid from amounts on deposit in the Subordinate Bonds Principal Account after giving effect to the deposit on the Second Debt Service Transfer Date into the Subordinate Bonds Principal Account required above and the mandatory redemption of the principal of Subordinate Turbo Bonds that the Trustee calculates will occur after giving effect to the required deposits into such fund on the Second Debt Service Transfer Date in accordance with the Indenture.

*Administrative Expense Fund.* Seventh, if the amount on deposit in the Administrative Expense Fund is less than the Administrative Expense Cap (initially \$100,000, which may be increased up to \$500,000), then the Trustee shall withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Administrative Expense Fund.

*Rebate Fund.* Eighth, the Trustee shall withdraw from the Debt Service Fund any amounts required pursuant to the Indenture or the Tax Certificate and deposit such amount in the Rebate Fund.

*Excess Pledged Revenues Fund.* Ninth, for so long as any Subordinate Turbo Bonds remain Outstanding, the Trustee is required to withdraw from the Debt Service Fund all remaining funds after giving effect to the deposits required above and deposit such amount in the Excess Pledged Revenues Fund.

*Surplus to the Authority.* Tenth, on any Second Debt Service Transfer Date on which no Subordinate Turbo Bonds remain Outstanding, except as provided by any Supplemental Indenture, on October 2 of each year, so long as all deposits required by above have been satisfied, the Trustee is required to transfer any remaining amounts in the Debt Service Fund to the Authority to be used for any lawful purpose and such amounts shall not longer constitute “Pledged Revenues” under this Indenture and shall not longer be subject to any liens or charges established by this Indenture.

For additional details on the foregoing accounts and flow of funds, see “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.” See also “– Reserve Accounts” below.

## **Reserve Accounts**

*General.* The Senior Bonds Reserve Account will be funded to the Senior Bonds Reserve Requirement, and the Subordinate Bonds Reserve Account will be funded to the Subordinate Bonds Reserve Requirement, respectively.

*Senior Bonds Reserve Account.* “Senior Bonds Reserve Requirement” means, as of any date of calculation, with respect to all Series of Outstanding Reserve Account Senior Bonds (Senior Bonds that have rights to the Senior Bonds Reserve Account), an amount equal to the lesser of:

- (i) 125% of the average Annual Debt Service with respect to such Series of Senior Bonds between the date of such calculation and the final maturity of thereof; or



(ii) Maximum Annual Debt Service with respect to such Series of Senior Bonds between the date of such calculation and the final maturity of thereof; or

(iii) 10% of the original principal amount of each such Series of Senior Bonds (or, if such Series of Senior Bonds has more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of such Series of Senior Bonds);

provided that, the Senior Bonds Reserve Requirement may be determined on an individual basis with respect to a Series of Senior Bonds or on a combined basis for two or more Series of Senior Bonds, as determined by the Authority; and provided, further, that in no event shall the Authority, in connection with the issuance of Senior Bonds be obligated to deposit an amount (including in the form of a Qualified Reserve Account Credit Instrument) in the Senior Bonds Reserve Account (whether with respect to tax-exempt or taxable bonds) that is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Senior Bonds Reserve Account is so limited, the Senior Bonds Reserve Requirement shall, in connection with the issuance of such Senior Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Authority may meet all or a portion of the Senior Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. In the event, the Senior Bonds Reserve Requirement is determined on a combined basis for two or more Series of Senior Bonds, such Series of Senior Bonds shall be secured on a parity basis by the Senior Bonds Reserve Account.

***Qualified Reserve Account Credit Instrument.*** The Authority may meet all or a portion of the Senior Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE” for additional information concerning the Senior Bonds Reserve Account.

***Use of Senior Bonds Reserve Account.*** The Senior Bonds Reserve Account shall serve solely as security for payments payable by the Authority with respect to the Reserve Account Senior Bonds. Except as provided in the Indenture, all money in the Senior Bonds Reserve Account and any subaccount thereof shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Senior Bonds Interest Account and the Senior Bonds Principal Account to pay debt service on the Reserve Account Senior Bonds, in the event of any deficiency at any time in any of such accounts in the following manner and in the following order of priority:

(1) On any Interest Payment Date, if the amount on deposit in the Senior Bonds Interest Account shall be insufficient to pay interest on the Reserve Account Senior Bonds due and payable on such Interest Payment Date, then the Trustee is required to withdraw the amount of such insufficiency from the Senior Bonds Reserve Account and deposit such amount in the Senior Bonds Interest Account; and

(2) On any October 1 Interest Payment Date, if the amount on deposit in the Senior Bonds Principal Account shall be insufficient to pay the sum of (i) the aggregate amount of principal coming due and payable on such October 1 Interest Payment Date on the Reserve Account Senior Bonds and (ii) the aggregate principal amount of the Reserve Account Term Senior Bonds required to be redeemed on such October 1 Interest Payment Date, then the Trustee is required to withdraw the amount of such insufficiency from the Senior Bonds Reserve Account and deposit such amount in the Senior Bonds Principal Account.

***Subordinate Bonds Reserve Account.*** “Subordinate Bonds Reserve Requirement” means, as of any date of calculation, with respect to all Series of Outstanding Reserve Account Subordinate Bonds (Subordinate Bonds that have rights to the Subordinate Bonds Reserve Account), an amount equal to the lesser of:

- (i) 125% of the average Annual Debt Service with respect to such Series of Subordinate Bonds between the date of such calculation and the final maturity of thereof; or
- (ii) Maximum Annual Debt Service with respect to such Series of Subordinate Bonds between the date of such calculation and the final maturity of thereof; or
- (iii) 10% of the original principal amount of such Series of Subordinate Bonds (or, if such Series of Subordinate Bonds has more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of such Series of Subordinate Bonds);

provided that, the Subordinate Bonds Reserve Requirement may be determined on an individual basis with respect to a Series of Subordinate Bonds or on a combined basis for two or more Series of Subordinate Bonds, as determined by the Authority; and provided, further, that in no event shall the Authority, in connection with the issuance of Subordinate Bonds be obligated to deposit an amount (including in the form of a Qualified Reserve Account Credit Instrument) in the Subordinate Bonds Reserve Account (whether with respect to tax-exempt or taxable bonds) that is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Subordinate Bonds Reserve Account is so limited, the Subordinate Bonds Reserve Requirement shall, in connection with the issuance of such Subordinate Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Authority may meet all or a portion of the Subordinate Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. In the event, the Subordinate Bonds Reserve Requirement is determined on a combined basis for two or more Series of Subordinate Bonds, such Series of Subordinate Bonds shall be secured on a parity basis by the Subordinate Bonds Reserve Account.

***Qualified Reserve Account Credit Instrument.*** The Authority may meet all or a portion of the Subordinate Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE” for additional information concerning the Subordinate Bonds Reserve Account.

***Use of Subordinate Bonds Reserve Account.*** The Subordinate Bonds Reserve Account shall serve solely as security for payments payable by the Authority with respect to the Reserve Account Subordinate Bonds.

Except as provided below in the Indenture, all money in the Subordinate Bonds Reserve Account and any subaccount thereof shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account to pay debt service on the Reserve Account Subordinate Bonds, in the event of any deficiency at any time in any of such accounts in the following manner and in the following order of priority:

- (i) On any Interest Payment Date, if the amount on deposit in the Subordinate Bonds Interest Account shall be insufficient to pay interest on the Reserve Account Subordinate Bonds due and payable on such Interest Payment Date, then the Trustee is required to withdraw the amount

of such insufficiency from the Subordinate Bonds Reserve Account and deposit such amount in the Subordinate Bonds Interest Account; and

(ii) On any October 1 Interest Payment Date, if the amount on deposit in the Subordinate Bonds Principal Account shall be insufficient to pay the sum of (i) the aggregate amount of principal coming due and payable on such October 1 Interest Payment Date on the Reserve Account Subordinate Bonds and (ii) the aggregate principal amount of the Reserve Account Term Subordinate Bonds required to be redeemed on such October 1 Interest Payment Date, then the Trustee is required to withdraw the amount of such insufficiency from the Subordinate Bonds Reserve Account and deposit such amount in the Subordinate Bonds Principal Account.

### **Additional Senior Bonds and Subordinate Bonds**

*Issuance of Additional Series of Senior Bonds.* In addition to the Senior 2020 Bonds, the Authority may issue additional Series of Senior Bonds in such principal amount as shall be determined by the Authority, subject to the satisfaction of the following specific conditions precedent:

(i) no Subordinate Turbo Bonds are Outstanding;

(ii) the Pledged Revenues to which the Authority is entitled or estimated to be entitled under the Pledge Agreement for the then-Fiscal Year based on the most recent assessed valuation of the Former State Owned Parcels as evidenced in the written records of the City, plus at the option of the Authority the amount of any Additional Revenues (as defined below), shall be at least equal to 150% of Maximum Annual Debt Service on the Senior Bonds which will be Outstanding immediately following the issuance of such Series of Senior Bonds, and

(iii) the Pledged Revenues to which the Authority is entitled or estimated to be entitled under the Pledge Agreement for the then-Fiscal Year based on the most recent assessed valuation of the Former State Owned Parcels as evidenced in the written records of the City, plus the amount of Additional Revenues, shall be at least equal to 125% of Maximum Annual Debt Service on the Senior Bonds and Subordinate Bonds which will be Outstanding immediately following the issuance of such Series of Senior Bonds;

(iv) the Supplemental Indenture for the issuance and delivery of such Series of Senior Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and any principal thereof due and payable in any year shall be payable on October 1 of such year (and principal on any such Series of Senior Bonds may not be subject to acceleration or declared due and payable in advance of its scheduled maturity, or any such Series of Senior Bonds required to be redeemed other than scheduled mandatory redemption dates from mandatory sinking fund payments); and

(v) the Supplemental Indenture providing for issuance of such Senior Bonds (a) shall provide for a deposit to the Senior Bonds Reserve Account in an amount necessary such that the amount deposited therein shall equal the Senior Bonds Reserve Requirement following issuance of such Series of Senior Bonds, or (b) shall designate such Senior Bonds as "Reserve Account Excluded Senior Bonds" and the Supplemental Indenture pursuant to which such Series of Senior Bonds shall expressly declare that the Owners of such Series of Reserve Account Excluded Senior Bonds will have no interest in or claim to the Senior Bonds Reserve Account;

provided, however, that if the additional Series of Senior Bonds is being issued solely to refund Outstanding Senior Bonds, and in each Bond Year the aggregate Annual Debt Service on the proposed Senior Bonds to be issued, together with the aggregate Annual Debt Service on all other Outstanding Senior Bonds after the issuance of the proposed Series of refunding Senior Bonds, is equal to or lower than the aggregate Annual Debt Service on all Senior Bonds Outstanding before giving effect to the issuance of the proposed Series of refunding Senior Bonds for each Bond Year during which any such Series of Senior Bonds (other than the Series of refunding Senior Bonds) is scheduled to be Outstanding, then the Authority may issue such refunding Series of Senior Bonds without satisfying the condition (i), (ii) or (iii) above.

***Issuance of Additional Series of Subordinate Bonds.*** In addition to the Subordinate 2020B Bonds, the Authority may issue additional Series of Subordinate Bonds in such principal amount as shall be determined by the Authority, subject to the following specific conditions precedent:

(i) no Subordinate Turbo Bonds are Outstanding;

(ii) the Pledged Revenues to which the Authority is entitled or estimated to be entitled under the Pledge Agreement for the then-Fiscal Year based on the most recent assessed valuation of the Former State Owned Parcels as evidenced in the written records of the City, plus at the option of the Authority the amount of any Additional Revenues, shall be at least equal to 125% of Maximum Annual Debt Service on all Senior Bonds and Subordinate Bonds which will be Outstanding immediately following the issuance of such Series of Subordinate Bonds;

(iii) the Supplemental Indenture providing for the issuance and delivery of such Series of Subordinate Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and any principal thereof due and payable in any year shall be payable on October 1 of such year (and principal on any such Series of Subordinate Bonds may not be subject to acceleration or declared due and payable in advance of its scheduled maturity, or any such Series of Subordinate Bonds required to be redeemed other than scheduled mandatory redemption dates from mandatory sinking account payments or turbo redemption); and

(iv) the Supplemental Indenture providing for issuance of such Subordinate Bonds (a) shall provide for a deposit to the Subordinate Bonds Reserve Account in an amount necessary such that the amount deposited therein shall equal the Subordinate Bonds Reserve Requirement following issuance of such Series of Subordinate Bonds or (b) shall designate such Subordinate Bonds as “Reserve Account Excluded Subordinate Bonds” and the Supplemental Indenture pursuant to which such Series of Reserve Account Excluded Subordinate Bonds shall expressly declare that the Owners of such Series of Subordinate Bonds will have no interest in or claim to the Subordinate Bonds Reserve Account;

provided, however, if an additional Series of Subordinate Bonds is being issued solely to refund Outstanding Senior Bonds or Subordinate Bonds, and in each Bond Year the aggregate Annual Debt Service on the proposed Series of Subordinate Bonds to be issued, together with the aggregate Annual Debt Service on all other Outstanding Senior Bonds and Subordinate Bonds after the issuance of the proposed Series of refunding Subordinate Bonds, is equal to or lower than the aggregate Annual Debt Service on all Senior Bonds and Subordinate Bonds Outstanding before giving effect to the issuance of the proposed Series of refunding Subordinate Bonds for each Bond Year during which any such Series of Senior Bonds or Subordinate Bonds (other than the Series of refunding Subordinate Bonds) is scheduled to be Outstanding, then the Authority may issue such refunding Series of Subordinate Bonds without satisfying the condition (i) or (ii) above.

As used above, the term “Additional Revenues” means, as of the date of any calculation, the additional amount of Pledged Revenues that an Independent Redevelopment Consultant estimates the Authority will be entitled to receive under the Pledge Agreement, as shown in a Report of such Independent Redevelopment Consultant, as a result of the aggregate of each Additional Assessed Valuation Increase for the first Fiscal Year in which the Independent Redevelopment Consultant estimates that the full amount of such Additional Assessed Valuation Increase will be reflected on the tax rolls. As used herein, the term “Additional Assessed Valuation Increases” means any future estimated increases in the assessed valuation of taxable property in the Former State Owned Parcels, as shown in the Report of Independent Redevelopment Consultant, due to the completion of construction which is not then fully reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not then fully reflected on the tax rolls or other instances of valuation change. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the Former State Owned Parcels is estimated to increase above the assessed valuation of taxable property in the Former State Owned Parcels (as evidenced in the written records of the City) as of the date on which such calculation is made.

The Authority may issue other obligations or indebtedness on parity with the Senior 2020 Bonds or the Subordinate 2020B Bonds provided that the requirements for issuing additional Series of Senior Bonds or Subordinate Bonds, respectively, are satisfied.

### **Limited Obligation**

The 2020 Bonds are special obligations of the Authority payable from and secured by a pledge and lien on (1) Pledged Revenues, as described in the Indenture, and (2) amounts in certain funds and accounts held by the Trustee in the Indenture. The 2020 Bonds are not debts, liabilities or obligations of the City, the member agencies of the Authority, the Successor Agency, the State, or any of its political subdivisions, and neither said City, said member agencies, said Successor Agency, said State, nor any of its political subdivisions is liable thereon, nor in any event shall the 2020 Bonds be payable out of any funds or properties other than Pledged Revenues. The 2020 Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

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## FORMER STATE OWNED PARCELS

Under a July 11, 2003 Cooperative Agreement among the Authority, the City, and the State, the State agreed to transfer the Former State Owned Parcels, made up of more than 10 acres of blighted and underutilized publicly owned land that resulted from the demolition of highway ramps damaged in the 1989 Loma Prieta earthquake, and the Former Transbay Terminal. Among the Former State Owned Parcels, there are seven redevelopment blocks that are expected to generate the majority of Net Tax Increment. The Authority and the Successor Agency have sold six of the seven redevelopment blocks to developers, five of which have been developed into a mixture of commercial and residential uses. The Authority has obtained certain development, leasing and sales information relating to the buildings developed on the Former State Owned Parcels from publicly available information. However, the Authority does not guarantee any leasing or sales information provided in this Official Statement, which is provided for general reference only. The following tables sets forth property description and assessed valuation information with respect to the seven primary redevelopment blocks that are included among the Former State Owned Parcels. The assessed valuation information, including projections, is as of dates and for periods before the onset of impacts from the COVID-19 pandemic. Assessed valuation, Net Tax Increment and Pledged Revenues for Fiscal Year 2019-20 are based on property values as of the January 1, 2019 lien date. Actual assessed valuation, Net Tax Increment and Pledged Revenues for Fiscal Year 2020-21 will be based on property values as of January 1, 2020. Accordingly, they are not necessarily indicative of the current or future real estate market. See “RISK FACTORS – Risks Related to Assessed Valuation – *COVID-19 Pandemic*.”

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**Table 1**  
**Property Description and FY 2019/20 Adjusted Assessed Value**  
**Former State Owned Parcels**

	Property Description		FY 2019/20 Assessed Value (\$)									
			Office					Hotel				
	Number of Stories	Square Feet	Market Rate For Sale	Market Rate Rental	Market Rate (Rental)	Below Market	Secured (Unadjusted)	Unsecured (Unadjusted)	Total (Unadjusted)	Pledge Factor <sup>b</sup>	Adjusted Total <sup>b</sup>	
Completed or Substantially Completed												Residential Units
<b>Redevelopment Block<sup>a</sup></b>												
<b>Development Completed or Substantially Completed</b>												
Parcel T Salesforce Tower	61	1,420,000						1,777,083,250	100.0%	1,777,083,250		
Block 6 Solaire <sup>c</sup>	32		409	70	479		85,338,369	303,179,195	100.0%	303,179,195		
Block 5 Park Tower	43	767,000					46,112	601,684,923	90.9%	546,839,309		
Block 8 The Avery <sup>c</sup>	56		118	150	548		0	333,656,197	100.0%	333,656,197		
Block 9 500 Folsom <sup>c</sup>	42		428	109	537		385,600	239,592,667	100.0%	239,592,667		
<b>Subtotal</b>		<b>2,187,000</b>	<b>118</b>	<b>1,117</b>	<b>329</b>	<b>1,564</b>	<b>86,694,188</b>	<b>3,255,196,232</b>		<b>3,200,350,618</b>		
<b>Future Development</b>												
Parcel F Hines/Urban Pacific	61	276,000	165		165	189	0	119,330,878	97.0%	115,757,207		
Block 4 <sup>d</sup> Authority	45		151	336	683		0	0	100.0%	0		
<b>Subtotal</b>		<b>276,000</b>	<b>316</b>	<b>196</b>	<b>336</b>	<b>848</b>	<b>0</b>	<b>119,330,878</b>		<b>115,757,207</b>		
<b>Total</b>		<b>2,463,000</b>	<b>434</b>	<b>1,313</b>	<b>665</b>	<b>2,412</b>	<b>86,831,600<sup>e</sup></b>	<b>3,374,664,522</b>		<b>3,316,245,237</b>		

Note: Totals may not foot due to rounding.

<sup>a</sup> Blocks 7 and 11 are Former State Owned Parcels, but they do not generate significant property tax increment revenues as these properties are primarily developed with affordable housing, and a welfare property tax exemption has been granted for the affordable housing units. Given this, these properties are excluded from the analysis of the Redevelopment Blocks in this Official Statement.

<sup>b</sup> Block 5 and Parcel F are assembled development sites made up of Former State Owned Parcels and private parcels. This Official Statement assumes a percentage of tax increment generated by these assembled development sites is pledged to the Authority based on the percentage of land area from the Former State Owned Parcels out of the total land area of the assembled development site (the "Pledge Factor").

<sup>c</sup> Based on information provided by the Assessor's Office in October 2019, the assessed value of the affordable housing portion of these properties is expected to be \$0 or to be eligible for a property tax welfare exemption that would effectively reduce the assessed value to \$0.

<sup>d</sup> The Authority/Successor Agency granted an option to the Parcel F developer to acquire Block 4 on certain terms and conditions. Based on information provided by the Authority and the Successor Agency, the land sale for Block 4 is estimated to be completed in the fourth quarter of 2020 for an assumed price of \$45 million, and future land value could be reflected on the roll in FY 2021/22, with the start of construction to potentially begin in the second quarter of 2021. Some or all of this value could be reduced to the extent the parcel is developed with affordable housing that qualifies for the welfare exemption.

<sup>e</sup> Total unsecured value includes \$137,412 attributable to a portion of Block 11. Block 11 primarily consists of affordable housing and is therefore not listed in the table.

Source: Successor Agency, San Francisco Controller's Office, San Francisco Assessor's Office, Authority, Urban Analytics LLC.

*The information below regarding each of the Former State Owned Parcels has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness of the information from such sources. In certain cases, some of the information provided below is not included in or may differ slightly from the information provided in the Fiscal Consultant's Report attached in Appendix A, based on the receipt of updated source information.*

## **Development Completed or Substantially Completed**

**415 Mission (Salesforce Tower/Parcel T).** The Salesforce Tower is a high-rise office building with supporting retail uses that is located on Parcel T at 415 Mission Street, immediately adjacent to the Salesforce Transit Center. Boston Properties, a self-managed real estate investment trust traded on the New York Stock Exchange, is the owner of Salesforce Tower.

The building is currently the tallest in the City and the second-tallest building west of the Mississippi River with a top roof height of 970 feet and an overall height of 1,070 feet. The building has 61 floors with 13-foot high ceilings. The building is LEED® Core and Shell Platinum certified and contains a number of environmentally friendly features. The Salesforce Tower was built with 42 steel reinforced concrete load bearing elements that extend from foundation down into bedrock more than 300 feet below grade with rock-sockets of up to 70 feet.

Occupancy of the building began in 2018, and Salesforce.com, Inc. purchased the naming rights for the building. The total leasable building square footage is approximately 1.4 million. As of the date of this Official Statement, the building has been fully leased. Salesforce.com has leased 863,538 square feet in the building through a lease that expires in tranches in 2033, with an option to extend for a total of 12 years. Other major tenants include Accenture, Covington & Burling, Bain & Company, Hellman & Friedman, CBRE, and Vy Capital.

Accenture's lease, which commenced in January 2018 and expires in March 2022, covers 125,985 square feet of space. CBRE's 10-year lease commenced in June 2018 and covers 38,317 square feet of space. Vy Capital's 10-year lease commenced in January 2018 and covers 18,833 square feet of space.

In April 2019, Boston Properties acquired Hines 5% interest in the Salesforce Tower for \$186.8 million.

**299 Fremont (Solaire/Block 6).** The residential buildings located on Block 6 at 299 Fremont Street include a 32-story residential tower and 7 townhomes with a total of 409 rental units marketed as "Solaire." The owner is Block 6 Joint Venture, LLC, an affiliate of Golub Real Estate Corporation.

The 409 market rate apartments in Solaire range in size from approximately 420 square feet for studios to 1,560 square feet for two-bedroom, two-and-a-half bath units. Amenities include a fitness center, community room and kitchen, media room, game room, yoga studio, roof deck lounge and spa, as well as retail space on the ground floor. According to the developers and the Successor Agency, the buildings were completed in 2017. As of the date of this Official Statement, the Authority believes the Solaire has been substantially leased.

Block 6 also includes a 70-unit affordable rental development that was developed by the non-profit housing developer, Mercy Housing California. The affordable units in Block 6 are not assumed to generate Pledged Revenues as these units have been granted a welfare property tax exemption.

**250 Howard (Park Tower/Block 5).** The building located on Block 5 at 250 Howard Street is a 43-story, 605-foot tower that contains about 776,000 square feet of office and ground floor retail space. The



owner is Park Tower Owner LLC (an entity controlled by John Buck Company, MetLife Investment Management and Golub & Company).

The building received its certificate of occupancy in October 2019. As of the date of this Official Statement, all of the leasable office space (about 752,000 square feet) has been leased to Facebook, Inc. under a 15-year lease that commenced on March 1, 2019. Facebook's lease is structured across multiple phases (floors 2-12 expire in 2033 and floors 13-43 expire in 2034). Each phase has two 8-year extension options at fair market rent, with no termination option. Facebook has a right of first refusal to purchase the Park Tower at the same terms as any purchase offer received.

In September 2019, the Hong Kong Monetary Authority and Hines acquired from Park Tower Owner LLC a 49% interest in the building for \$534 million.

The development site consists of an assemblage of about 25,688 square feet of Former State Owned Parcels and approximately 2,576 square feet of a former privately owned parcel. The developer has merged the Former State Owned Parcels and private parcel into a single parcel (APN 3718/040). This Official Statement assumes a Pledge Factor for this parcel of 90.9 percent based on a per square foot contribution of the Former State Owned Parcel to the development site.

Park Tower has a 12-foot thick concrete foundation and was built down to bedrock at approximately 225 feet.

**450 and 488 Folsom; 250 Fremont (The Avery/Block 8).** The development on Block 8 consists of a 56-story tower that includes 118 for-sale condominiums, 280 market rate rental apartments, 150 affordable housing units, and ground floor retail located around a central open space. All of the condominium units are located on the upper floors of the building, and eight penthouse condominium units are located on the highest floors. The building, marketed as "The Avery," includes a lobby, shared laundry facility, rooftop community garden, community room, an outdoor play area, and bicycle parking available in the parking garage.

The Related Companies developed The Avery in collaboration with Tenderloin Neighborhood Development Corporation ("TNDC"), a non-profit housing developer. The affordable housing units on Block 8 are not assumed to generate Pledged Revenues as TNDC would be eligible for a welfare property tax exemption for the affordable housing units.

Leasing of the apartments and sales of the condominiums commenced in 2019, and the developer has received all required permits for occupancy. As of December 31, 2019, data from the Assessor indicates that twelve of the condominiums have been sold at an average price of about \$3.1 million per unit. The affordable units are fully leased.

**500 Folsom (Block 9).** 500 Folsom Street is a 42-story tower with 537 rental apartments and ground floor retail space. Essex Property Trust developed the property in collaboration with TMG Partners and the non-profit developer BRIDGE Housing ("BRIDGE").

The residential units include 428 market rate apartments as well as 109 affordable housing apartments in studio, one- and two-bedroom units. The building contains social spaces and amenities such as a spa, gated underground parking, community gardens, fitness center, yoga and spin rooms, and a community room.

Leasing commenced for the building in Summer 2019 and was approximately 36% leased as of February 7, 2020 (although the breakdown of the lease percentage between market rate and affordable units is not available). The developer received all required permits for residential occupancy in February 2020. The

affordable housing units on Block 9 are not assumed to generate Pledged Revenues as BRIDGE would be eligible for a welfare property tax exemption for the affordable housing units.

### **Limits on Future Office Development: Proposition M and Proposition E**

**Proposition M.** The City’s Proposition M regulates the allocation of entitlements for certain office development projects. Proposition M amended the City’s Office Development Annual Limit Program in 1986 to generally restrict the amount of office space authorized in a given year to 950,000 gross square feet that becomes available for allocation in each approved period, which begins in mid-October each year. Of this total, 875,000 gross square feet is available for projects with at least 50,000 gross square feet of office space (Large Allocation Projects), while the remainder is reserved for smaller office projects (Small Allocation Projects). Office space entitlements that are not allocated in a given year are carried over to subsequent years. As of December 2019, there was 786,993 of gross square feet available for Large Allocation Projects, with a pipeline of 6,222,533 in projects either pending application review or in pre-application phase.

**Proposition E.** In March 2020, voters in San Francisco passed Proposition E, “San Francisco Balanced Development Act,” which could further limit the future supply of commercial office space in San Francisco made available through the City’s Office Development Annual Limit Program. Proposition E ties the amount of office space available each year to the City’s production of affordable housing in a given year (based on the number of annual affordable housing units assigned by the State of California to the City through the Regional Housing Needs Allocation process, or 2,042 units per year, whichever is greater). A shortfall in affordable housing production in the City during 2020 would result in a commensurate, one-time reduction in the 2021 office allocation, but it would not affect the 2022 office allocation. The City’s affordable housing production in 2021 will then determine the 2022 office allocation and so on in subsequent years. Proposition E also required that development of Large Allocation Projects in the Central SoMa neighborhood, which is the neighborhood adjacent to the Former State Owned Parcels, should be limited to 6 million square feet until 15,000 housing units are produced in that neighborhood.

### **Planned Future Development**

**550 Howard (Parcel F).** Parcel F was sold for \$160 million in 2016 to F4 Transbay Partners LLC, a joint venture of Urban Pacific Development, LLC, Hines F4 Associates Limited Partnership, and Broad Street Principal Investors, LLC (Hines/Urban Pacific). The developer received approvals from the San Francisco Planning Commission on January 8, 2020 to build a 61-story tower containing office space (about 276,000 gross square feet), a hotel (189 rooms), and market rate, for sale residential units (165 units). The developer is proposing to provide additional affordable housing units on Block 4 in order to meet the affordable housing obligation for Parcel F. The San Francisco Planning Commission approved the development for Parcel F in January 2020. Salesforce.com has pre-leased all of the rentable office space.

At the time of this Official Statement, Parcel F is an assemblage of four parcels, a portion of which consists of Former State Owned Parcels and a portion consists of parcels that the Authority acquired. This Official Statement assumes Pledged Revenues from Parcel F would be calculated on the basis of 97 percent of the assessed value from assessor parcels 3721-135 and 3721-136, which reflects a Pledge Factor that is based on a per square foot contribution of the Former State Owned Parcel. No Pledged Revenues are assumed to be derived from the remaining assessor parcels 3721-016 and 3721-138 that are part of Parcel F.

The assessed valuation projections referenced in Table 8 and Table 9, and which are used to determine Pledged Revenues and Debt Service Coverage, do not assume any additional value from Parcel F, which is expected to be substantial, as and when development proceeds. However, no assurance can be provided that all of any of the project components will proceed as planned.

**200 Main (Block 4).** Block 4 at 200 Main Street is currently owned by the Authority. This redevelopment block is 45,377 square feet in size and represents the northern portion of the block bounded by Howard, Folsom, Main, and Beale streets (which served as the site of the former Temporary Terminal during construction of the Salesforce Transit Center).

The Successor Agency granted an option to the Parcel F developer to acquire Block 4 on certain terms and conditions, and the Parcel F developer is proposing to provide additional affordable housing units on Block 4 to meet the affordable housing obligations attributable to Parcel F. Based on information provided by the Authority, the land sale for Block 4 is estimated to be completed in the fourth quarter of 2020 for an assumed price of \$45 million, and the future land value could be reflected on the roll in FY 2021/22, with the start of construction to potentially begin in the second quarter of 2021. Some or all of this value could be reduced to the extent the parcel is developed with affordable housing that qualifies for the welfare exemption. However, no Pledged Revenues from Block 4 area assumed in the projections used in this Official Statement.

Based on information provided by the Successor Agency, the developer is proposing a 47-story mixed income residential tower with an adjacent 16-story mid-rise building. The proposed development would include 683 units, consisting of 347 market rate units (196 market rate apartments and 151 market rate condominiums) and 336 affordable housing units as both stand-alone and inclusionary housing units. The development program is still being refined and could contain additional affordable housing units beyond what is currently proposed.

The assessed valuation projections referenced in Table 8 and Table 9, and which are used to determine Pledged Revenues and Debt Service Coverage, do not assume any additional value from Block 4, which is expected to be substantial, as and when development proceeds. However, no assurance can be provided that all or any of the project components will proceed as planned.

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## Assessed Valuation

The following table sets forth the assessed valuation of the Former State Owned Parcels by land use for Fiscal Year 2019-20.

**Table 2**  
**Total Adjusted Assessed Value by Land Use, FY 2019/20**  
**Former State Owned Parcels**

<u>Land Use</u>	<u>Adjusted Assessed Value</u>		<u>Land Area</u>		<u>Parcels</u>	
	<u>FY 2019/20 (\$)</u>	<u>Percent</u>	<u>Acres</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Commercial						
Secured AV	2,254,249,368	68.0%	3.59	20.1%	13	5.3%
Unsecured AV	86,827,397	2.6%	N/A	N/A	13	5.3%
Subtotal	2,341,076,765	70.6%	3.59	20.1%	26	10.6%
For Sale Residential	217,325,470	6.6%	0.00	0.0%	118	48.2%
Rental Residential	642,085,795	19.4%	1.55	8.7%	12	4.9%
Vacant <sup>(1)</sup>	115,757,207	3.5%	11.60	64.9%	86	35.1%
Other <sup>(1)</sup>	0	0.0%	1.12	6.3%	3	1.2%
<b>Total</b>	<b>3,316,245,237</b>	<b>100.0%</b>	<b>17.86</b>	<b>100.0%</b>	<b>245</b>	<b>100.0%</b>

<sup>(1)</sup> “Represents below-market-rate parcels on Blocks 9, 8 and 6, the publicly-owned parcels and some small unsecured properties.

Note: Totals may not foot due to rounding.

Source: San Francisco Assessor’s Office, Urban Analytics LLC.

The following tables set forth the historical assessed valuations of the Former State Owned Parcels for the Fiscal Years 2014-15 to 2019-20.

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**Table 3**  
**Historical Assessed Values (\$), FY 2014/15 to FY 2019/20**  
**Former State Owned Parcels**

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>Adjusted Assessed Value (\$)<sup>a</sup></b>						
<b>Secured and Utility</b>						
Land	194,866,000	229,941,273	233,435,973	639,081,618	651,863,247	649,408,592
Improvements	7,993,342	85,689,076	251,067,248	608,470,411	1,770,651,719	2,615,672,487
Personal Property	0	0	0	0	0	0
Homeowner Exemptions	0	0	0	0	0	0
Other Exemptions <sup>b</sup>	0	0	0	0	0	(35,663,239)
<b>Secured Total</b>	<b>202,859,342</b>	<b>315,630,349</b>	<b>484,503,221</b>	<b>1,247,552,029</b>	<b>2,422,514,966</b>	<b>3,229,417,840</b>
<b>Unsecured</b>						
Land	0	0	0	0	0	0
Improvements	2,304	1,055,700	67,204	62,247	29,837,640	53,313,785
Personal Property	8,990,520	397,885	54,789	126,547	904,635	33,513,612
Exemptions	0	0	0	0	0	0
<b>Unsecured Total</b>	<b>8,992,824</b>	<b>1,453,585</b>	<b>121,993</b>	<b>188,794</b>	<b>30,742,275</b>	<b>86,827,397</b>
<b>Total Incremental Adjusted Assessed Value</b>	<b>211,852,166</b>	<b>317,083,934</b>	<b>484,625,214</b>	<b>1,247,740,823</b>	<b>2,453,257,241</b>	<b>3,316,245,237</b>
<b>Net Tax Increment to the Authority (\$)</b>						
<b>Calculated Net Tax Increment to the Authority</b>						
Incremental Revenue (1%)	2,118,522	3,170,839	4,846,252	12,477,408	24,532,572	33,162,452
Less: County Administrative Fee <sup>c</sup>	0	0	0	0	0	(9,949)
Less: Housing Fund	(423,704)	(634,168)	(969,250)	(2,495,482)	(4,906,514)	(6,632,490)
Less: Pass Through Payments	(423,704)	(634,168)	(1,070,696)	(3,050,918)	(6,179,135)	(8,418,518)
<b>Net Tax Increment to the Authority</b>	<b>1,271,113</b>	<b>1,902,504</b>	<b>2,806,306</b>	<b>6,931,008</b>	<b>13,446,923</b>	<b>18,101,495</b>
<b>Annual Remittance Payments to the Authority</b>						
Plus: Supplemental and Escape Assessments <sup>d</sup>	232,056	324,259	532,464	2,778,292	1,966,199	4,705,875
Plus: Overpayments <sup>e</sup>	3,769	492,121	42,051	6,774,241	11,529	0
Less: Overpayment Adjustments <sup>f</sup>	0	0	0	(872,236)	(5,246,230)	(1,588,878)
<b>Total Revenue After Adjustments</b>	<b>1,506,938</b>	<b>2,718,884</b>	<b>3,380,821</b>	<b>15,611,306</b>	<b>10,178,421</b>	<b>21,218,492<sup>g</sup></b>

Note: Totals may not foot due to rounding.

<sup>a</sup> Adjusted assessed value represents the assessed value after application of the Pledge Factor.

<sup>b</sup> Other exemptions represent the property tax welfare exemption for affordable housing units in Blocks 8 and 9.

<sup>c</sup> The Controller has not historically allocated an amount for administration cost recovery to the Former State Owned Parcels as it is permitted to do under Revenue and Taxation Code, Section 95.3 property tax administration costs from the successor agency. This table and the projections included in this Official Statement assume these cost recoveries will be made in FY 2019/20 and future years at 0.03% of tax increment.

<sup>d</sup> Supplemental and escape assessments for FY 2019/20 reflect the Controller's January and June calculations taking into account payment adjustment for prior years, as compared to the Fiscal Consultant's Report which did not reflect supplemental and escape assessments for June 2020.

<sup>e</sup> Overpayments relate to tax increment revenues from non-pledged parcels and the inclusion of housing fund revenue in the Authority remittances in current and/or prior years. In FY 2013/14, there was an overpayment in the amount of \$383,632.39 that was incorporated into the overpayment adjustment for FY2017/18. See "SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – TJPA Letter" herein.

<sup>f</sup> These overpayment adjustments take into account overpayments for non-pledged parcels and inclusion of housing fund revenue from prior periods.

<sup>g</sup> Total revenue after adjustments in FY 2019/20 is estimated based on the Controller's calculations for the January 2020 and June 2020 Net Tax Increment payment to the Authority.

Source: San Francisco Assessor's Office, San Francisco Controller's Office, Urban Analytics LLC.

**Table 4**  
**Historical Adjusted Assessed Values (\$) by Redevelopment Block, FY 2014/15 to FY 2019/20**  
**Former State Owned Parcels**

<b>Fiscal Year</b>	<b>Parcel T</b> Salesforce Tower	<b>Block 6</b> Solaire	<b>Block 5</b> Park Tower	<b>Block 8</b> The Avery	<b>Block 9</b> 500 Folsom	<b>Parcel F</b> Hines/Urban Pacific	<b>Block 4</b> TJPA	<b>All Others<sup>a</sup></b>	<b>Total</b>
<b>FY2014/15</b>	201,657,154	0	0	0	0	0	0	10,195,012	211,852,166
<b>FY2015/16</b>	275,491,185	37,867,180	0	0	0	0	0	3,725,569	317,083,934
<b>FY2016/17</b>	331,152,458	149,636,813	4,472	0	0	0	0	3,831,471	484,625,214
<b>FY2017/18</b>	560,839,459	146,494,358	238,656,127	72,420,000	112,551,093	114,697,117	0	2,082,669	1,247,740,823
<b>FY2018/19</b>	1,366,150,889	291,266,692	349,678,087	180,728,400	146,305,302	116,991,058	0	2,136,813	2,453,257,241
<b>FY2019/20</b>	1,777,083,250	303,179,195	546,839,309	333,656,197	239,592,667	115,757,207	0	137,412	3,316,245,237

Note: Totals may not foot due to rounding.

<sup>a</sup> The value for FY 2014/15 includes a \$6.6 million secured assessment on a Former State Owned Parcel, which was removed from the FY 2015/16 roll. The value for all other parcels includes secured value on three parcels on Block 11 as well as unsecured value.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

## Ten Largest Tax Payers

The table below sets forth the ten-largest property owners of the Former State Owned Parcels by assessed valuation for the Fiscal Year 2019-20.

**Table 5**  
**Largest Property Owners, FY 2019/20**  
**Former State Owned Parcels**

	<b>Property Assessee</b>	<b>Redevelopment Block</b>	<b>Tenancy</b>	<b>Number of Assessor Parcels</b>	<b>Adjusted Secured Value (\$)</b>	<b>Adjusted Unsecured Value (\$)</b>	<b>Total Adjusted Assessed Value (\$)</b>	<b>Percent of Total AV</b>
1	Transbay Tower LLC (Boston Properties)	Parcel T Salesforce Tower	Office	1	1,691,744,881	–	1,691,744,881	51.0%
2	Park Tower Owner LLC (John Buck/Golub/MetLife)	Block 5 Park Tower	Office	1	546,797,400	–	546,797,400	16.5%
3	Block 6 Joint Venture LLC (Golub)	Block 6 Solaire	Rental Residential	1	302,255,088	–	302,255,088	9.1%
4	Block 9 MRU Residential (Essex/TMG)	Block 9 500 Folsom	Rental Residential	5	239,207,067	–	239,207,067	7.2%
5	T8 Urban Condo Owner LLC (Related) <sup>a</sup>	Block 8 The Avery	For Sale Residential	118	217,325,470	–	217,325,470	6.6%
6	Parcel F Owner LLC (Hines/Urban Pacific) <sup>b</sup>	Parcel F	Vacant	2	115,757,207	–	115,757,207	3.5%
7	T8 Urban Housing Associates LLC (Related)	Block 8 The Avery	Rental Residential, Retail	11	116,330,727	–	116,330,727	3.5%
8	Salesforce.com Inc. <sup>c</sup>	Parcel T Salesforce Tower	Office Tenant	1	–	45,422,422	45,422,422	1.4%
9	415 Mission Street Tenant LLC <sup>c</sup>	Parcel T Salesforce Tower	Office Tenant	1	–	33,752,424	33,752,424	1.0%
10	MDC Venture Capital <sup>c</sup>	Parcel T Salesforce Tower	Office Tenant	1	–	5,048,529	5,048,529	0.2%
	<b>Total, Top Ten</b>			<b>142</b>	<b>3,229,417,840</b>	<b>84,223,375</b>	<b>3,313,641,215</b>	<b>99.9%</b>
	Total, All Others			103	–	2,604,022	2,604,022	0.1%
	<b>Totals, Former State Owned Parcels</b>			<b>245</b>	<b>3,229,417,840</b>	<b>86,827,397</b>	<b>3,316,245,237</b>	<b>100.0%</b>

Note: Totals may not foot due to rounding.

<sup>a</sup> Based on property tax records, twelve condominium units were sold in 2019, for a combined total of \$37 million and an expected gain in assessed value of \$21.7 million on the FY 2020/21 roll; this increase is not included in the FY 2019/20 figures shown here.

<sup>b</sup> This property is currently vacant. Proposed development includes office, hotel and condominium.

<sup>c</sup> Businesses leasing space in the Salesforce Tower, assessed on the unsecured roll.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

## Assessment Appeals

Appeals of assessments by property owners in the Former State Owned Parcels can result in future reductions in assessed valuations that affect Pledged Revenues. For a description of assessment appeals, see “APPENDIX A – FISCAL CONSULTANT REPORT.” In future years, the number of appeals may increase as a result of the COVID-19 pandemic. The following table sets forth the appeals of assessed value for the Former State Owner Parcels for Fiscal Year 2014-15 to Fiscal Year 2019-20:

**Table 6**  
**Assessment Appeals (\$), FY 2014/15 to FY 2019/20**  
**Former State Owned Parcels**

<b><u>Resolved Historical Appeals Through FY 2018/19</u></b>						
<b>Roll Year</b>	<b>Appeals<sup>a</sup></b>	<b>County Value</b>	<b>Applicant Opinion of Value</b>	<b>Disputed Value</b>	<b>Assessed Value After Appeal</b>	<b>Retention Rate<sup>b</sup></b>
FY 2014/15	1	192,687,042	148,000,000	44,687,042	192,687,042	100.0%
FY 2015/16	0	0	0	0	0	N/A
FY 2016/17	0	0	0	0	0	N/A
FY 2017/18	1	112,551,093	90,867,810	21,683,283	112,551,093	100.0%
FY 2018/19	1	146,241,702	140,000,000	6,241,702	146,241,702	100.0%
<b>Total</b>	<b>3</b>	<b>451,479,837</b>	<b>378,867,810</b>	<b>72,612,027</b>	<b>451,479,837</b>	<b>100.0%</b>

<b><u>Pending Appeals for FY 2019/20</u></b>						
<b>Roll Year</b>	<b>Appeals<sup>c</sup></b>	<b>County Value</b>	<b>Applicant Opinion of Value</b>	<b>Disputed Value</b>	<b>Assessed Value After Appeal</b>	<b>Assessor Parcels Number</b>
FY 2019/20	1	93,283,165	75,000,000	18,283,165	TBD	3736A-001
FY 2019/20	1	931,453	700,000	231,453	TBD	3736A-003
FY 2019/20	1	931,453	700,000	231,453	TBD	3736A-004
FY 2019/20	1	931,453	700,000	231,453	TBD	3736A-005
FY 2019/20	1	143,129,543	100,000,000	43,129,543	TBD	3736A-073
<b>Total</b>	<b>5</b>	<b>239,207,067</b>	<b>177,100,000</b>	<b>62,107,067</b>	<b>TBD</b>	

Note: Totals may not foot due to rounding.

<sup>a</sup> All resolved and pending appeals have been filed by property owners in Block 9.

<sup>b</sup> The Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the “Assessed Value After Appeal” into the “County Value.” For withdrawn and denied appeals, the “Assessed Value After Appeal” is the original County valuation.

<sup>c</sup> All pending appeals for FY 2019/20 have been filed by one property owner (Block 9 MRU Residential).

Source: San Francisco Assessment Appeals Board as of October 25, 2019, Urban Analytics LLC.



**PLEGGED REVENUES AND DEBT SERVICE COVERAGE**

**Historical Annual Remittance Payments**

A summary of annual remittance payments to the Authority with respect to Net Tax Increment for Fiscal Year 2014-15 to Fiscal Year 2019-20 is set forth in the following table:

**Table 7  
Historical RPTTF Payments to the Authority, FY 2014/15 to FY 2019/20  
Former State Owned Parcels**

	<u>FY 2014/15</u>	<u>FY 2015/16</u>	<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>FY 2019/20</u>
<b>Annual Remittance Payments to the Authority (\$)<sup>a</sup></b>						
January RPTTF Actuals	885,449	1,010,260	776,073	13,331,888	10,178,421	8,859,683
June RPTTF Actuals	621,489	1,708,624	2,604,748	2,279,417	0	12,358,809
<b>Total</b>	<b>1,506,938</b>	<b>2,718,884</b>	<b>3,380,821</b>	<b>15,611,305</b>	<b>10,178,421</b>	<b>21,218,492</b>

Note: Totals may not foot due to rounding.

<sup>a</sup> These payments represent the actual remittance payments to the Authority from the Successor Agency. The June payments in FY 2017/18 and FY 2018/19 were adjusted for prior period overpayments as shown in the “Overpayment Adjustments” row in Table 3. The total of the payments reported for each fiscal year differ from what is reported for the corresponding fiscal years in the Authority’s Annual Financial Statements because some of the historical tax increment payments have been delayed and not reported by the Authority until the following fiscal year. As described in “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – TIPA Letter,” the June distribution amount will be payable to the Authority on July 15.

Source: San Francisco Controller’s Office, Successor Agency, Authority.

During the periods above, the Successor Agency made various overpayments of Net Tax Increment, which were subsequently recaptured and transferred Net Tax Increment to the Authority at inconsistent times. See “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – TIPA Letter.”

**Projected Assessed Valuation**

Set forth below are tables showing projected assessed valuation for the Former State Owned Parcels. The Authority believes that the assumptions (including those in “APPENDIX A – FISCAL CONSULTANT REPORT”) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. Therefore, the actual assessed valuation for the Former State Owned Parcels may vary from the projections and the variations may be material. The following projections do not assume any additional value from the new mixed-use development being proposed for Parcel F and Block 4, which could be substantial if developed as planned. The estimates reflected in these tables were as of dates before the COVID-19 pandemic. See “RISK FACTORS.”

**Table 8**  
**Projection of Additional Adjusted Assessed Value from Construction Completion and Condominium Sales**  
**Former State Owned Parcels**

Land Use				Estimated Full Adjusted Value		Additional Adjusted Value(\$)		Projection of Additional Assessed Value (\$)		
Redevelopment Block	Unit	Sq. Ft.	Pledge Factor	Value per Square Feet or Unit <sup>a</sup>	Adjusted Full Value (\$)	Less: FY 2019/20 Secured Roll	Values Not Yet Enrolled	Projected FY 2020/21	Projected FY 2021/22	Projected FY 2022/23
<b>Parcel T Salesforce Tower Office</b>		1,420,000	100.0%	<i>\$1,291/sq.ft.</i>	1,833,453,250	(1,777,083,250)	56,370,000	56,370,000	0	0
<b>Block 5 Park Tower Office</b>		767,000	90.9%	<i>\$1,000/sq.ft.</i>	697,085,358	(546,797,400)	150,287,958	50,095,986	50,095,986	50,095,986
<b>Block 8<sup>b</sup> The Avery Condominium</b>										
Units Not Sold	98	157,865	100.0%	<i>\$3,019,000/unit</i>	295,839,010	(142,148,160)	153,690,850	0	76,845,425	76,845,425
Units Sold in 2019	12	18,291	100.0%	<i>\$3,081,000/unit</i>	36,974,996	(15,266,812)	21,708,184	21,708,184	0	0
Penthouse Units <sup>c</sup>	8	33,946	100.0%	<i>\$7,489,000/unit</i>	59,910,498	(59,910,498)				
Subtotal	118	210,102	100.0%	<i>\$3,328,000/unit</i>	392,724,504	(217,325,470)	175,399,034	21,708,184	76,845,425	76,845,425
<b>Block 8<sup>b</sup> The Avery Apartment</b>	279	0	100.0%	<i>\$806,000/unit</i>	224,874,000	(100,623,640)	124,250,360	41,416,787	41,416,787	41,416,787
<b>Block 9<sup>d</sup> 500 Folsom Apartment</b>	428	0	100.0%	<i>\$806,000/unit</i>	344,968,000	(236,412,708)	108,555,292	38,475,000	35,040,146	35,040,146
<b>Total</b>					<b>3,493,105,112</b>	<b>(2,878,242,468)</b>	<b>614,862,644</b>	<b>208,065,957</b>	<b>203,398,344</b>	<b>203,398,344</b>

Note: Estimated valuations are expressed in constant FY 2019/20 dollars and are adjusted by the pledge factor. The assessed values for condominium and apartments represent the value of market rate units only.

<sup>a</sup> The estimated assessed value per unit or square foot is based on the valuation of similar properties in the area. The estimated future valuation includes the FY 2019/20 assessed values plus \$56.37 million in FY 2019/20 supplemental value for Parcel T. See Appendix Tables 3-6. Twelve of the Avery condominium units are reported to have been sold as of December 31, 2019, and the estimated future valuation for FY 2020/21 includes the recorded sales prices for these units. The estimated future valuation for The Avery condominium units is based on the sale of the remaining 98 units exclusive of the eight penthouse units.

<sup>b</sup> Assessed value of Block 8 in this table excludes the portion of assessed value attributable to the commercial space (approximately \$15.7 million).

<sup>c</sup> The projection only includes the FY 2019/20 value for the eight penthouse units and does not include any additional value that could occur from the sale of these units.

<sup>d</sup> Assessed value of Block 9 in this table excludes the portion of assessed value attributable to the commercial space (approximately \$2.8 million). The allocation of additional value for FY 2020/21 is based on the information provided by the Assessor.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

**Table 9  
Projected Tax Increment Revenues From New Development Under Construction in 2019  
Former State Owned Parcels**

Fiscal Year Ending	Projected Incremental Adjusted Assessed Value (\$)					Projected Tax Increment (\$)				
	FY 2019/20 Secured Value	Estimate From Completed Development	Total Secured Value	Unsecured Value	Total Adjusted Assessed Value	Total Gross Tax Increment	Less: County Admin Fee	Less: Pass Through Payments	Less: Housing Fund	Pledged Revenues
2020	3,229,417,840	0	3,229,417,840	86,827,397	3,316,245,237	33,162,452	(9,949)	(8,418,518)	(6,632,490)	18,101,495*
2021	3,229,417,840	208,065,957	3,437,483,797	86,827,397	3,524,311,193	35,243,112	(10,573)	(8,958,432)	(7,048,622)	19,225,485
2022	3,437,483,797	203,398,344	3,640,882,140	86,827,397	3,727,709,537	37,277,095	(11,183)	(9,486,234)	(7,455,419)	20,324,259
2023	3,640,882,140	203,398,344	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2024	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2025	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2026	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2027	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2028	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2029	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2030	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2031	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2032	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2033	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2034	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2035	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2036	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2037	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2038	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2039	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2040	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2041	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2042	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2043	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2044	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2045	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2046	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2047	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2048	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2049	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2050	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034

\* This represents the Net Tax Increment from the current FY 2019/20 adjusted assessed value, which does not include approximately \$4.7 million in Supplemental and Escape Assessments and is not adjusted for \$1,588,878 overpayment adjustment shown in Table 3 herein.

Note: Future secured value is based on the additional adjusted value identified in Table 8. Supplemental payments are not assumed. Future growth in assessed value may be lower or higher than what is shown in the tax increment projections. Unsecured and utility valuations are assumed to remain constant throughout. Prior-year adjustments to net tax increment to Authority take into account overpayments for non-pledged parcels and inclusion of housing fund revenue from prior periods. See Table 3 herein.

Source: Seifel Consulting Inc.

**Table 10**  
**Projected Tax Increment Revenues From New Development Under Construction in 2019 with 2% Annual Inflation**  
**Former State Owned Parcels**

Fiscal Year Ending	Projected Incremental Adjusted Assessed Value (\$)					Projected Tax Increment (\$)				
	FY 2019/20 Secured Value	Secured Value Added by New Development	Total Secured Value	Unsecured Value	Total Adjusted Assessed Value	Total Gross Tax Increment	Less: County Admin Fee	Less: Pass Through Payments	Less: Housing Fund	Net Tax Increment
2020	3,229,417,840	0	3,229,417,840	86,827,397	3,316,245,237	33,162,452	(9,949)	(8,418,518)	(6,632,490)	18,101,495*
2021	3,294,006,197	208,065,957	3,502,072,153	86,827,397	3,588,899,550	35,888,996	(10,767)	(9,126,034)	(7,177,799)	19,574,396
2022	3,572,113,597	203,398,344	3,775,511,940	86,827,397	3,862,339,337	38,623,393	(11,587)	(9,835,587)	(7,724,679)	21,051,540
2023	3,851,022,179	203,398,344	4,054,420,523	86,827,397	4,141,247,919	41,412,479	(12,424)	(10,559,332)	(8,282,496)	22,558,227
2024	4,135,508,933	0	4,135,508,933	86,827,397	4,222,336,330	42,223,363	(12,667)	(10,769,750)	(8,444,673)	22,996,273
2025	4,218,219,112	0	4,218,219,112	86,827,397	4,305,046,508	43,050,465	(12,915)	(10,984,376)	(8,610,093)	23,443,081
2026	4,302,583,494	0	4,302,583,494	86,827,397	4,389,410,891	43,894,109	(13,168)	(11,203,295)	(8,778,822)	23,898,824
2027	4,388,635,164	0	4,388,635,164	86,827,397	4,475,462,560	44,754,626	(13,426)	(11,426,592)	(8,950,925)	24,363,682
2028	4,476,407,867	0	4,476,407,867	86,827,397	4,563,235,264	45,632,353	(13,690)	(11,654,355)	(9,126,471)	24,837,837
2029	4,565,936,024	0	4,565,936,024	86,827,397	4,652,763,421	46,527,634	(13,958)	(11,886,673)	(9,305,527)	25,321,476
2030	4,657,254,745	0	4,657,254,745	86,827,397	4,744,082,142	47,440,821	(14,232)	(12,123,638)	(9,488,164)	25,814,787
2031	4,750,399,840	0	4,750,399,840	86,827,397	4,837,227,236	48,372,272	(14,512)	(12,365,342)	(9,674,454)	26,317,965
2032	4,845,407,837	0	4,845,407,837	86,827,397	4,932,235,233	49,322,352	(14,797)	(12,611,880)	(9,864,470)	26,831,205
2033	4,942,315,993	0	4,942,315,993	86,827,397	5,029,143,390	50,291,434	(15,087)	(12,863,348)	(10,058,287)	27,354,711
2034	5,041,162,313	0	5,041,162,313	86,827,397	5,127,989,710	51,279,897	(15,384)	(13,119,847)	(10,255,979)	27,888,687
2035	5,141,985,559	0	5,141,985,559	86,827,397	5,228,812,956	52,288,130	(15,686)	(13,381,475)	(10,457,626)	28,433,343
2036	5,244,825,271	0	5,244,825,271	86,827,397	5,331,652,667	53,316,527	(15,995)	(13,648,335)	(10,663,305)	28,988,891
2037	5,349,721,776	0	5,349,721,776	86,827,397	5,436,549,173	54,365,492	(16,310)	(13,962,136)	(10,873,098)	29,513,947
2038	5,456,716,212	0	5,456,716,212	86,827,397	5,543,543,608	55,435,436	(16,631)	(14,282,213)	(11,087,087)	30,049,505
2039	5,565,850,536	0	5,565,850,536	86,827,397	5,652,677,932	56,526,779	(16,958)	(14,608,692)	(11,305,356)	30,595,773
2040	5,677,167,546	0	5,677,167,546	86,827,397	5,763,994,943	57,639,949	(17,292)	(14,941,700)	(11,527,990)	31,152,967
2041	5,790,710,897	0	5,790,710,897	86,827,397	5,877,538,294	58,775,383	(17,633)	(15,281,369)	(11,755,077)	31,721,305
2042	5,906,525,115	0	5,906,525,115	86,827,397	5,993,352,512	59,933,525	(17,980)	(15,627,830)	(11,986,705)	32,301,010
2043	6,024,655,618	0	6,024,655,618	86,827,397	6,111,483,014	61,114,830	(18,334)	(15,981,221)	(12,222,966)	32,892,308
2044	6,145,148,730	0	6,145,148,730	86,827,397	6,231,976,127	62,319,761	(18,696)	(16,341,680)	(12,463,952)	33,495,433
2045	6,268,051,705	0	6,268,051,705	86,827,397	6,354,879,101	63,548,791	(19,065)	(16,709,348)	(12,709,758)	34,110,620
2046	6,393,412,739	0	6,393,412,739	86,827,397	6,480,240,135	64,802,401	(19,441)	(17,084,369)	(12,960,480)	34,738,111
2047	6,521,280,993	0	6,521,280,993	86,827,397	6,608,108,390	66,081,084	(19,824)	(17,466,891)	(13,216,217)	35,378,152
2048	6,651,706,613	0	6,651,706,613	86,827,397	6,738,534,010	67,385,340	(20,216)	(17,857,063)	(13,477,068)	36,030,993
2049	6,784,740,746	0	6,784,740,746	86,827,397	6,871,568,142	68,715,681	(20,615)	(18,255,039)	(13,743,136)	36,696,892
2050	6,920,435,561	0	6,920,435,561	86,827,397	7,007,262,957	70,072,630	(21,022)	(18,660,974)	(14,014,526)	37,376,108

\* This represents the Net Tax Increment from the current FY 2019/20 adjusted assessed value, which does not include approximately \$4.7 million in Supplemental and Escape Assessments and is not adjusted for \$1,588,878 overpayment adjustment shown in Table 3 herein.

Note: Future secured value is assumed to be inflated annually by 2% from the adjusted secured value in the prior fiscal year. Revenue from new construction includes the additional valuation identified in Table 8. Supplemental payments from new development are not assumed. Future growth in assessed value may be lower or higher than what is shown in the tax increment projections. Unsecured and utility valuations are assumed to remain constant throughout.

Source: Seifel Consulting Inc.

## **Projected Pledged Revenues and Debt Service Coverage**

Based on projected Pledged Revenues as estimated in the Fiscal Consultant Report attached hereto as Appendix A, the Authority has estimated the debt service coverage under two scenarios. The first scenario assumes no growth in assessed valuation above the amounts projected in Table 9. The second scenario assumes 2% annual growth in assessed valuation as projected in Table 10. Both of these scenarios assume (i) no declines in assessed valuation through final maturity of the 2020 Bonds and (ii) no future growth derived from Parcel F or Block 4 and no increases in assessed valuation from completed construction value or for-sale residential unit sales, including the penthouse units, beyond the growth amounts already projected in Table 8. The Authority can provide no assurance that actual assessed valuations and resultant Pledged Revenues will be received in the amounts projected below.

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**Table 11**  
**Projected Debt Service Coverage (No Growth in Assessed Valuation for Inflation)**

Year Ending on 10/1	Projected Pledged Revenues	Senior 2020A Bonds Debt Service	Senior 2020A-T Bonds Debt Service	Total Senior 2020 Bonds Debt Service	Senior 2020		Total 2020 Bonds Debt Service	2020 Bonds Debt Service Coverage
					Bonds Debt Service Coverage	Subordinate 2020B Bonds Debt Service <sup>(2)</sup>		
2020 <sup>(1)</sup>	\$18,101,495	\$4,261,400	\$3,977,742	\$8,239,142	1.50	\$1,642,995	\$9,882,137	1.25
2021	19,225,485	9,387,250	2,676,311	12,063,561	1.59	2,417,230	14,480,791	1.33
2022	20,324,259	9,387,250	2,677,053	12,064,303	1.68	2,414,730	14,479,033	1.40
2023	21,423,034	9,387,250	3,429,630	12,816,880	1.67	2,560,980	15,377,860	1.39
2024	21,423,034	9,387,250	4,160,555	13,547,805	1.58	2,708,480	16,256,285	1.32
2025	21,423,034	12,717,250	1,559,766	14,277,016	1.50	2,856,730	17,133,746	1.25
2026	21,423,034	12,720,750	1,559,222	14,279,972	1.50	2,855,230	17,135,202	1.25
2027	21,423,034	12,720,750	1,556,453	14,277,203	1.50	2,855,980	17,133,183	1.25
2028	21,423,034	12,717,000	1,562,431	14,279,431	1.50	2,858,730	17,138,161	1.25
2029	21,423,034	12,719,250	1,561,798	14,281,048	1.50	2,853,230	17,134,278	1.25
2030	21,423,034	12,721,750	1,559,733	14,281,483	1.50	2,854,730	17,136,213	1.25
2031	21,423,034	12,719,000	1,561,236	14,280,236	1.50	2,857,730	17,137,966	1.25
2032	21,423,034	12,720,750	1,556,128	14,276,878	1.50	2,856,980	17,133,858	1.25
2033	21,423,034	12,721,250	1,559,588	14,280,838	1.50	2,852,480	17,133,318	1.25
2034	21,423,034	12,720,000	1,559,913	14,279,913	1.50	2,854,230	17,134,143	1.25
2035	21,423,034	12,721,500	1,558,010	14,279,510	1.50	2,856,730	17,136,240	1.25
2036	21,423,034	13,280,000	998,880	14,278,880	1.50	2,854,730	17,133,610	1.25
2037	21,423,034	14,282,000	-	14,282,000	1.50	2,853,230	17,135,230	1.25
2038	21,423,034	14,278,250	-	14,278,250	1.50	2,856,980	17,135,230	1.25
2039	21,423,034	14,280,750	-	14,280,750	1.50	2,850,320	17,131,070	1.25
2040	21,423,034	14,278,250	-	14,278,250	1.50	2,852,640	17,130,890	1.25
2041	21,423,034	14,280,000	-	14,280,000	1.50	2,853,640	17,133,640	1.25
2042	21,423,034	14,279,750	-	14,279,750	1.50	2,853,320	17,133,070	1.25
2043	21,423,034	14,281,500	-	14,281,500	1.50	2,851,680	17,133,180	1.25
2044	21,423,034	14,279,000	-	14,279,000	1.50	2,853,720	17,132,720	1.25
2045	21,423,034	14,281,250	-	14,281,250	1.50	2,854,320	17,135,570	1.25
2046	21,423,034	14,281,750	-	14,281,750	1.50	2,853,480	17,135,230	1.25
2047	21,423,034	14,279,250	-	14,279,250	1.50	2,856,200	17,135,450	1.25
2048	21,423,034	14,277,500	-	14,277,500	1.50	2,857,360	17,134,860	1.25
2049	21,423,034	14,280,000	-	14,280,000	1.50	2,856,960	17,136,960	1.25
2050	21,423,034	-	-	-	-	-	-	-

<sup>(1)</sup> 2020 coverage is based on \$12,358,809 that is expected to be received in July 2020.

<sup>(2)</sup> Scheduled debt service at closing without adjustment for projected redemption of the Subordinate Turbo Bonds from Excess Pledged Revenues.

**Table 12**  
**Projected Debt Service Coverage (2% Growth in Assessed Valuation for Inflation)**

Year Ending on 10/1	Projected Pledged Revenues	Senior 2020A Bonds Debt Service	Senior 2020A-T Bonds Debt Service	Total Senior 2020 Bonds Debt Service	Senior 2020 Bonds Debt Service Coverage	Subordinate 2020B Bonds Debt Service <sup>(2)</sup>	Total 2020 Bonds Debt Service	2020 Bonds Debt Service Coverage
2020 <sup>(1)</sup>	\$18,101,495	\$4,261,400	\$3,977,742	\$8,239,142	1.50	\$1,642,995	\$9,882,137	1.25
2021	19,574,396	9,387,250	2,676,311	12,063,561	1.62	2,417,230	14,480,791	1.35
2022	21,051,540	9,387,250	2,677,053	12,064,303	1.74	2,414,730	14,479,033	1.45
2023	22,558,227	9,387,250	3,429,630	12,816,880	1.76	2,560,980	15,377,860	1.47
2024	22,996,273	9,387,250	4,160,555	13,547,805	1.70	2,708,480	16,256,285	1.41
2025	23,443,081	12,717,250	1,559,766	14,277,016	1.64	2,856,730	17,133,746	1.37
2026	23,898,824	12,720,750	1,559,222	14,279,972	1.67	2,855,230	17,135,202	1.39
2027	24,363,682	12,720,750	1,556,453	14,277,203	1.71	2,855,980	17,133,183	1.42
2028	24,837,837	12,717,000	1,562,431	14,279,431	1.74	2,858,730	17,138,161	1.45
2029	25,321,476	12,719,250	1,561,798	14,281,048	1.77	2,853,230	17,134,278	1.48
2030	25,814,787	12,721,750	1,559,733	14,281,483	1.81	2,854,730	17,136,213	1.51
2031	26,317,965	12,719,000	1,561,236	14,280,236	1.84	2,857,730	17,137,966	1.54
2032	26,831,205	12,720,750	1,556,128	14,276,878	1.88	2,856,980	17,133,858	1.57
2033	27,354,711	12,721,250	1,559,588	14,280,838	1.92	2,852,480	17,133,318	1.60
2034	27,888,687	12,720,000	1,559,913	14,279,913	1.95	2,854,230	17,134,143	1.63
2035	28,433,343	12,721,500	1,558,010	14,279,510	1.99	2,856,730	17,136,240	1.66
2036	28,988,891	13,280,000	998,880	14,278,880	2.03	2,854,730	17,133,610	1.69
2037	29,513,947	14,282,000	-	14,282,000	2.07	2,853,230	17,135,230	1.72
2038	30,049,505	14,278,250	-	14,278,250	2.10	2,856,980	17,135,230	1.75
2039	30,595,773	14,280,750	-	14,280,750	2.14	2,850,320	17,131,070	1.79
2040	31,152,967	14,278,250	-	14,278,250	2.18	2,852,640	17,130,890	1.82
2041	31,721,305	14,280,000	-	14,280,000	2.22	2,853,640	17,133,640	1.85
2042	32,301,010	14,279,750	-	14,279,750	2.26	2,853,320	17,133,070	1.89
2043	32,892,308	14,281,500	-	14,281,500	2.30	2,851,680	17,133,180	1.92
2044	33,495,433	14,279,000	-	14,279,000	2.35	2,853,720	17,132,720	1.96
2045	34,110,620	14,281,250	-	14,281,250	2.39	2,854,320	17,135,570	1.99
2046	34,738,111	14,281,750	-	14,281,750	2.43	2,853,480	17,135,230	2.03
2047	35,378,152	14,279,250	-	14,279,250	2.48	2,856,200	17,135,450	2.06
2048	36,030,993	14,277,500	-	14,277,500	2.52	2,857,360	17,134,860	2.10
2049	36,696,892	14,280,000	-	14,280,000	2.57	2,856,960	17,136,960	2.14
2050	37,376,108	-	-	-	-	-	-	-

<sup>(1)</sup> 2020 coverage is based on \$12,358,809 that is expected to be received in July 2020.

<sup>(2)</sup> Scheduled debt service at closing without adjustment for projected redemption of the Subordinate Turbo Bonds from Excess Pledged Revenues.

## **TAX INCREMENT FINANCING GENERALLY AND THE DISSOLUTION ACT**

*The following sets forth a general description of tax increment financing in California and the impact of the Dissolution Act on enforceable obligations. For a discussion of the Pledge Agreement and the Dissolution Act, see “—Inclusion of Pledge Agreement on ROPS” and “—TJPA Letter” below.*

### **Tax Increment Financing Generally**

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

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

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

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

### **Dissolution of Former Agency; Establishment of Successor Agency**

The Former Agency was established in 1948 by action of the Board of Supervisors pursuant to the Community Redevelopment Law (the “Redevelopment Law”), constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State. The Former Agency was a separate public body and exercises governmental functions in planning and carrying out redevelopment projects.

In June 2011, as part of the State’s 2011 Budget Act, the State Legislature enacted Assembly Bill No. 26 of the First Extraordinary Session (“AB X1 26”). The California Supreme Court, by its decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* 53 Cal. 4th 231 (2011) (the “CRA Lawsuit”), largely upheld AB X1 26, with modifications regarding certain deadlines that were delayed because of the CRA Lawsuit. As the result of AB X1 26 and the California Supreme Court’s decision in the CRA Lawsuit, all redevelopment agencies in the State, including the Former Agency, were dissolved as of February 1, 2012. The primary provisions of AB X1 26 are set forth in Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the “Dissolution Act”). The Dissolution Act has been amended and supplemented several times since its original enactment, including significant amendments that became effective in June 2012, pursuant to Assembly Bill No. 1484 (“AB 1484”), and in September 2015, pursuant to Senate Bill No. 107 (“SB 107”).



The Dissolution Act established, by operation of law, the Successor Agency with all authority, rights, powers, duties, and obligations previously vested with the Former Agency under the Redevelopment Law, as amended by the Dissolution Act. The Successor Agency is a separate public entity from the City, but the Board of Supervisors of the City serves as the legislative body of the Successor Agency and delegated by ordinance its authority under the Dissolution Act to the Successor Agency Commission. None of the liabilities of the Former Agency are transferred to the City by virtue of the City's election to serve as the Successor Agency. The obligations of the Successor Agency under the Pledge Agreement is not a debt, liability or obligation of the City, the State or any of its political subdivisions.

Many of the Successor Agency's actions are subject to the direction of, or prior approval by, an Oversight Board, a seven-member board consisting of representatives from various local taxing agencies. For example, the establishment of each Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule" or the "ROPS") described below must be approved by the Oversight Board. With limited exceptions, resolutions adopted by the Oversight Board are subject to review by the DOF before becoming effective. Certain Successor Agency matters are also subject to review by the County Auditor-Controller and the State Controller.

Before the enactment of AB X1 26, a redevelopment agency was authorized to pledge "tax increment" to repay debt incurred to finance or refinance the redevelopment agency's projects. The Redevelopment Law provided a method for financing projects based upon an allocation of taxes collected within each redevelopment project area. Under this method, the taxable value of a redevelopment project area (or a later added component area of a redevelopment project area) last equalized before the adoption of the redevelopment plan (or, as applicable, the plan amendment adding such component area) became the base year value. Except for any period during which the taxable value dropped below the base year level, the taxing agencies received the taxes produced by applying the then current tax rates to the base year roll. The redevelopment agency received taxes collected upon any increase in taxable value over the base year roll (except for any portion generated by rates levied to pay voter-approved bonded indebtedness on or after January 1, 1989 for the acquisition or improvement of real property, commonly known as "overrides"). The portion of such property taxes allocated to the redevelopment agency was referred to as "tax increment."

Under the Dissolution Act, the flow of property tax revenues to the Successor Agency differs significantly from the flow of tax increment to the Former Agency. The Dissolution Act requires the County Auditor-Controller to establish a fund, known as the Redevelopment Property Tax Trust Fund (the "RPTTF"), for the Successor Agency. Each fiscal year, the County Auditor-Controller must determine the amount of property taxes (formerly, tax increment) that would have been allocated to the Former Agency had the Former Agency not been dissolved pursuant to the Dissolution Act and deposit such amount into the RPTTF.

The Dissolution Act currently requires that, except in the case where the DOF has approved a Last and Final Recognized Obligation Payment Schedule, the Successor Agency must prepare a ROPS once a year (to be submitted to the DOF no later than February 1), listing the payments for enforceable obligations that the Successor Agency expects to make for the upcoming two six-month fiscal periods (*i.e.*, the period from July through December and the period from January through June; each, a "ROPS Payment Period"). The Successor Agency is permitted, however, to hold a reserve when required by the relevant bond indenture or when the next property tax allocation will be insufficient to pay bond debt service for the next payment due in the following half of the calendar year. The Successor Agency is authorized to make payments only pursuant to an enforceable obligation listed on a ROPS approved by the DOF. The DOF has issued the Successor Agency a final and conclusive determination letter with respect to the Pledge Agreement informing the Successor Agency that the DOF's approval of the Pledge Agreement as an enforceable obligation is final and conclusive. The Successor Agency has listed the Pledge Agreement on

its ROPS in each ROPS period since the Dissolution Act and the DOF has approved the Pledge Agreement as an enforceable obligation on each of those approved ROPS.

### **Allocation of Property Taxes (Determination of RPTTF Deposits)**

**Successor Agency (RPTTF) Portion Generally.** Each fiscal year, the County Auditor-Controller deposits into the RPTTF the amount of property taxes, formerly known as tax increment, that would have been allocated to the Former Agency had the Former Agency not been dissolved, based on assessed values of the property in the project area on the last equalized roll as of August 20 in excess of the base year values. Such allocation of taxes is determined pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code), Section 16 of Article XVI of the California State Constitution and the related redevelopment plan.

Pursuant to the Redevelopment Law, the State Constitution and the Transbay Redevelopment Plan, taxes levied upon taxable property in the project area by or for the benefit of the State, the County, the City, any district or other public corporation (collectively, “taxing agencies” or “taxing entities”) for each fiscal year commencing after the effective date (the “Effective Date”) of the City ordinance approving the original redevelopment plan of the project area, are divided as follows:

1. *To taxing agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the project area (or additional area), as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the Effective Date, are allocated to and when collected paid to the respective taxing agencies as taxes by or for such taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or taxing agencies which did not include such territory on the Effective Date but to which such territory has been annexed or otherwise included after such Effective Date, the assessment roll of the County last equalized on the Effective Date is used in determining the assessed valuation of the taxable property in such territory on the Effective Date); and
2. *To Former Agency/Successor Agency (i.e., deposit into RPTTF under the Dissolution Act):* That portion of such levied taxes each year in excess of the amount provided in paragraph (1) above, are allocated to and, when collected, paid into a special fund of the Former Agency (or, now, to the RPTTF of the Successor Agency) to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Former Agency (and the Successor Agency) to finance or refinance, in whole or in part, redevelopment of the project area; but excluding from the foregoing, the taxes which are attributable to a tax rate levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, or an increase in tax rate imposed for the benefit of a taxing agency the levy of which occurs after the tax year in which the ordinance approving the project area (or additional area) became effective but only to the extent the taxing agency has elected in the manner required by law to receive such allocation, which is allocated to, and when collected, paid to such taxing agency (provided, the Dissolution Act contains provisions to the effect that certain overrides are now allocated to the levying entity, even if pursuant the levy was pursuant to voter approval made before January 1, 1989, unless such overrides were pledged to the Former Agency’s bonds).

Before the Former Agency’s dissolution, the portion of property taxes described in paragraph numbered (2) constituted tax increment allocable to the Former Agency of which the Former Agency was

authorized to make pledges to repay indebtedness incurred in carrying out the redevelopment plan, subject to the limitations set forth in the redevelopment plan. After the Former Agency's dissolution, pursuant to the Dissolution Act, such property tax revenues are now deposited into the RPTTF. California Health and Safety Code Section 34172 clarifies that, for purposes of Section 16 of Article XVI of the State Constitution, the RPTTF is deemed to be a special fund of the Former Agency for payment of debt service on indebtedness of the Former Agency incurred to finance or refinance the redevelopment projects.

### **Pass-Through Payments**

Pursuant to the Pledge Agreement, Net Tax Increment will not include amounts payable to affected taxing entities, commonly known as "pass-through payments." Before the Former Agency's dissolution, the Former Agency was responsible for making the pass-through payments to the taxing agencies from the tax increment disbursed by the County Auditor-Controller. After the Former Agency's dissolution, the County Auditor-Controller makes these pass-through payments to the taxing agencies directly on each January 2 and June 1 from funds available in the RPTTF, before making disbursements from the RPTTF to the Successor Agency.

California Health and Safety Code Section 33607.5 and Section 33607.7 (the "Tax Sharing Statutes") were added to the Redevelopment Law by Assembly Bill 1290 ("AB 1290"), enacted by the State Legislature in 1994. Section 33607.7 was further amended by SB 211, Chapter 741, Statutes of 2001. The Tax Sharing Statutes, together, require that each affected taxing entity that did not have an existing pass-through agreement receive an additional portion of tax increment revenues otherwise payable to the redevelopment agency (the "AB 1290 Payments"), if such taxing entities were affected by: (i) the adoption on or after January 1, 1994, of a new redevelopment plan for a project area or an amendment to an existing redevelopment plan that added territory to a project area, or (ii) the adoption on or after January 1, 1994 of an amendment (to an existing redevelopment plan) which extends the time limit on incurring debt with respect to the project area, extends the time limits for the duration and effectiveness of the redevelopment plan or the time limit for establishing indebtedness, or increases the dollar cap on the amount of tax increment revenues allocable to the redevelopment agency for the project area (unless a taxing entity already receives pass-throughs under an existing agreement). AB 1290 prohibited redevelopment agencies from entering into any new pass-through agreements.

Pursuant to the Tax Sharing Statutes, AB 1290 Payments are made to affected taxing entities with respect to the Former State Owned Parcels. After dissolution of the Former Agency, the County Auditor-Controller (and not the Successor Agency) makes the AB 1290 Payments directly to the taxing agencies from the RPTTF in each January and June. See "APPENDIX A – FISCAL CONSULTANT REPORT" for a description of the formula pursuant to which AB 1290 Payments are calculated and projected dollar amounts of the AB 1290 Payments.

The Dissolution Act provides a procedure under which a successor agency may request taxing agencies to subordinate their AB 1290 Payments and Section 33676 Tax Sharing Payments (defined below) to refunding bonds issued by the Authority under Health and Safety Code Section 34177.5, before the issuance of such refunding bonds. The Successor Agency has not taken any action to subordinate the AB 1290 Payments to the obligations under the Pledge Agreement.

### **RPTTF Flow of Funds**

The Dissolution Act establishes a specific flow of funds for the County Auditor-Controller's administration of the RPTTF. Under Health and Safety Code Section 34183, the County Auditor-Controller, after deducting certain administrative costs due to the County, allocates moneys in the RPTTF as follows:

- (i) No later than each January 2 and June 1, subject to certain adjustment for subordinated pass-throughs as permitted under the Dissolution Act, the County Auditor-Controller remits to each local agency and school entity, to the extent applicable, amounts required for pass-through payments that such taxing agency would have received under the relevant provisions of the Redevelopment Law, as those sections read on January 1, 2011, or pursuant to any pass-through agreement between a redevelopment agency and a taxing entity that was entered into prior to January 1, 1994 (see “Pass-Through Payments” above). The pass-through payments are computed as though the requirement to set aside funds for the Housing Fund was still in effect.
- (ii) On each January 2 and June 1, the County Auditor-Controller disburses to the Successor Agency the amount approved by the DOF (see “Recognized Obligation Payment Schedules” below) for payments listed on the Successor Agency’s ROPS for the applicable ROPS Payment Period (*i.e.*, the six-month fiscal period commencing on January 1 or July 1), with debt service payments scheduled to be made for tax allocation bonds having the highest priority, payments scheduled to be made on revenue bonds having the second highest priority and payments scheduled for other debts and obligations listed in the ROPS that are required to be paid from former tax increment revenue having the third highest priority. There are no existing (nor can there be in the future) tax allocation bonds or revenue bonds and accordingly, the payments due under the Pledge Agreement has the highest priority.
- (iii) On each January 2 and June 1, the County Auditor-Controller also disburses the administrative cost allowance (as defined in the Dissolution Act) to the Successor Agency.
- (iv) On each January 2 and June 1, any moneys remaining in the RPTTF (the “RPTTF Residual”) after the payments and transfers described in subparagraphs (i) through (iii), inclusive, are distributed to local agencies and school entities in accordance with the provisions of the Dissolution Act.

The Dissolution Act requires the County Auditor-Controller to provide to the Successor Agency estimates of the amount of property tax revenues to be allocated to the RPTTF in the upcoming six-month ROPS Payment Period no later than October 1 and April 1, respectively. If the Successor Agency determines that the amount to be allocated to the RPTTF and the other moneys available from funds previously transferred from the Former Agency and through asset sale or other operations are insufficient to fund the payments required by subparagraphs (i) through (iii) above, then the Successor Agency may make a report (a “RPTTF Shortfall Report”) to the County Auditor-Controller, who will in turn notify the DOF and the State Controller. Upon verification and concurrence from the State Controller that there are insufficient funds to pay the required debt service, the County Auditor-Controller will make an adjustment to the upcoming disbursement from the RPTTF as follows:

- (a) First, the amount of the deficiency will be deducted from the RPTTF Residual described in subparagraph (iv) above,
- (b) Second, if the RPTTF Residual is exhausted, deductions will be made from amounts available for distribution as the Authority’s administrative cost allowance described in subparagraph (iii) above,
- (c) Third, if a taxing agency had subordinated its pass-through payments under a pass-through agreement or pursuant to the provisions of the Redevelopment Law or the Dissolution Act

to debt service payments required for enforceable obligations, funds for servicing such bond debt will be deducted from such pass-through payments.

As shown on the projections shown in Tables 11 and 12 under “PLEDGED REVENUES AND DEBT SERVICE COVERAGE,” the Authority does not anticipate the necessity of any RPTTF Shortfall Report while the 2020 Bonds are outstanding.

### **Recognized Obligation Payment Schedules**

*Listing of Enforceable Obligations and Sources of Funds.* The Successor Agency must prepare a ROPS once a year, listing the payments for enforceable obligations that the Successor Agency is expected to make for the upcoming two ROPS Payment Periods (*i.e.*, the six-month fiscal period commencing July 1 and January 1, respectively).

The Dissolution Act contains a specific definition for “enforceable obligations.” As defined in the Dissolution Act, “enforceable obligations” include, among other types of obligations, tax allocation 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 Agency or the Successor Agency. With respect to the Pledge Agreement, the Successor Agency placed an amount on the ROPS that is intended to capture the entire Net Tax Increment to which the Authority is entitled under the Pledge Agreement. The DOF has issued the Successor Agency a final and conclusive determination letter with respect to the Pledge Agreement informing the Successor Agency that the DOF’s approval of the Pledge Agreement as an enforceable obligation is final and conclusive. Nonetheless, DOF retains, under Section 34177.5 (i) of the Redevelopment Law, the authority to review and approve, in its annual review of a successor agency’s ROPS, specific expenditures under approved enforceable obligations to confirm that the expenditures are necessary. Accordingly, the Successor Agency’s payments under the Pledge Agreement are subject to annual review and approval by the Oversight Board and DOF.

The Dissolution Act provides that the ROPS must identify one of the following sources of funds for the payment of each listed enforceable obligation:

- (a) the Housing Fund (moneys that were on deposit in the Housing Fund, except for bond proceeds, have either been transferred to the housing successor or remitted to the County Auditor-Controller as the result of the due diligence review required by the Dissolution Act),
- (b) bond proceeds,
- (c) reserve balances,
- (d) Successor Agency’s administrative cost allowance (as defined in the Dissolution Act),
- (e) RPTTF (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or
- (f) other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the Former Agency, as approved by the Oversight Board.

Pursuant to the Dissolution Act, the Successor Agency may only make those payments listed in the ROPS, as approved by the DOF. Generally, the Successor Agency may only make payments from the source of funds identified in the ROPS. However, the Successor Agency may make payments for enforceable obligations from sources other than those listed in the ROPS, if the Successor Agency obtains the Oversight Board's prior approval (and, consequently, the DOF's approval because such Oversight Board actions are subject to the DOF's review).

***Timing for ROPS Submission and Approval.*** The Successor Agency must submit the ROPS to the Oversight Board for approval. Until a Last and Final ROPS has been approved (see "*Last and Final ROPS*" below), no later than each February 1, the Successor Agency must submit the Oversight Board-approved annual ROPS to the County Auditor-Controller, the DOF and the State Controller. For each annual ROPS, the Dissolution Act requires the DOF to make a determination on the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than October 15. Within five business days of the DOF's determination, the Successor Agency may request additional review and an opportunity to meet and confer with the DOF on the disputed items. The DOF must notify the Successor Agency and the County Auditor-Controller regarding the outcome of its review at least 15 days before the upcoming June 1 RPTTF disbursement date (*i.e.*, May 15).

No later than October 1 of each year, the Successor Agency may submit one amendment to the annual ROPS previously approved by the DOF for the then current fiscal year. Such amendment may pertain only to a modification of the amount requested for an enforceable obligation for the second ROPS Payment Period of such ROPS (*i.e.*, the ROPS Payment Period from January 1 to June 30). The ROPS amendment is subject to the Oversight Board's, and subsequently the DOF's, approval. The DOF must notify the Successor Agency and the County Auditor-Controller regarding the outcome of the DOF's review at least 15 days before the upcoming January 2 RPTTF disbursement date (*i.e.*, December 18).

The Dissolution Act permits the County Auditor-Controller to review each submitted ROPS and object to the inclusion of any item that is not demonstrated to be an enforceable obligation and may object to the funding source proposed for any item. The County Auditor-Controller must provide notice of any such objection to the Successor Agency, the Oversight Board, and the DOF at least 60 days before the next RPTTF disbursement date (*i.e.*, November 2 and April 2, respectively). If the Oversight Board disputes the finding of the County Auditor-Controller, it may refer the matter to the DOF for a determination.

***Penalties for Failure to Submit on a Timely Basis.*** The Dissolution Act imposes penalties for the Successor Agency's failure to submit a ROPS on a timely basis. If the Successor Agency fails to submit a ROPS by the prescribed deadlines, the City (as the entity that created the Former Agency) will be subject to a civil penalty equal to \$10,000 per day for every day the ROPS is not submitted to the DOF. Furthermore, the DOF, any affected taxing entity and any creditor of the Successor Agency will have standing to file and may request a writ of mandate to require the Successor Agency to immediately perform this duty; provided that any such filing should be made in the County of Sacramento, California. Additionally, the Successor Agency's maximum administrative cost will be reduced by 25 percent if the Successor Agency does not submit a ROPS within ten days of the deadline for the ROPS submission.

If the Successor Agency fails to submit to the DOF an Oversight Board-approved ROPS that complies with the requirements of the Dissolution Act within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the County Auditor-Controller for payments of enforceable obligations from distribution to taxing entities, pending approval of the ROPS. Upon notice by the DOF that a portion of the withheld balances are in excess of the amount of enforceable obligations, the County Auditor-Controller will distribute the portion that represents the RPTTF Residual (see "*RPTTF Flow of Funds*" above) to the affected taxing entities. The County Auditor-Controller will distribute the withheld funds to the Successor

Agency only in accordance with a ROPS approved by the DOF. The Dissolution Act states that the County Auditor-Controller lacks the authority to withhold any other amounts from the allocations provided for under the provisions of the Dissolution Act governing the disbursements of funds from the RPTTF.

To date, the Successor Agency has submitted all ROPS filings on a timely basis to the DOF.

***Last and Final ROPS.*** The Dissolution Act permits the Successor Agency to submit a Last and Final ROPS or “LFROPS” to the Oversight Board and the DOF for approval at any time on or after January 1, 2016. Pursuant to the template provided by the DOF, the Successor Agency must list on the LFROPS the enforceable obligations, the amounts of the payments and the source of payments for each six month ROPS Payment Period up to the date of the last payment by the Successor Agency. Before filing an LFROPS, the Successor Agency must meet the following conditions:

- (i) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules,
- (ii) all remaining obligations have been previously listed on a ROPS and approved by the DOF, and
- (iii) the Successor Agency is not a party to any outstanding or unresolved litigation.

The DOF will have 100 days to review an LFROPS submitted for approval. If the DOF approves the LFROPS, the LFROPS will establish the maximum amount of RPTTF to be distributed to the Successor Agency for each remaining fiscal year until the approved obligations have been fully paid.

After the DOF approves an LFROPS, the LFROPS will become effective on the first day of the immediately next ROPS Payment Period (*i.e.*, the following January 1 or July 1, as applicable); provided that if LFROPS is approved less than 15 days before the date next RPTTF Disbursement Date (*i.e.*, the following January 2 or June 1), then the LFROPS will not become effective until the subsequent ROPS Payment Period. Upon the LFROPS taking effect, the Successor Agency will no longer have to submit any further annual ROPS. The County Auditor-Controller will make distributions from the RPTTF to the Successor Agency pursuant to the LFROPS until the aggregate amount of property tax allocated to the Successor Agency equals the total outstanding obligation approved in the LFROPS. Any revenues, interest and earnings of the Successor Agency not authorized for use pursuant to the DOF-approved LFROPS and all proceeds from the disposition of real property subsequent to the approval of the LFROPS will be remitted to the County Auditor-Controller for distribution to the affected taxing entities.

After the DOF’s approval of the LFROPS, the Successor Agency may submit no more than two requests to amend the LFROPS. Each amendment request must be approved by the Oversight Board before submission to the DOF. The DOF will then have 100 days to approve or deny the request.

After the effective date of a DOF-approved LFROPS, resolutions adopted by the Oversight Board will become effective without additional submission and approval by the DOF, with the exception of resolutions relating to refunding bonds, long range property management plans, amendments to LFROPS or dissolution of the Successor Agency.

The Successor Agency has no current plans to submit a LFROPS.

## **Inclusion of Pledge Agreement on ROPS.**

The DOF has issued the Successor Agency a final and conclusive determination letter with respect to the Pledge Agreement informing the Successor Agency that the DOF's approval of the Pledge Agreement as an enforceable obligation is final and conclusive. Nonetheless, DOF retains, under Section 34177.5 (i) of the Redevelopment Law, the authority to review and approve, in its annual review of a successor agency's ROPS, specific expenditures under approved enforceable obligations to confirm that the expenditures are necessary. Accordingly, the Successor Agency's payments under the Pledge Agreement are subject to annual review and approval by the Oversight Board and DOF. The Pledge Agreement has been listed on the ROPS of the Successor Agency in each ROPS period since the enactment of the Dissolution Act and the DOF has approved ROPS with the Pledge Agreement included as an enforceable obligation each of those ROPS periods.

## **PROPERTY TAXATION IN CALIFORNIA**

### **Property Tax Collection Procedure**

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

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

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, on or about June 30 of the fiscal year, property on the secured roll on which taxes are delinquent is declared to be in default by operation of law and declaration of the tax collector. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county tax collector.

The valuation of property is determined as of the January 1 lien date each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and October 10. Unsecured property taxes become delinquent if not paid by August 31.

With the exception of two small parcels owned by T8 Housing Partners on Block 8, all of the ten-largest property owners of the Former State Owned Parcels paid December 2019 and April 2020 property taxes in full.



A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property upon the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next January 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 16 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies, to the extent that supplemental assessments 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 Former State Owned Parcels, Net Tax Increment may increase.

In 1990, the State Legislature enacted Senate Bill 2557 (Statutes of 1990, Chapter 466) (“SB 2557”) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. California courts have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Former Agency, are to share in the cost of property tax administration charged by most California counties, including the County. The Dissolution Act provides that before disbursement of moneys from the RPTTF to the Successor Agency, the County Auditor-Controller is entitled to make a deduction for the purposes of the County administrative costs under Section 95.3 of the Revenue and Tax Code.

### **Teeter Plan**

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

The Teeter Plan remains in effect in the City unless and until the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the 2020 Bonds.

### **Article XIII A of California Constitution**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the “full cash value” of property to mean “the county assessor’s

valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in October 1986 by initiative which exempts from the one percent limitation any taxes levied to pay bonded indebtedness approved by two-thirds (55 percent in certain instances) of the votes cast by voters for the acquisition or improvement of real property.

On September 22, 1978, the California Supreme Court upheld Proposition 13 over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In subsequent elections, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment has reduced local property tax revenues. Other amendments permitted the Legislature to authorize the transfer of a property’s assessed value to a replacement property under certain conditions, such as for residences of persons over 55 years old, for residences of severely disabled homeowners and for contaminated property. Other amendments have excluded certain improvements from the definition of “new construction,” such as seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies.

***Challenges to Article XIII A.*** California trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, upheld the constitutionality of Article XIII A’s tax assessment system. The Authority cannot predict whether there will be any future challenges to California’s present system of property tax assessment and cannot evaluate the ultimate effect on the Authority’s receipt of Net Tax Increment should a future decision hold unconstitutional the method of assessing property.

***Implementing Legislation.*** Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100 percent of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100 percent of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, two percent annual value growth) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs, except for certain utility and railroad property assessed by the State Board of Equalization, which is allocated by a different method than the one discussed in this Official Statement.

## **Article XIII B of California Constitution**

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution which has been subsequently amended several times. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The base year for establishing such appropriation limit is fiscal year 1986-87 and the limit is to be adjusted annually to reflect changes in population, cost of living and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the Health and Safety Code, which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness, will not be deemed the receipt by the redevelopment agency of proceeds of taxes levied by or on behalf of the redevelopment agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof. The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely* and *Brown v. Community Redevelopment Agency of the City of Santa Ana*, which cases were not accepted for review by the California Supreme Court.

## **Proposition 87**

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay voter approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, with respect to tax rate increases approved on or after January 1, 1989, to repay voter approved general obligation debt, redevelopment agencies no longer receive an increase in tax increment.

## **Articles XIII C and XIII D of California Constitution**

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain voter requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Pledged Revenues securing the 2020 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Net Tax Increment available for allocation to the RPTTF and to the Authority for payment on the 2020 Bonds.

## **Assessed Value Appeals and Proposition 8 Adjustments**

*General.* Pursuant to State law, property owners may apply for a reduction of their property tax assessment by filing a written appeal. After the applicant and the assessor have presented their arguments, the applicable local appeals board makes a final decision on the proper assessed value. The appeals board may rule in the assessor's favor, rule in the applicant's favor, or set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion. Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. A base year assessment appeal has significant future revenue impacts because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Section 51 of the Revenue and Taxation Code also permits a reduction (a "Proposition 8 Adjustment") in the assessed value if the full cash value of the property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. During the Great Recession (which began around 2007), the County Assessor's Office initiated proactive reviews of the assessed value of properties, which resulted in Proposition 8 Adjustments for many properties in the City.

After a roll reduction is granted under Section 51, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Any assessment appeal that is pending or which may be filed in the future, if successful, will result in a reduction of the assessed value of the subject property. A reduction of assessed valuation due to appeals, if significant, and the resulting property tax refunds could adversely impact the amount of Pledged Revenues available to pay debt.

## RISK FACTORS

*Investment in the 2020 Bonds involves elements of risk. The following section describes certain specific risk factors affecting the payment and security of the 2020 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2020 Bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 2020 Bonds. There can be no assurance that other risk factors not discussed under this caption will not become material in the future.*

### **Risks Related to Assessed Valuation**

**COVID-19 Pandemic.** On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness first identified in Wuhan, China. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

The pandemic has negatively affected travel, commerce, employment and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of ad valorem tax revenues of the Former State Owned Parcels. A significant decline in property values may impact the Authority’s ability to pay debt service on the 2020 Bonds, particularly the Subordinate Series 2020B Bonds.

There have been numerous confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States.

To mitigate the spread of the pandemic, several counties in the Bay Area (including the City and County of San Francisco) announced shelter-in-place (“Shelter-in-Place”) emergency orders on March 16, 2020, which generally directed individuals to stay home, except for certain limited travel for the conduct of essential activities and services. Most retail establishments (e.g., restaurants, bars and nightclubs, entertainment venues, gyms, etc.) were closed in response to the Shelter-in-Place order. On March 19, 2020, California’s Governor announced a similar Shelter-in-Place emergency executive order (N-33-20) effective for the entire State. On May 4, 2020, the Governor announced the State would soon begin Phase 2 of lifting Shelter-in-Place restrictions, which allows for many retail stores to re-open and other forms of manufacturing and construction to resume, provided individual counties adhere to certain attestation processes concerning the local spread of COVID-19. The City updated its Shelter-in-Place emergency order on April 29, 2020, allowing certain activities to resume, including residential and commercial construction, and again on May 17, 2020, May 22, 2020 and June 1, 2020, allowing additional activities and services to resume including curbside pickup of goods at retail stores, and certain manufacturing and logistical support, childcare programs, and curbside/outdoor low contact retail services. As of the date of this Official Statement, another phase of re-opening was expected to begin on June 15, 2020, which would allow for offices to re-open, outdoor dining, in-store retail shopping, religious gatherings and various other activities.

The economic impact of COVID-19 on the San Francisco Bay Area has been significant, with over 130,000 layoffs through June 5, 2020, the unemployment rate in the City rising from 2.3% in February

2020 to 12.6% in April 2020, and many business closures announced. While many layoffs have been classified as temporary, no assurances can be given as to the nature of any re-hiring that may occur as Shelter-in-Place orders are loosened and the economic recovery takes shape. Many of the commercial tenants that occupy the Former State Owned Parcels began to have their employees work remotely even before the City's Shelter-in-Place was ordered in March 2020. In May 2020, Salesforce.com, Inc. (one of the City's largest employers and taxpayers) and Facebook, Inc., two of the major tenants that occupy the Former State Owned Parcels, announced plans to give some of their employees globally the option to work remotely for the remainder of 2020 and in the case of Facebook, potentially beyond. While it is expected that certain employees for Salesforce and other companies leasing space among the Former State Owned Parcels will be allowed to return to those offices in June 2020, as of the date of this Official Statement, no assurances can be given on the impact of any commercial tenant's long-term remote work policies on the assessed valuation for any of the Former State Owned Parcels.

Furthermore, no assurances can be given as to the likelihood of certain companies that may choose to relocate their primary operations and/or workforces out of the San Francisco Bay Area or allow their workforce to continue to work remotely indefinitely or for a prolonged period of time as a result of the economic and public health impact of COVID-19. Any significant exodus of industries, companies, or jobs out of San Francisco without replacement of those jobs at similar wage levels may result in the reduction in residential rents and sale prices for condominiums and single-family homes in San Francisco, including residential properties among the Former State Owned Parcels. Reduced demand for commercial, residential and/or retail space could have an adverse impact on the assessed value of the Former State Owned Parcels and, consequently, on the Pledged Revenues that secure the 2020 Bonds.

Recently, State legislation has been introduced in order to assist various affected people and companies as a result of the COVID-19 outbreak. For example, Senate Bill 939 would allow under certain circumstances a commercial tenant that is a small business or is an eating or drinking establishment, place of entertainment, or performance venue that meets specified financial criteria, including experiencing a specified decline in revenue after a Shelter-in-Place order took effect, to terminate a lease without any liability for future rent, fees, or costs that otherwise may have been due under the lease. Also, Senate Bill 1431 would expand the provisions allowing for reassessment of property. Under existing law, property may be reassessed for damage or destruction caused by one of 3 specified occurrences, including a major misfortune or calamity in an area or region subsequently proclaimed by the Governor to be in a state of disaster if the property was damaged or destroyed by the misfortune or calamity that caused the Governor to proclaim the region to be in a state of disaster. Senate Bill 1431 would specify that "damage" includes diminution in the value of property as a result of any law, order, rule, or regulation of the state or any city, county, or other political subdivisions providing tenant protections in response to the COVID-19 outbreak and would also specify that the term "major misfortune or calamity" includes the COVID-1 outbreak. It is unknown what net impact, if any, these legislative proposals or other future similar legislations, if enacted, would have on the assessed values of the Former State Owned Parcels and the Pledged Revenues. Such net impact could be materially adverse.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the additional actions that may be taken by Federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the assessed values of the Formerly State Owned Parcels, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies.

***Reduction in Taxable Value.*** The projected Pledged Revenues shown in this Official Statement are based on certain assumptions. See "PLEGGED REVENUES AND DEBT SERVICE COVERAGE – Projected Pledged Revenues and Debt Service Coverage." No assurances can be given that the assessed

value of properties in the Former State Owned Parcels will never fall below the values estimated for the projections shown in the Fiscal Consultant's Report attached in Appendix A.

Property values, and correspondingly, assessed values are impacted by many factors which are beyond the Authority's control. Assessed property values of the Former State Owned Parcels and development of the two remaining undeveloped Former State Owned Parcels will be subject to the fluctuation of the real estate market throughout the term of the 2020 Bonds.

### San Francisco Real Estate Market Generally

*The information below regarding the real estate market generally in the City has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness of the information from such sources. **The historical information provided below is not intended to be predictive of future results.***

#### *Office Market*

Commercial real estate represents more than 70% of the assessed valuation of the Former State Owned Parcels for Fiscal Year 2019-20. Over the last several years, San Francisco office space has been in high demand as many high profile companies sought space to expand. As of March 31, 2020, rents across all office sub-markets in San Francisco averaged \$85.81 per square foot, and vacancy rates averaged 6.7%. As of March 31, 2020, there was over 2.4 million square feet of office space under construction in San Francisco, approximately 1.3 million of which is in the office sub-market that includes the Former State Owned Parcels. As noted above, the economic effects of the pandemic could result in a substantial softening of the office market in San Francisco and result in declines in assessed valuations.

Since the buildings completed to date on the Former State Owned Parcels have all been completed within the last three or four years, there is little to no history of how their assessed valuations have performed during past economic downturns. To provide some context, Urban Analytics LLC analyzed the historic assessed valuations of 98 large office buildings in San Francisco with assessed valuations exceeding \$100 million built before Fiscal Year 2007-08 and with valuation records in all years. This analysis found that, in aggregate, the assessed valuations of these 98 buildings did not decrease in any year since Fiscal Year 2007-08, including during the global economic downturn associated with the "Great Recession." In general, San Francisco aggregate valuations have steadily increased at rates over the annual Proposition 13 inflation factors from Fiscal Year 2007-08 through Fiscal Year 2019-20.

#### *Residential Market*

For-sale residential real estate represents 6.6% of the assessed valuation of the Former State Owned Parcels for Fiscal Year 2019-20. As of April 2020, the median sale price in the City was \$1,300,000 for condominiums and \$1,687,000 for single-family homes. Assessed valuations for condominiums in the City with over \$1 million in assessed valuation generally increased at rates above the Proposition 13 inflation factor except for a 0.8% decline in Fiscal Year 2010-11 and a 0.1% decline in Fiscal Year 2011-12, according to an Urban Analytics LLC analysis of 3,340 condominiums in the City tracked since Fiscal Year 2007-08.

Rental residential real estate represents 19.4% of the assessed valuation of the Former State Owned Parcels for Fiscal Year 2019-20. As of April 2020, the weighted average asking rent for an apartment in the City was \$4,000 per month. Some recent news reports have suggested that the average rents in the City have declined recently as the result of recent job losses and the shift by many companies towards increased remote work in response to the pandemic and Shelter-in-Place orders. Assessed valuations for 277 large

apartment buildings in the City analyzed by Urban Analytics LLC showed no aggregate decreases in valuation in any year since Fiscal Year 2007-08.

***Concentration of Ownership.*** The largest taxpayers among the Former State Owned Parcels consist of five commercial or residential buildings in a relatively small geographical area. The largest top ten account for approximately 99.9% of the total assessed valuation of the Former State Owned Parcels in Fiscal Year 2019-20. The top three taxpayers represented over 76% of total assessed valuation in Fiscal Year 2019-20, and the top taxpayer, alone, the owner of Salesforce Tower, represented 51% of total assessed valuation. The concentration of the top assessees within the Former State Owned Parcels is identified in Table 5. While the concentration of ownership is expected to diminish somewhat once the full assessed value of completed buildings and condominium sales are recognized on the tax rolls, given the nature and limited number of the Former State Owned Parcels, it is likely that property ownership will remain concentrated in the future. Accordingly, a decline in the assessed value of parcels owned by one of the largest top ten taxpayers in the Former State Owned Parcels could have an adverse impact on Pledged Revenues. See “FORMER STATE OWNED PARCELS – Ten Largest Taxpayers.”

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

In the City, a property owner desiring a Proposition 8 reduction of the assessed value of such owner’s property in any one year period must submit an application to the City’s Assessment Appeals Board. Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the Assessor, the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Assessment Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Assessment Appeals Board generally is required to determine the outcome of appeals within two 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 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.

The Assessor also has the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions.

In either case, a successful assessment appeal or Proposition 8 reduction in present or future taxable values of the Former State Owned Parcels could reduce total assessed valuation of the Former State Owned



Parcels and reduce the amount of present or future Pledged Revenues available to pay debt service on the 2020 Bonds.

See “FORMER STATE OWNED PARCELS—Assessment Appeals.”

***Reduction in Inflationary Rate.*** As described in greater detail above, 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 measure is computed on a calendar year basis. Decreases in property values could cause a reduction in Net Tax Increment and accordingly Pledged Revenues available for payment of the 2020 Bonds. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times, but, in Fiscal Year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. The Authority is unable to predict if any adjustments to the full cash value of real property within the Former State Owned Parcels, whether an increase or a reduction, will be realized in the future.

***Natural and Other 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 relatively small geographical area of the Former State Owned Parcels can exacerbate the impact of any natural event or condition on real estate values. The Authority expects that one or more of these conditions may occur from time to time, and such conditions may result in delays in development or damage to property improvements. Any damage resulting from a natural disaster may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of real estate within the Former State Owned Parcels could depreciate substantially and owners of property may be less willing or able to pay property taxes.

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

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. Due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the real property values.

***Climate Change and Flooding.*** In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is “The Impacts of Sea-Level Rise on the California Coast.” The paper posits that increases in sea level will be a

significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4-meter sea level rise. The paper further estimates that the replacement value of this property totals nearly \$100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

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

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

It should be assumed, therefore, that an earthquake or other natural event or man-made activity may occur and may cause damage to improvements on parcels in the Former State Owned Parcels of varying degrees of severity, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the assessed value of taxable values of property in the Former State Owned Parcels and could result in a significant reduction in Pledged Revenues. Such reduction of Pledged Revenues could have an adverse effect on the Authority's payment of debt service on the 2020 Bonds.

***Hazardous Substances.*** An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Former State Owned Parcels. In general, the owners and operators of 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 at the 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 Former State Owned Parcels be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

### **Risks Related to Authority's Receipt of Net Tax Increment**

***Levy and Collection; Teeter Plan.*** The Authority does not have any 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 Pledged Revenues, and accordingly, could have an adverse impact on the ability of the Authority to repay the 2020 Bonds.

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

The Teeter Plan remains in effect in the City unless and until the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the 2020 Bonds.

If the City discontinues the Teeter Plan, delinquencies in the payment of property taxes could have an adverse effect on the Authority’s ability to make timely debt service payments.

***Payment of Debt Service on 2020 Bonds Depends on Successor Agency Transfer of Pledged Revenues.*** Under the Pledge Agreement, the Successor Agency is obligated to transfer the Net Tax Increment to the Authority within 10 days of receipt from the City, without setoff or counterclaim. In the last five years, the Authority received the Net Tax Increment relating to the January 2 disbursement date as late as March 4 and the Net Tax Increment relating to the June 1 disbursement date as late as September 7. The Authority, however, does not expect significant delays in the receipt of the Net Tax Increment in the future as the cause of the prior delays, which was reconciliation of the Net Tax Increment amounts between the two agencies, has been resolved. The TJPA Letter describes a process to provide for the Successor Agency transferring the Net Tax Increment to which the Authority is entitled under the Pledge Agreement by January 15 and July 15 with respect to the January 2 and June 1 RPTTF distribution dates, respectively. See “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – TJPA Letter.”

Additionally, on the date of delivery of the 2020 Bonds, the Authority will have delivered an irrevocable instruction to the Successor Agency to directly transfer the full amount of Pledged Revenues, in amount consistent with the DOF-approved ROPS, directly to the Trustee for deposit in the Debt Service Fund under the Indenture. Such instruction will be acknowledged by the Successor Agency and the Trustee.

### **Risks Related to Dissolution Act and Redevelopment Law**

***Recognized Obligation Payment Schedules.*** The Successor Agency is required to prepare and submit the ROPS at the prescribed times to the Oversight Board and the DOF for review. The County Auditor-Controller is authorized to only distribute moneys to the Successor Agency from the RPTTF in accordance with a ROPS approved by the DOF. The Successor Agency is authorized to use funds only pursuant to an enforceable obligation listed on a ROPS approved by the Oversight Board and the DOF. See “TAX INCREMENT FINANCING GENERALLY AND THE DISSOLUTION ACT.”

The Dissolution Act provides the ROPS must be submitted to the DOF at the times prescribed by the Dissolution Act. If the Successor Agency fails to submit to the DOF an Oversight Board-approved ROPS within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, the DOF may determine if the County Auditor-Controller should withhold any RPTTF amount for payments for enforceable obligations from distribution to taxing entities, pending DOF's approval of the ROPS. If the Successor Agency indeed fails to submit to the DOF an Oversight Board-approved ROPS within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, and the DOF does not provide notice to the County Auditor-Controller to withhold funds, it is unclear whether the County Auditor-Controller will disburse all of the funds then in the RPTTF to the taxing agencies pursuant to the Dissolution Act provisions relating to RPTTF Residual. The Dissolution Act provides very limited authority to the County Auditor-Controller to withhold RPTTF funds from disbursements to taxing agencies.

The Authority covenants in the Indenture to use its best efforts to ensure that the City and the Successor Agency take all actions required under the Dissolution Act to include the amount of the Net Tax Increment under the Pledge Agreement in the ROPS that the Authority would have been entitled to under the Pledge Agreement if the Former Agency were not dissolved under the Dissolution Act, and the Authority also covenants that it will use its best efforts to ensure that the Successor Agency files its ROPS with the DOF. No assurance can be made that the Successor Agency will in fact take such actions. Since the enactment of the Dissolution Act, the Successor Agency has listed the Pledge Agreement on its ROPS in each ROPS period.

***Future Implementation of Dissolution Act.*** The Successor Agency's timely receipt of RPTTF disbursements to pay enforceable obligations, including the Pledge Agreement, is dependent upon the coordination with, and the implementation of, the Dissolution Act procedures by the DOF and the County Auditor-Controller. While each of the Successor Agency, the DOF, the County Auditor-Controller, and other affected parties coordinate to implement and fulfill the requirements of the Dissolution Act, the Authority cannot give any assurances that future interpretation of specific provisions of the Dissolution Act or their implementation will not affect the timing and amount of RPTTF disbursements to the Successor Agency.

Numerous lawsuits have been filed pertaining to the DOF's implementation of various provisions of the Dissolution Act. Some are still pending. A lawsuit (the "Syncora Lawsuit") was filed by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") on August 12, 2012, with the Superior Court of California in the County of Sacramento, *Case No. 34-2012-80001215*. Syncora is the municipal bond insurer for a number of bond insurance policies for outstanding bonds issued by former California redevelopment agencies. Syncora alleged that the Dissolution Act, and specifically the "Redistribution Provisions" (including 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 alleged 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 such provisions unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation. The Syncora Lawsuit was brought as a petition for writ of mandate and complaint for declaratory relief, inverse condemnation and injunctive relief. On May 29, 2013, the Court entered a ruling. The Court (1) denied Syncora any form of relief requested in the Complaint and Petition on its impairment of contracts claims, on the ground that those claims were premature, as no evidence was submitted by Syncora that any redevelopment agency bonds it insures are in default or that any redevelopment agency bonds are in default at all; and (2) held that Syncora's takings claims are not necessarily premature, that an evidentiary hearing should be conducted to address such claims, and that the parties should file status

reports with the Court addressing certain issues in connection with such evidentiary hearing. On August 16, 2013, the parties filed with the Court a proposed stipulated judgment which dismisses Syncora's impairment of contract claims and takings claims without prejudice on grounds of prematurity. The stipulated judgment, as proposed by the parties, was entered on October 3, 2013.

The Authority cannot predict the outcome of any pending or future lawsuit with respect to the interpretation, the implementation or the validity of any provision of the Dissolution Act, including the provisions under which the 2020 Bonds are issued. The Authority believes that the federal and State Constitutions clauses regarding contract impairments and takings provide protection to the bondholders of the 2020 Bonds in the event of any lawsuit concerning provisions affecting the validity and payment on bonds issued under the Dissolution Act. However, the outcome of any such lawsuit is beyond the Authority's control.

**State Budget.** Two of the key bills that comprise the Dissolution Act, AB X1 26 and AB 1484, were enacted by the State Legislature and signed by the Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively, with the intention to transfer cash assets held by redevelopment agencies to cities, counties, and special districts to fund core public services and with assets transferred to schools offsetting State general fund costs. Most of the provisions of SB 107 (containing the most recent significant amendments to the Dissolution Act) were also initially presented as part of AB 113, a trailer bill to the fiscal year 2015-16 State Budget, even though SB 107 was eventually enacted in September 2015, several months after the adoption of the State Budget. There can be no assurance that legislation affecting successor agencies or the Pledged Revenues will not be enacted to implement provisions in connection with the State budget needs or other reasons in the future.

The Authority expects, but cannot guarantee, that the processes for the funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administering of the Pledged Revenues in accordance with the Indenture and will effectively result in adequate Pledged Revenues for the timely payment of principal of and interest on the 2020 Bonds when due.

Information about the State budget and State spending is available at various State maintained websites. Text of the enacted State Budget for fiscal year 2019-20 and other documents related to the State budget may be found at the websites maintained by the DOF, [www.dof.ca.gov](http://www.dof.ca.gov) and <http://www.ebudget.ca.gov/>. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The full text of each State Assembly bill cited above and other bills pending before the State Senate or State Assembly may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://leginfo.legislature.ca.gov/faces/billSearchClient.xhtml>.

*None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Authority makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

## **Risks Related to Bonds and Indenture**

**Limited Obligation.** The 2020 Bonds are special obligations of the Authority payable from and secured by a pledge and lien on (1) Pledged Revenues, as described in the Indenture, and (2) amounts in certain funds and accounts held by the Trustee in the Indenture. The 2020 Bonds are not debts, liabilities or obligations of the City, any member agency of the Authority, the Successor Agency, the State, or any of its political subdivisions, and neither said City, said member agencies, said Successor Agency, said State, nor any of its political subdivisions is liable thereon, nor in any event shall the 2020 Bonds be payable out of any funds or properties other than Pledged Revenues. The 2020 Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

**Additional Bonds.** The Authority may issue or incur obligations payable from Pledged Revenues on a parity with its pledge of Pledged Revenues to payment of the 2020 Bonds, but only to the extent permitted in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR 2020 BONDS – Additional Bonds.” The existence of and the potential for such obligations increases the risks associated with the Authority’s payment on the 2020 Bonds in the event of a decrease in the Authority’s receipt of Net Tax Increment under the Pledge Agreement.

**Subordination of the Subordinate 2020B Bonds.** Payment of debt service on the Subordinate 2020B Bonds is subordinate to the payment of debt service on the Senior 2020 Bonds. The Authority is obligated by the Indenture to use Pledged Revenues for payment of debt service on the Senior 2020 Bonds before it pays debt service on the Subordinate 2020B Bonds, as and to the extent set forth in the Indenture and described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2020 BONDS.” The Authority can provide no assurance that Pledged Revenues will be sufficient to pay debt service on the Subordinate 2020B Bonds when due.

**Secondary Market.** There can be no guarantee that there will be a secondary market for the 2020 Bonds, or, if a secondary market exists, that such 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

**Bankruptcy Risks; Enforceability of Remedies.** The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds (including Bond Counsel’s approving legal opinions) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases. The enforceability of the rights and remedies of the owners of the 2020 Bonds and the obligations of the Authority or the Successor Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and, consequently, may entail risks of delay, limitation, or modification of their rights.

The Authority and the City (both as the Successor Agency and as a California city) are authorized under California law to file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. However, third parties cannot bring involuntary Chapter 9 bankruptcy proceedings against a government entity.

Should the Authority, the Successor Agency or the City become a debtor in a bankruptcy proceeding, the owners of the 2020 Bonds would continue to have a lien on Pledged Revenues after the commencement of the bankruptcy case so long as the Pledged Revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” are defined under the Bankruptcy Code to include, among other things, incremental tax receipts from the benefited area in the case of tax-increment financing. While the Pledged Revenues appear to be “special revenues,” no assurance can be given that a court would not determine otherwise. Bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of revenues collected for the payment of revenue bonds in California. If Pledged Revenues do not constitute “special revenues,” there could be delays or reductions in payments with respect to the 2020 Bonds.

Further, although the automatic stay arising upon the filing of a bankruptcy petition under Chapter 9 has historically been understood not to stay the collection and application of special revenues to payment of bonds secured by such special revenues, if the Authority, the Successor Agency or the City were to become a debtor in a proceeding under Chapter 9, the bankruptcy court could possibly decide that (i) post-bankruptcy payments to holders of the 2020 Bonds are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement action) or is limited to amounts of Pledged Revenues then on hand with the Trustee, Successor Agency, the Authority or the County Auditor-Controller. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceeding may thus be prohibited from taking any action to collect the Pledged Revenues, or to enforce the Pledge Agreement or any related obligation connected with the 2020 Bonds, without the bankruptcy court’s permission.

Regardless of any specific determinations by a bankruptcy court in a bankruptcy proceeding of the Authority, Successor Agency or the City, the mere filing by for bankruptcy protection by the Authority, Successor Agency or the City could have a material adverse effect on the marketability and market price of the 2020 Bonds.

### **Risks Related to Millennium Tower Litigation**

Millennium Tower (the “Tower”) is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. The Tower is located near the Former State Owned Parcels but does not constitute a Former State Owned Parcel and does not generate any Pledge Revenues and none of the information presented in this Official Statement assumes receipt of Net Tax Increment from the Tower project. On August 17, 2016, several owners of condominiums in the Tower filed a lawsuit, San Francisco Superior Court Case No. 16-553758 (the “Lehman Lawsuit”) against the Authority, among others.

The Authority began excavation and construction of the Salesforce Transit Center in 2011, after the Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce Transit Center harmed the Tower by causing it to settle vertically more than projected and tilt, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The Authority has asserted that due to a negligently designed foundation, the Tower had already settled vertically nearly twice as much as projected and was tilting before the Authority began construction of the Salesforce Transit Center and that the Authority took precautionary efforts to avoid exacerbating the situation.

In addition to the Lehman Lawsuit, the Authority is named as a defendant in lawsuits filed by the homeowners' association, the Millennium Tower Association Lawsuit (San Francisco Superior Court Case No. 17-557830); the owners of a single unit, the Montana Lawsuit (San Francisco Superior Court Case No. 17-558649); and owners of multiple units, the Buttery Lawsuit (San Francisco Superior Court Case No. 17-556292), the Shadduck Lawsuit (San Francisco Superior Court Case No. 17-562423), the Ying Lawsuit (San Francisco Superior Court Case No. 17-559210), the Maui Peaks Lawsuit (San Francisco Superior Court Case No. 17-560322), and the Turgeon Lawsuit (San Francisco Superior Court Case No. 18-564417). All lawsuits contain similar claims as the Lehman Lawsuit. The plaintiff in the Maui Peaks Lawsuit has also filed a motion to certify the class of homeowners in the Tower. In another suit, the Chang Lawsuit (San Francisco Superior Court Case No. 17-556617), the Authority is not named as a defendant but at least one of the defendants has filed a petition for writ of mandate and cross complaint against the Authority.

The parties to these lawsuits have been participating in confidential mediation. In Summer 2019, the parties reached an agreement-in-principle and tentative global resolution of the litigation, including amounts to be paid and received by all parties. For the settlement to be effective, a number of events must occur, including approval of the settlement by all parties and the Court. These approvals could occur in early Summer 2020. Discovery is stayed while the parties document the global settlement agreements. Meanwhile the terms of the agreement-in-principle, including any contribution from the Authority, remain subject to the mediation privilege. While the Authority expects that all necessary events will occur for the settlement to become final and effective, no assurance can be given by Authority that the settlement will be finalized. In the event that the settlement is not finalized, litigation may resume. If litigation were to resume, the Authority cannot now make any prediction as to the outcome of any such lawsuits, or whether the lawsuits, if determined adversely to the Authority, would have a material adverse impact on Authority finances. The Authority, however, does not believe an adverse outcome would have a material impact on the availability of Pledged Revenues to pay debt service on the 2020 Bonds as such payments become due and payable.

### **Risks Related to Tall Building Construction**

The City regulates construction within its jurisdiction, including construction on the seven redevelopment blocks located on the Former State Owned Parcels.

Salesforce Tower, located at 415 Mission Street, was the first of the seven redevelopment blocks to begin construction. It received permits in 2013, at least four years after the City became aware of the vertical settlement issues at the Millennium Tower. The purchase-sale agreement for the conveyance of the property on which the Salesforce Tower is built imposed certain requirements related to the foundation and structure of the development. Trade publications have widely reported on the foundation design of and seismic analysis performed for the Salesforce Tower, with reporting that the foundation reaches to bedrock.

Park Tower, located at 250 Howard Street, broke ground in 2015. The Authority granted the developer an easement related to the development project. An easement and declaration of covenants recorded against the property imposed certain requirements related to the foundation system of the development and similar matters. Media sources report that the foundation reaches to bedrock.

The Parcel F proposed development project, located at 550 Howard Street, is not yet under construction. An easement recorded against the property, however, requires that any future tower and its support system comply with certain design requirements, including that the foundation comprise a deep foundation to bedrock.

The Authority is not aware of any vertical settlement or tilt affecting the Former State Owned Parcels.



The City maintains a searchable inventory of data related to high rise construction, including the redevelopment blocks generating Pledged Revenues. The database includes information regarding, among other things, building height, structural material, structural system, and foundation system. As of the date of this Official Statement, the database was available at: <https://data.sfgov.org/Housing-and-Buildings/Map-of-Tall-Buildings/xf9-cudk>. As of the date of this Official Statement, the City's corresponding reports, including the "Tall Building Safety Strategy," were available at: <https://onesanfrancisco.org/esip>. References to these internet websites in this Official Statement are shown for reference and convenience only, and none of their content is incorporated by reference. The Authority makes no representation regarding the accuracy or completeness of information presented on such websites.

The City commission a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings taller than 240 feet. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering seismic risks, standards, for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. Studies conducted in this project estimate that for a tall building designed to current standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City's understanding of its tall building seismic risk.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. The City was the first jurisdiction to test this statewide program. The City's Disaster Recovery Task Force had its kick off meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. The City, partnering with the Structural Engineers Association of Northern California, has drafted geotechnical regulations for tall buildings but these have not yet been presented to Board of Supervisors for adoption give the COVID-19 pandemic.

### **Risks related to Tax Exemption of 2020 Tax-Exempt Bonds**

***Compliance by Authority.*** In order to maintain the exclusion of interest on the 2020 Tax-Exempt Bonds from gross income for federal income tax purposes, the Authority has covenanted to comply with the applicable requirements of Section 148 and certain other sections of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as hedge bonds or private activity bonds, among other things. Interest on the 2020 Tax-Exempt Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2020 Tax-Exempt Bonds as a result of acts or omissions of the Authority in violation of these covenants. See "2020A TAX-EXEMPT BONDS MATTERS."

***Future Legislation or Court Decisions.*** Legislation affecting the tax exemption of interest on the 2020A Bonds may be considered by the United States Congress and the State legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the 2020A Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2020A Bonds will not have an adverse effect on the tax exemption of interest on the 2020 Bonds or the market value of the 2020A Bonds.

## **Risks related to Other Rating Agencies Assigning Different Ratings to the 2020 Bonds**

As part of the process of obtaining ratings for the 2020 Bonds, the Authority had discussions with and submitted materials, including a variety of potential financing structures, to two nationally recognized statistical rating organizations. Once a final financing structure for the 2020 Bonds was determined, the Authority selected only one of those nationally recognized statistical rating organizations to assign ratings to the 2020 Bonds. Although unsolicited ratings may be issued by any nationally recognized statistical rating organization, a nationally recognized statistical rating organization may be more likely to issue an unsolicited rating if it was not selected after having provided preliminary feedback. Any rating assigned by a nationally recognized statistical rating organization with a lower credit rating on an unsolicited basis may affect your ability to purchase or retain, or otherwise impact the regulatory characteristics, of those 2020 Bonds.

## **UNDERWRITING**

Pursuant to a bond purchase agreement (the “Purchase Agreement”), Citigroup Global Markets Inc., Stifel, Nicolaus & Company, Incorporated and Morgan Stanley & Co. LLC, as the Underwriters, have agreed, subject to certain conditions, to purchase the Senior 2020A Bonds at a purchase price of \$227,007,425.47 (which is equal to the principal amount of the Senior 2020A Bonds, plus an original issue premium of \$38,485,667.40, and less an Underwriters’ discount of \$958,241.93), the Senior 2020A-T Bonds at a purchase price of \$28,211,602.55 (which is equal to the principal amount of the Senior 2020A-T Bonds less an Underwriters’ discount of \$143,397.45), and the Subordinate 2020B Bonds at a purchase price of \$56,893,422.91 (which is equal to the principal amount of the Subordinate 2020B Bonds, plus an original issue premium of \$3,913,409.25, and less an Underwriters’ discount of \$389,986.34). The Purchase Agreement provides that the Underwriters will purchase all of the 2020 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter intends to offer the 2020 Bonds to the public initially at the prices set forth on the inside cover of this Official Statement, which prices may subsequently change without any requirement of prior notice.

Citigroup Global Markets Inc., an Underwriter of the 2020 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the 2020 Bonds.

Morgan Stanley & Co. LLC, an Underwriter of the 2020 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2020 Bonds.

## **RATINGS**

Fitch Rating (“Fitch”) has assigned a rating of “A-” to the Senior 2020 Bonds and a rating of “BBB+” to the Subordinate 2020B Bonds.

Fitch’s ratings reflect only the views of Fitch and any explanation of the significance of such ratings may be obtained from Fitch. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely, if in Fitch’s judgment, circumstances so warrant. Other than as described in the Continuing Disclosure Certificate, the Authority takes no responsibility regarding either to bring to the attention of the Owners of the 2020 Bonds any revision, suspension or withdrawal of such ratings or to oppose any such revision or withdrawal. Any such downward, suspension, revision or withdrawal of the ratings may have an adverse effect on the market price of the 2020 Bonds.

## **LITIGATION**

There is no litigation pending and notice of which has been received by the Authority or, to the Authority’s knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the 2020 Bonds, to contest the validity of the 2020 Bonds, the Indenture or any proceedings of the Authority with respect thereto. To the knowledge of the Authority, there are no lawsuits or claims pending against the Authority which will materially impair its ability to pay principal of and interest on the 2020 Bonds when due. See “RISK FACTORS – Risks related to Millennium Tower Litigation.”

### **Webcor Litigation**

On or about March 17, 2009, the Authority entered into a construction management/general contractor agreement (the “CMGC Agreement”) with Webcor Obayashi Joint Venture (“WOJV”) to construct the Salesforce Transit Center.

Under the CMGC Agreement, WOJV agreed to achieve substantial completion of the Salesforce Transit Center by December 22, 2017 and final completion within 90 consecutive calendar days of substantial completion. WOJV did not timely achieve the completion deadlines.

On October 16, 2018, WOJV filed a lawsuit against the Authority in San Francisco Superior Court as case number CGC-18-570621 (“WOJV Lawsuit”). WOJV essentially alleges that the Authority is responsible for delays and additional costs on the project. The Authority wholly disputes WOJV’s allegations. In a cross-complaint, the Authority has asserted that WOJV failed to achieve substantial completion by the date the parties contractually agreed upon and WOJV is consequently liable for liquidated damages.

The WOJV Lawsuit has been consolidated with related lawsuits filed by various trade subcontractors on the project (collectively “Consolidated Construction Lawsuits”). In the foregoing actions, the trade subcontractors have asserted claims for delays and additional costs for extra work against WOJV and WOJV has asserted claims against the trade subcontractors for failing to perform or properly perform their respective obligations under their subcontract agreements.

The parties in the aforementioned lawsuits are discussing mediation. The timing and structure of the mediation have not yet been agreed to.

Separate from the WOJV Lawsuit and the consolidated lawsuits, there are claims from 3 other trade subcontractors (“Construction Claims”) that have not been named a party to the pending lawsuits. WOJV

and the Authority are attempting to resolve those Construction Claims through a dispute resolution advisor proceeding and/or mediation.

The Authority cannot now make any prediction as to the outcome of the WOJV Lawsuit, Consolidated Construction Lawsuits, or the Claims, or whether the WOJV Lawsuit, Consolidated Construction Lawsuits, or the Claims, if determined adversely to the Authority, may have a material adverse impact on the Authority's general finances. The Authority, however, does not believe an adverse outcome would have a material impact on the availability of Pledged Revenues to pay debt service on the 2020 Bonds as such payments become due and payable.

### **Investigation of Former Boardmember**

On January 28, 2020, the City's former Director of Public Works Mohammed Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. Mr. Nuru was one of the City's appointees to the Authority's Board of Directors and served as its Chair until the Mayor revoked his appointment. The Authority understands that Mr. Nuru resigned from employment with the City two weeks after his arrest.

The allegations contained in the complaint involve various schemes, including, among other things, Mr. Nuru attempting to use his former position as Chair of the Authority Board to secure a lease for Mr. Nick Bovis, a local restaurateur, in the Salesforce Transit Center, in exchange for personal benefits provided by Mr. Bovis. Mr. Bovis has not been awarded any lease in the Salesforce Transit Center, and the Authority is not aware that any other scheme Mr. Nuru may have engaged in in his former position as Chair of the Authority Board has come to fruition.

The Authority understands that the City Attorney's Office, in conjunction with the City Controller's Office, is seeking to identify officials, employees and contractors involved in the alleged schemes or other related conduct, and to identify contracts, grants, gifts, and other government decisions possibly tainted by conflicts of interest and other legal or policy violations. The Authority also understands that the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by federal complaints, and is considering retaining additional independent services relating to the matters described in the federal complaints. The Authority can give no assurance regarding when the City's internal investigation will be completed or what the outcome will be.

### **MUNICIPAL ADVISOR**

The Authority has retained Sperry Capital Inc., Sausalito, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2020 Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other securities public or otherwise.

### **CERTAIN LEGAL MATTERS**

All of the legal proceedings in connection with the authorization and issuance of the 2020 Bonds are subject to the approval of Nixon Peabody, LLP, Bond Counsel. Bond Counsel's final approving opinions with respect to the 2020 Bonds will be substantially in the form set forth in Appendix D of this Official Statement. Nixon Peabody LLP serves as Disclosure Counsel in connection with the preparation of this Official Statement. Certain legal matters will also be passed upon for the Authority by its General Counsel. Certain legal matters will also be passed upon for the Underwriters, by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriters' Counsel.

## **2020 TAX-EXEMPT BONDS TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2020 Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2020 Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2020 Tax-Exempt Bonds. Pursuant to the Indenture and the Tax Certificate, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2020 Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority described above, interest on the 2020 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the Authority in the Tax Certificate concerning the property financed with 2020 Tax-Exempt Bond proceeds, the investment and use of 2020 Tax-Exempt Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the Authority will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the 2020 Tax-Exempt Bonds from gross income under Section 103(a) of the Code in the event that any of such Authority representations are untrue or the Authority fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

### **State Taxes**

Bond Counsel is also of the opinion that interest on the 2020 Tax-Exempt Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other California or local tax consequences arising with respect to the 2020 Tax-Exempt Bonds nor as to the taxability of the 2020 Tax-Exempt Bonds or the income therefrom under the laws of any state other than California.

### **Original Issue Premium**

2020 Tax-Exempt Bonds sold at prices in excess of their principal amounts are “Premium 2020 Tax-Exempt Bonds.” An initial purchaser with an initial adjusted basis in a Premium 2020 Tax-Exempt Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium 2020 Tax-Exempt Bond based on the purchaser’s yield to maturity (or, in the case of Premium 2020 Tax-Exempt Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium 2020 Tax-Exempt Bond, an initial purchaser who acquires such obligation with

an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium 2020 Tax-Exempt Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium 2020 Tax-Exempt Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium 2020 Tax-Exempt Bonds.

### **Ancillary Tax Matters**

Ownership of the 2020 Tax-Exempt Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2020 Tax-Exempt Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2020 Tax-Exempt Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2020 Tax-Exempt Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2020 Tax-Exempt Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2020 Tax-Exempt Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2020 Tax-Exempt Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2020 Tax-Exempt Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2020 Tax-Exempt Bonds may occur. Prospective purchasers of the 2020 Tax-Exempt Bonds should consult their own tax advisors regarding the impact of any change in law on the 2020 Tax-Exempt Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2020 Tax-Exempt Bonds may affect the tax status of interest on the 2020 Tax-Exempt Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2020 Tax-Exempt Bonds, or the interest thereon, if any action is taken with respect to the 2020 Tax-Exempt Bonds or the proceeds thereof upon the advice or approval of other counsel.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2020 TAX-EXEMPT BONDS.

### **SENIOR 2020A-T BONDS TAX MATTERS**

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Senior 2020A-T Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Senior 2020A-T Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Senior 2020A-T Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Senior 2020A-T Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Senior 2020A-T Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Senior 2020A-T Bonds.

The Authority has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

#### **U.S. Holders**

As used in this section of the Official Statement, the term “U.S. Holder” means a beneficial owner of Senior 2020A-T Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Senior 2020A-T Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Senior 2020A-T Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Senior 2020A-T Bonds.

## **Taxation of Interest Generally**

Interest on the Senior 2020A-T Bonds is not excluded from gross income for federal income tax purposes under Code Section 103 and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Senior 2020A-T Bonds. In general, interest paid on the Senior 2020A-T Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a Bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the Senior 2020A-T Bonds and capital gain to the extent of any excess received over such basis.

## **Recognition of Income Generally**

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Senior 2020A-T Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Senior 2020A-T Bonds under the Code.

## **Market Discount**

A holder who purchases a Senior 2020A-T Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Senior 2020A-T Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Senior 2020A-T Bond who acquires such Senior 2020A-T Bond at a market discount also may be required to defer, until the maturity date of such Senior 2020A-T Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Senior 2020A-T Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Senior 2020A-T Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Senior 2020A-T Bond for the days during the taxable year on which the owner held the Senior 2020A-T Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Senior



2020A-T Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Senior 2020A-T Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Senior 2020A-T Bonds under the Code.

### **Senior 2020A-T Bond Premium**

A holder of a Senior 2020A-T Bond who purchases such Senior 2020A-T Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Senior 2020A-T Bonds held by the holder on the first day of the taxable year to which the election applies and to all Senior 2020A-T Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder’s yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Senior 2020A-T Bonds who acquire such Senior 2020A-T Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Senior 2020A-T Bonds.

### **Surtax on Unearned Income**

Section 1411 of the Code generally imposes a tax of 3.8 percent on the “net investment income” of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

### **Sale or Redemption of Senior 2020A-T Bonds**

A bondholder’s adjusted tax basis for a Senior 2020A-T Bond is the price such holder pays for the Senior 2020A-T Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Senior 2020A-T Bond other than “qualified stated interest” and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Senior 2020A-T Bond, measured by the difference between the amount realized and the bondholder’s tax basis as so adjusted, will generally give rise to capital gain or loss if the Senior 2020A-T Bond is held as a capital asset (except in the case of Senior 2020A-T Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Senior 2020A-T Bond are materially modified, in certain circumstances, a new debt obligation would be deemed “reissued”, or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of the Senior 2020A-T Bonds under the defeasance provisions of the Indenture could result in a deemed sale or exchange of such Senior 2020A-T Bond.

EACH POTENTIAL HOLDER OF SENIOR 2020A-T BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE OR REDEMPTION OR DEFEASANCE OF THE SENIOR 2020A-T BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SENIOR 2020A-T BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

### **Non-U.S. Holders**

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Senior 2020A-T Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a “Non-U.S. Holder”).

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act (“FATCA”), payments of principal by the Authority or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the Authority, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Authority (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Authority, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business and that also holds the Senior 2020A-T Bonds must certify to the Authority or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Authority or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Senior 2020A-T Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Senior 2020A-T Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Senior 2020A-T Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Senior 2020A-T Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Senior 2020A-T Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, Bondholders or beneficial owners of the Senior 2020A-T Bonds shall have no recourse against the Authority, nor will the Authority be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Senior 2020A-T Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Senior 2020A-T Bonds.

### **Information Reporting and Backup Withholding**

For each calendar year in which the Senior 2020A-T Bonds are outstanding, the Authority, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder’s name, address and taxpayer identification number (either the holder’s Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Authority, its agents or paying agents or a broker may be required to make “backup” withholding of tax on each payment of interest or principal on the Senior 2020A-T Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder’s federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Authority, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under “– Non-U.S. Holders” above), or has otherwise established an exemption (provided that neither the Authority nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Senior 2020A-T Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However,

information reporting (but not backup withholding) may apply to those payments if the broker is one of the following:

- a U.S. person;
- a controlled foreign corporation for U.S. tax purposes;
- a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Senior 2020A-T Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Senior 2020A-T Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

### **State Taxes**

Bond Counsel is also of the opinion that interest on the Senior 2020A-T Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other California or local tax consequences arising with respect to the Senior 2020A-T Bonds nor as to the taxability of the Senior 2020A-T Bonds or the income therefrom under the laws of any state other than California.

### **Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Senior 2020A-T Bonds for federal or state income tax purposes, and thus on the value or marketability of the Senior 2020A-T Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Senior 2020A-T Bonds. Prospective purchasers of the Senior 2020A-T Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Senior 2020A-T Bonds.

**IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SENIOR 2020A-T BONDS.**

## CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA (“ERISA Plans”). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein (“Qualified Retirement Plans”), and on Individual Retirement Accounts (“IRAs”) described in Section 408(b) of the Code (collectively, “Tax-Favored Plans”). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) (“Governmental Plans”), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) (“Church Plans”), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law (“Similar Laws”) which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the 2020 Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and persons who have certain specified relationships to the Benefit Plans (“Parties In Interest” or “Disqualified Persons”), unless a statutory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the 2020 Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Authority were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the “Plan Assets Regulation”), the assets of the Authority would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code if the Benefit Plan acquires an “equity interest” in the Authority and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the 2020 Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the 2020 Bonds, including the reasonable expectation of purchasers of 2020 Bonds that the 2020 Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the 2020 Bonds for ERISA purposes could change subsequent to issuance of the 2020 Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the 2020 Bonds or a characterization of the 2020 Bonds as other than indebtedness under applicable local law, the subsequent purchase of the 2020 Bonds or any interest therein by a Benefit Plan is prohibited.

However, without regard to whether the 2020 Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of 2020 Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Authority or the Issuing and Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the 2020 Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a 2020 Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by certain “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the 2020 Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a 2020 Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to (a) represent and warrant that either (i) it is not acquiring the 2020 Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the 2020 Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws, and (b) acknowledge and agree that a Benefit Plan may not purchase the 2020 Bonds (or any interest therein) at any time that the ratings on the 2020 Bonds are withdrawn or downgraded to below investment grade or the 2020 Bonds have been characterized as other than indebtedness for applicable local law purposes. A purchaser or transferee who acquires 2020 Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

In addition, each purchaser and each transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) of a 2020 Bond that is a Benefit Plan is deemed to represent and warrant that: (a) the decision to acquire the 2020 Bonds was made by the plan fiduciary; (b) the plan fiduciary is independent of the Authority, Trustee, and Underwriters; (c) the plan fiduciary meets the requirements of 29 C.F.R. § 2510.3-21(c)(1) and specifically is either a bank as defined in Section 202 of the Investment Advisers Act of 1940 or similar institution that is regulated and supervised and subject to periodic examination by a U.S. state or U.S. federal agency; an insurance carrier which is qualified under the laws of more than one U.S. state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan; an investment adviser registered under the Investment Advisers Act of 1940 or, if not registered as an investment adviser under the Investment Advisers Act by reason of paragraph(1) of Section 203A of the Investment Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business; a broker dealer registered under the Exchange Act; or holds, or has under its management or control, total assets of at least \$50 million (provided that this clause shall not be satisfied if the plan fiduciary is an individual directing his or her own individual plan account or is a relative of such individual); (d) the plan fiduciary is capable of evaluating investment risks independently, both in general

and with regard to particular transactions, and investment strategies, including the purchase or transfer of the 2020 Bonds; (e) the plan fiduciary is a “fiduciary” with respect to the plan within the meaning of Section (21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the acquisition, transfer or holding of the 2020 Bonds; (f) none of the Authority, Trustee, or Underwriters has exercised any authority to cause the Benefit Plan to invest in the 2020 Bonds or to negotiate the terms of the Benefit Plan’s investment in the 2020 Bonds; and (g) the plan fiduciary has been informed: (1) that none of the Authority, Trustee, or Underwriters are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the plan’s acquisition or transfer of the 2020 Bonds and (2) of the existence and nature of the Authority’s, Trustee’s, or Underwriters’ financial interests in the Benefit Plan’s acquisition or transfer of the 2020 Bonds.

None of the Authority, Trustee, or Underwriters is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the 2020 Bonds by any Benefit Plan.

Because the Authority, Trustee, Underwriters or any of their respective affiliates may receive certain benefits in connection with the sale of the 2020 Bonds, the purchase of the 2020 Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of 2020 Bonds using plan assets of a Benefit Plan should consult with its counsel if the Authority, the Trustees or the Underwriters or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the 2020 Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

## **CONTINUING DISCLOSURE**

The Authority has undertaken for the benefit of holders and beneficial owners of the 2020 Bonds to provide certain financial information relating to the Authority and other data relating to the Former State Owned Parcels not later than nine months after the close of each fiscal year (which currently would be by March 31 each year based upon the June 30 end of fiscal year), commencing with the report for the 2019-20 fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices will be filed by the Authority or its Dissemination Agent on behalf of the Authority, with the Municipal Securities Rulemaking Board (“MSRB”). The specific nature of the information to be contained in the Annual Report or the notices of events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” This undertaking has been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

A failure by the Authority to comply with the provisions of the Continuing Disclosure Certificate is not an event of default under the Indenture (although the holders and beneficial owners of the 2020 Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Continuing Disclosure Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2020 Bonds.

Therefore, a failure by the Authority to comply with the provisions of the Continuing Disclosure Certificate may adversely affect the marketability of the 2020 Bonds on the secondary market.

The Authority has not previously obligated itself to an undertaking pursuant to the Rule.

#### **MISCELLANEOUS**

All summaries of the Dissolution Act, the Redevelopment Law, Indenture, the Pledge Agreement, the Transbay Redevelopment Plan and other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2020 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

#### **TRANSBAY JOINT POWERS AUTHORITY**

By:   /s/ Mark Zabaneh    
Executive Director



**APPENDIX A**  
**FISCAL CONSULTANT REPORT**

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# FISCAL CONSULTANT REPORT

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## Transbay Redevelopment Project Area Former State Owned Parcels 2020 Tax Allocation Bonds

Prepared for:

Transbay Joint Powers Authority

Prepared by:

Seifel Consulting, Inc.  
Urban Analytics LLC



April 2020

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## A. Introduction

The Transbay Joint Powers Authority (“TJPA”) is proposing to issue one or more series of tax allocation bonds (collectively referred to as the “Series 2020 Bonds”). As part of the issuance process, TJPA has retained Seifel Consulting, Inc. and Urban Analytics LLC as fiscal consultants to evaluate available property tax increment revenues and to provide a Fiscal Consultant Report (the “Report”) on the Series 2020 Bonds.

The Report reviews various matters affecting TJPA’s receipt of property tax increment revenues and presents projections of the portion of property tax increment revenues attributable to certain parcels in downtown San Francisco that are irrevocably pledged to TJPA (“Net Tax Increment”).

The following findings summarize the key factors that affect the Net Tax Increment pledged to TJPA and serve as the basis for the revenue estimates and projections presented in this Report:

- TJPA is a joint exercise of powers authority with primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of a new multi-modal transit center in downtown San Francisco (the “Salesforce Transit Center”) as well as extension of Caltrain and future-planned California High-Speed Rail.
- To support that effort, the State of California agreed to convey to TJPA and the City and County of San Francisco (the “City”) more than 10 acres of land that it owned in downtown San Francisco (the “Former State Owned Parcels”). In exchange, under the Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement (the “Pledge Agreement”), the City and the former Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) irrevocably pledged to TJPA the Net Tax Increment attributable to the Former State Owned Parcels. The term of the pledge is 45 years after the effective date of the ordinance adopting the Redevelopment Plan for the Transbay Redevelopment Project Area (the “Redevelopment Plan”), with a termination date no earlier than June 21, 2050.
- Of the Former State Owned Parcels, seven large development parcels (the “Redevelopment Blocks”) are expected to generate material amounts of Net Tax Increment pledged to TJPA. Among these seven Redevelopment Blocks, five developments have been completed or are under construction and near completion. This Report projects Net Tax Increment pledged to TJPA based on the five Redevelopment Blocks that are at or near completion (Blocks 5, 6, 8, 9, and Parcel T), as well as from the land sale of the sixth Redevelopment Block (Parcel F). The Report does not assume any additional value or project any Net Tax Increment from the land sale of the seventh Redevelopment Block (Block 4) or future development on the two undeveloped Redevelopment Blocks (Block 4 and Parcel F).
- Land uses in the Redevelopment Blocks are predominantly office and residential uses.
- The FY 2019/20 assessed valuation of the Former State Owned Parcels as adjusted for the Pledge Factor (the “Adjusted Assessed Value”) is approximately \$3.3 billion, with 97 percent of this value attributable to the secured roll. (The Pledge Factor is described below in Section B.)
- In FY 2019/20, the Former State Owned Parcels are projected to generate about \$18.1 million in Net Tax Increment from the FY 2019/20 Adjusted Assessed Value, excluding revenue from supplemental assessments.
- All of the historical assessment appeals in the Former State Owned Parcels over the past five years have been resolved without a reduction in value. One of the Redevelopment Blocks has pending appeals for FY 2019/20. The amount of assessed value in dispute is \$62.1 million.
- As of FY 2018/19, no secured tax payments are delinquent within the Redevelopment Blocks, and prior delinquencies have been resolved.

This Report presents projections of the Net Tax Increment that is pledged to TJPA from the Redevelopment Blocks over the remaining term of the Redevelopment Plan, after taking into account relevant Redevelopment Plan and other legal obligations related to affordable housing and other taxing entities. This Report summarizes and relies upon the following information and legal documents:

- The Redevelopment Plan and the Pledge Agreement, including relevant terms and obligations,
- Valuation information provided by the San Francisco Office of the Assessor-Recorder (the “Assessor”),
- Assessment and apportionment practices of the San Francisco Office of the Controller (the “Controller”),
- Base year assessed valuation for the Former State Owned Parcels (as reported by the Controller),
- The current status and anticipated build-out of developments on the Redevelopment Blocks, provided by the San Francisco Office of Community Investment and Infrastructure, as the successor agency to the Former Agency (“OCII” or the “Successor Agency”), and,
- Other relevant information that informs the tax increment projections and annual redevelopment obligations.

A more detailed description of the information sources that were used in this Report is presented in the following sections and is noted on the supporting tables.

## **B. TJPA and Overview of Transbay Program**

TJPA is a joint exercise of powers authority formed pursuant to California Government Code sections 6500 et seq. and the Joint Powers Agreement, dated April 4, 2001, by and among the City, Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board-Caltrain. The Joint Powers Agreement was amended on November 9, 2017 to include the California High-Speed Rail Authority as a new member agency of TJPA.

### **1. Transbay Terminal Project**

TJPA was formed to undertake the “Transbay Program,” which consists of three interconnected elements:

- (1) Replacing the former Transbay Terminal (the “Former Transbay Terminal”),
- (2) Extending Caltrain and future-planned California High-Speed Rail underground from Caltrain’s current terminus at 4<sup>th</sup> and King Streets into the new downtown Salesforce Transit Center, and
- (3) Creating a new neighborhood with homes, offices, parks, and shops surrounding the Salesforce Transit Center and redeveloping the surrounding area.

The first two elements described above are collectively referred to as the “Transbay Terminal Project.”

Pursuant to Section 5027.1 of the California Public Resources Code, TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Terminal Project.

TJPA replaced the seismically deficient Former Transbay Terminal at First and Mission streets with the new Salesforce Transit Center. The Salesforce Transit Center is a six-story modern transportation hub that includes a two-level below-grade train box (the “Train Box”) for planned regional and high speed rail as well as ground floor and mezzanine levels that include a bus plaza for local and regional transit, an above-grade bus deck level, retail, and a rooftop park.

The rooftop park is a 5.4 acre 1,400-foot long public elevated park (known as “Salesforce Park”) that includes an outdoor amphitheater, gardens, trails, open grass areas, a children’s play space, as well as a restaurant and café space. A new off-site bus storage facility and bus ramp connects the Salesforce Transit Center with the San Francisco-Oakland Bay Bridge. Construction of the Salesforce Transit Center began in 2010, and the facility initially opened to the public in August 2018.

The Salesforce Transit Center was closed between September 25, 2018 and June 30, 2019 as a precaution after fissures were found in two beams on the third level Bus Deck at Fremont Street. TJPA determined the cause of the fissures, repaired and reinforced the area, conducted an exhaustive review of the facility, cooperated with an independent review, completed a facility-wide fire and life safety re-inspection program with City and State oversight, and recommissioned the entire facility. The Salesforce Transit Center reopened July 1, 2019.

The Salesforce Transit Center is surrounded by extensive redevelopment, including completed (or substantially completed) development on five of the seven Redevelopment Blocks.

## **2. Transbay Terminal Project Cost and Funding**

The overall approved budget to build the first phase of the Transbay Terminal Project, which principally included construction of the new Salesforce Transit Center and the Train Box, is approximately \$2.3 billion. The funding sources include land sales proceeds, property taxes, sales taxes, bridge tolls, development impact fees, a \$400 million American Recovery and Reinvestment Act grant, other federal and state grants, and a Transportation Infrastructure Finance and Innovation Act (“TIFIA”) loan. Funding sources also include proceeds of bonds backed by Mello Roos Community Facilities District (“CFD”) special taxes issued by the City and County of San Francisco for its Community Facilities District No. 2014-1 (Transbay Transit Center), also referred to as the “CFD Bonds.” The CFD special taxes do not secure the TJPA’s Series 2020 Bonds.

The planned rail extension component of the Transbay Terminal Project will extend the Caltrain rail tracks from their existing terminus at 4<sup>th</sup> and King streets into the below-grade Train Box of the Salesforce Transit Center. The project was initially approved in 2005. TJPA has made modifications to certain components of the project since that time, with the most recent approvals in December 2018. The Federal Transit Administration issued an Amended Record of Decision for the project in July 2019, and the project, including the preferred Pennsylvania Avenue alignment, has received full environmental clearance. Additionally, in September 2018, the San Francisco County Transportation Authority adopted the Pennsylvania Avenue alignment as the preferred alternative for achieving grade separation at certain intersections in the City on the approach to the transit center.

The bottom level of the Train Box will be the train station platform and will have three passenger platforms planned to accommodate six train tracks for Caltrain and California High-Speed Rail. The lower concourse is one level below grade and will serve as the passenger connection between the Salesforce Transit Center building ground floor and the train station platform. Space will be provided in the concourse for retail, ticketing and bike storage. The rail extension is currently in the design phase.

## **C. Pledge of Net Tax Increment to TJPA**

This section presents an overview of the Pledge Agreement and the calculation of Net Tax Increment. As further described in this Report, the seven Redevelopment Blocks within the Former State Owned Parcels are expected to be the primary generators of Net Tax Increment. This section also describes the current outstanding debt secured by Net Tax Increment.

## 1. Cooperative Agreement and Pledge Agreement

On July 11, 2003, the State of California (the “State”) acting by and through its Department of Transportation (“Caltrans”) entered into a Cooperative Agreement with the City and TJPA pursuant to which the State agreed to transfer the Former State Owned Parcels to the City and/or TJPA for construction of the Transbay Terminal Project or development consistent with the Redevelopment Plan. These Former State Owned Parcels became available following the demolition of the Embarcadero Freeway and its offramps in the aftermath of the 1989 Loma Prieta earthquake.

Under the Cooperative Agreement, the City covenanted that all Net Tax Increment generated from the development of the Former State Owned Parcels shall be provided to TJPA to use for any costs associated with the construction and design of the Transbay Terminal Project. Net Tax Increment, as defined in the Cooperative Agreement, generally includes property tax increment revenues net of certain administrative costs, pass through payment obligations to taxing entities and affordable housing obligations from these parcels.<sup>1</sup>

On January 31, 2008, the City, the Former Agency, and TJPA entered into the Pledge Agreement pursuant to which the City and the Former Agency irrevocably pledged Net Tax Increment attributable to the Former State Owned Parcels (and any interest thereon) to TJPA for costs associated with construction and design of the Transbay Terminal Project.

TJPA receives Net Tax Increment attributable to the Former State Owned Parcels according to the formula specified in the Pledge Agreement, which deducts the statutorily mandated pass through payments to taxing entities (the “pass through payments”) and 20 percent of gross tax increment for the housing set-aside revenue (the “Housing Fund”) from the tax increment generated by the Former State Owned Parcels.<sup>2</sup>

The pledge of Net Tax Increment attributable to the Former State Owned Parcels was approved as an enforceable obligation by the State of California Department of Finance (“DOF”) in a Final and Conclusive Determination letter dated April 15, 2013. OCII includes the Pledge Agreement as an enforceable obligation on its Recognized Obligation Payment Schedules (“ROPS”). Net Tax Increment attributable to the Former State Owned Parcels is transferred to TJPA by OCII following each semi-annual Redevelopment Property Tax Trust Fund (“RPTTF”) distribution.

## 2. Allocation of Net Tax Increment to TJPA

In order to calculate the allocation of Net Tax Increment to TJPA according to the Pledge Agreement, the Assessor assigns an internal tax code designation to the Former State Owned Parcels. The Controller uses this tax code designation to identify and tabulate Former State Owned Parcel assessments on the regular secured and unsecured rolls as well as supplemental and escape assessments. The Controller then applies the one percent property tax levy and deducts pass through payments and the Housing Fund obligations, to

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<sup>1</sup> The Redevelopment Plan likewise provides that the Former Agency shall allocate and pay to or on behalf of TJPA the Net Tax Increment attributable to the Former State Owned Parcels to pay costs associated with the construction and design of the Transbay Terminal Project.

<sup>2</sup> Although Redevelopment Dissolution Law eliminated the Housing Fund requirement, the Successor Agency has affordable housing obligations pursuant to the Transbay Implementation Agreement and Statewide legislation providing for the continued collection of Housing Funds. The Pledge Agreement also provides for an adjustment in Net Tax Increment to account for reimbursable administrative costs of the Controller associated with the tax increment collection and allocation process. Please refer to Section G for a description of Redevelopment Dissolution Law.



arrive at the amount of Net Tax Increment attributable to the Former State Owned Parcels and payable to TJPA in the January and June RPTTF distributions.<sup>3</sup>

The tax code designation mechanism was implemented to ensure consistent identification of Former State Owned Parcels from year to year. The Controller, in consultation with OCII and TJPA, has identified overpayments to TJPA that occurred in prior fiscal years. These prior-year overpayments have been repaid through deductions in subsequent Net Tax Increment transfers, with a final recovery of about \$1.6 million that was deducted from the January 2020 Net Tax Increment payment to the TJPA, as further described below.

Under the terms of the Pledge Agreement, where any Former State Owned Parcels are consolidated with adjacent land into a merged development site, TJPA shall be accorded, at a minimum, a portion of Net Tax Increment from such site calculated on a proportionate square foot basis. To determine the minimum Net Tax Increment pledged to TJPA from one or more Former State Owned Parcels that are part of a merged development site, this Report assumes that the basis for determining the Net Tax Increment shall be calculated as a percentage of Assessed Value based on the total aggregate square feet of land area of a Former State Owned Parcel compared to the total aggregate square feet of land area for the merged development site based on Assessor parcel records. This percentage, referred to in this Report as the “Pledge Factor,” is used to calculate the Adjusted Assessed Value from the Former State Owned Parcels and the minimum amount of Net Tax Increment that is attributable to the Former State Owned Parcels and pledged to TJPA under the Pledge Agreement, as further described below.

### **3. Outstanding Debt Secured by Net Tax Increment**

TJPA and the United States Department of Transportation previously entered into the TIFIA Loan Agreement, dated as of January 1, 2010, to finance a portion of the costs of the Transbay Terminal Project (the “TIFIA Loan,” as amended). The City and TJPA also previously entered into a Leaseback Lease, dated as of January 1, 2017, to finance a portion of the Transbay Terminal Project (the “City Financing”). Net Tax Increment is pledged to repayment of the TIFIA Loan and the City Financing, on parity.

The City and TJPA expect that the outstanding balance on the TIFIA Loan (approximately \$179 million as of February 1, 2020) will be repaid in full with a portion of the net proceeds of the Series 2020 Bonds, and the outstanding balance of the City Financing (approximately \$76 million as of January 31, 2020) will be repaid with proceeds from the City’s third issuance of CFD Bonds, with any remaining outstanding amount to be repaid with a portion of the net proceeds of the TJPA’s Series 2020 Bonds.

### **D. Description of Transbay Project Area and Former State Owned Parcels**

The Redevelopment Plan was adopted by the Board of Supervisors of the City on June 21, 2005, pursuant to Ordinance No. 124-05 for the purpose of establishing a base year for tax increment financing, and by Ordinance No. 99-06 on May 9, 2006 for the purpose of authorizing certain steps to implement the Redevelopment Plan, among other things.

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<sup>3</sup> The Controller may also deduct an amount to reimburse the Controller’s administrative costs related to the tax increment collection and allocation process, although historically the Controller has not allocated a specific amount for administration cost recovery to the Former State Owned Parcels. The Controller could elect to change this practice in the future as further described later in this report.

## 1. Transbay Redevelopment Project Area

The Redevelopment Plan established the Transbay Redevelopment Project Area (the “Project Area”), which consists of approximately 40 acres in the area around the Salesforce Transit Center generally bounded by Mission Street, Main Street, Folsom Street and Second Street, with a portion extending to Harrison Street. The Project Area includes both Former State Owned Parcels as well as other public and private properties (the “Non-State Owned Parcels”).

The Project Area is envisioned to be the most transit-rich neighborhood on the West Coast and one of the most transit-oriented neighborhoods in the United States. The Project Area includes new commercial and housing development, most of which is located in new high-rise developments surrounding the Salesforce Transit Center. At least 35 percent of all new residential units constructed in the Project Area are required to be affordable housing units.

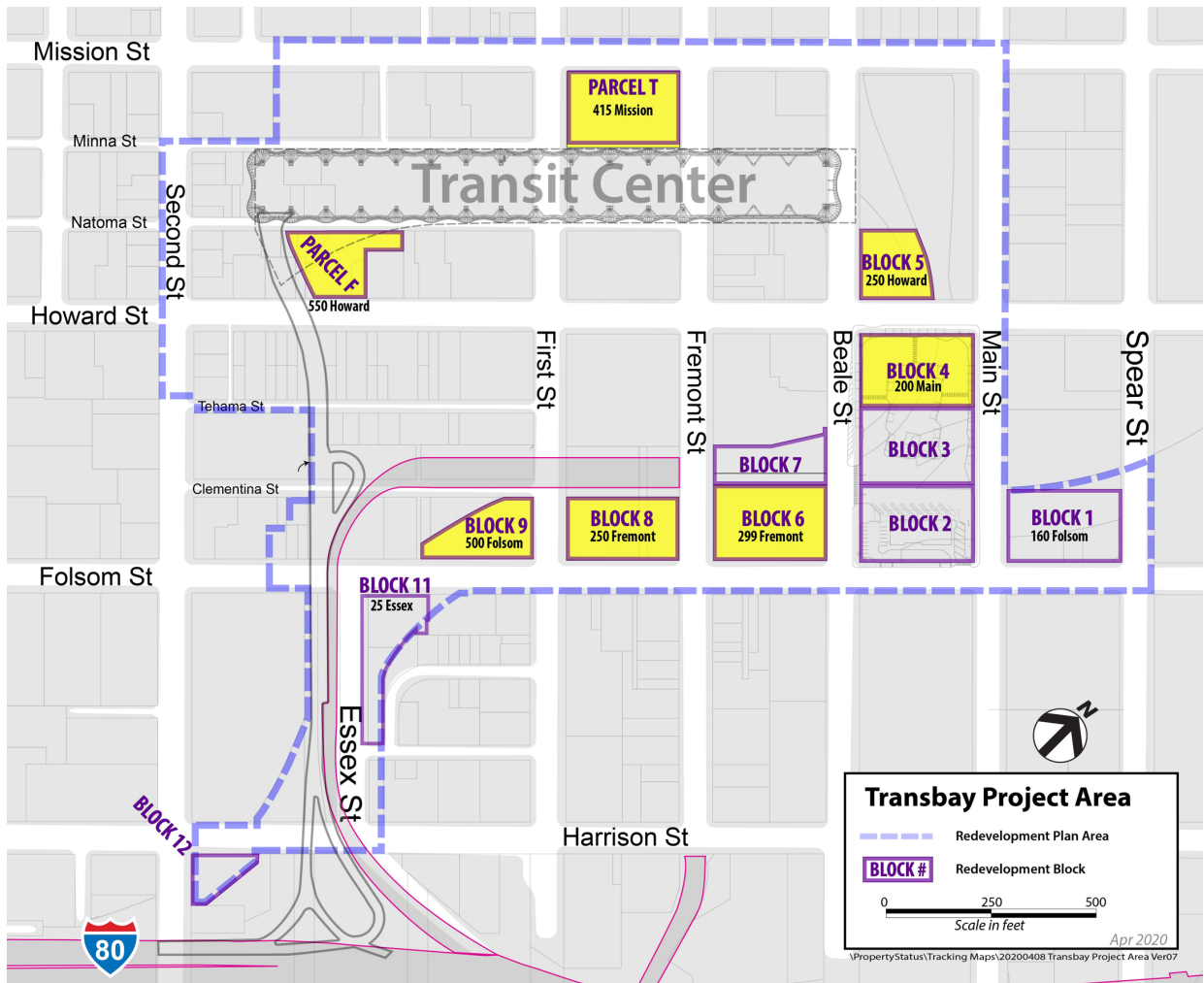
As described earlier, Net Tax Increment attributable to the Former State Owned Parcels is pledged to TJPA pursuant to the Pledge Agreement. Figure 1 shows the Project Area and highlights in yellow the seven Redevelopment Blocks that are expected to generate material amounts of Net Tax Increment pledged to TJPA.

This Report projects Net Tax Increment pledged to TJPA based on the five Redevelopment Blocks that are at or near completion (Blocks 5, 6, 8, 9, and Parcel T), as well as from the land sale of the sixth Redevelopment Block (Parcel F). The Report does not assume any additional value or project any Net Tax Increment from future development on two Redevelopment Blocks (Block 4 and Parcel F).<sup>4</sup>

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<sup>4</sup> Block 1 is not located on a Former State Owned Parcel and does not generate any Net Tax Increment pledged to TJPA. Block 2 and 3 are currently planned for 100% affordable housing and park developments and, thus, are not expected to generate Net Tax Increment pledged to TJPA. Blocks 7 and 11 are developed with affordable housing projects and do not generate significant Net Tax Increment. Block 12 is currently planned to include Transbay Terminal Project improvements.

Figure 1  
Transbay Redevelopment Project Area



## 2. Former State Owned Parcels

As described previously, the State, the City, and TJPA entered into the Cooperative Agreement pursuant to which the State agreed to transfer the Former State Owned Parcels to the City and/or TJPA for construction of the Transbay Terminal Project or development consistent with the Redevelopment Plan. On January 31, 2008, the City, TJPA, and the Former Agency entered into an Option Agreement for the Purchase and Sale of Real Property pursuant to which the City and TJPA granted an option to the Former Agency to acquire certain of the Former State Owned Parcels for assembly, re-parcelization, disposition, and development consistent with the requirements of the Redevelopment Plan.

As the Successor Agency to the Former Agency, OCII prepares the specified Former State Owned Parcels for disposition and development, including issuing requests for proposals, selecting developers to construct the improvements, entering into disposition and development agreements, and ensuring delivery of the requisite development program.

Of the Former State Owned Parcels, five developments have been completed (or substantially completed) on Blocks 5, 6, 8, 9, and Parcel T. The land comprising Parcel F has been sold to a private developer for future development, and the San Francisco Planning Commission approved the proposed project on January 8, 2020. Concurrent with the acquisition of Parcel F, the developer acquired an option to purchase the land on Block 4. The developer deposited \$500,000 to reimburse OCII for its cost to negotiate a disposition and development agreement for Block 4. Those negotiations are currently underway.

This Report projects Net Tax Increment pledged to TJPA based on the five Redevelopment Blocks that are at or near completion, and the actual land sales price for Parcel F. The Report does not assume any Net Tax Increment attributable to the land sales price for Block 4 or for future development on either Parcel F or Block 4.

Table 1 summarizes the FY 2019/20 assessed valuation for each of these seven Redevelopment Blocks. Because Block 5 and Parcel F are mergers of Former State Owned Parcels and adjacent parcels, this Report applies the Pledge Factor (described in Section C.2, above) to determine the minimum Net Tax Increment pledged to TJPA from these two merged Redevelopment Blocks. Table 1 shows the Adjusted Assessed Value for Block 5 and Parcel F after taking into account the Pledge Factor.

## 3. Development Program

The development program for each of the seven Redevelopment Blocks is described in the following pages based on information provided by the City, OCII and TJPA.<sup>5</sup> (Refer to Appendix Table A-1 for additional information regarding the Redevelopment Blocks.)

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<sup>5</sup> The development information presented in this Report was obtained during calendar year 2019 and early 2020, and the information may be subject to change as development and occupancy proceed. Information regarding when the developments received their Temporary Certificate of Occupancy (TCO) or Certificate of Occupancy (CO) is indicated in calendar years.

**Table 1**  
**Property Description and FY 2019/20 Assessed Value**  
**Former State Owned Parcels**

Property Description								FY 2019/20 Assessed Value (\$)				
Redevelopment Block <sup>a</sup>	Office		Residential Units			Total	Hotel Rooms	Secured (Unadjusted)	Unsecured (Unadjusted)	Total (Unadjusted)	Pledge Factor <sup>b</sup>	Adjusted Total <sup>b</sup>
	Number of Stories	Square Feet	Market Rate For Sale	Market Rate Rental	Market Rate (Rental)							
<b>Development Completed or Substantially Completed</b>												
Parcel T Salesforce Tower	61	1,420,000						1,691,744,881	85,338,369	1,777,083,250	100.0%	1,777,083,250
Block 6 Solaire <sup>c</sup>	32			409	70	479		302,255,088	924,107	303,179,195	100.0%	303,179,195
Block 5 Park Tower	43	767,000						601,638,811	46,112	601,684,923	90.9%	546,839,309
Block 8 The Avery <sup>c</sup>	56		118	279	151	548		333,656,197	0	333,656,197	100.0%	333,656,197
Block 9 500 Folsom <sup>c</sup>	42			428	109	537		239,207,067	385,600	239,592,667	100.0%	239,592,667
<b>Subtotal</b>		<b>2,187,000</b>	<b>118</b>	<b>1,116</b>	<b>330</b>	<b>1,564</b>		<b>3,168,502,044</b>	<b>86,694,188</b>	<b>3,255,196,232</b>		<b>3,200,350,618</b>
<b>Future Development</b>												
Parcel F Hines/Urban Pacific	61	276,000	165			165	189	119,330,878	0	119,330,878	97.0%	115,757,207
Block 4 <sup>d</sup> TJPA	45		151	196	336	683		0	0	0	100.0%	0
<b>Subtotal</b>		<b>276,000</b>	<b>316</b>	<b>196</b>	<b>336</b>	<b>848</b>	<b>189</b>	<b>119,330,878</b>	<b>0</b>	<b>119,330,878</b>		<b>115,757,207</b>
<b>Total</b>		<b>2,463,000</b>	<b>434</b>	<b>1,312</b>	<b>666</b>	<b>2,412</b>	<b>189</b>	<b>3,287,832,922</b>	<b>86,831,600</b> <sup>e</sup>	<b>3,374,664,522</b>		<b>3,316,245,237</b>

Note: Totals may not foot due to rounding.

- a. Blocks 7 and 11 are Former State Owned Parcels, but they do not generate significant property tax increment revenues as these properties are primarily developed with affordable housing, and a welfare property tax exemption has been granted for the affordable housing units. Given this, these properties are excluded from the analysis of the Redevelopment Blocks in this Report.
- b. Under the Pledge Agreement, the former Redevelopment Agency and City pledged a portion of property tax increment revenues attributable to the Former State Owned Parcels to the TJPA (“Net Tax Increment”). Block 5 and Parcel F are assembled development sites made up of Former State Owned Parcels and private parcels. This report assumes a percentage of tax increment generated by these assembled development sites is pledged to the TJPA based on the percentage of land area from the Former State Owned Parcels out of the total land area of the assembled development site (the “Pledge Factor”). See Pledge Agreement § 5.2.
- c. Based on information provided by the Assessor’s Office in October 2019, the assessed value of the affordable housing portion of these properties is expected to be \$0 or to be eligible for a property tax welfare exemption that would effectively reduces the assessed value to \$0.
- d. TJPA/OCII granted an option to the Parcel F developer to acquire Block 4 on certain terms and conditions. Based on information provided by TJPA and OCII, the land sale for Block 4 is estimated to be completed in the fourth quarter of 2020 for an assumed price of \$45 million, and future land value could be reflected on the roll in FY 2021/22, with the start of construction to potentially begin in the second quarter of 2021. Some or all of this value could be reduced to the extent the parcel is developed with affordable housing that qualifies for the welfare exemption.
- e. Total unsecured value includes \$137,412 attributable to a portion of Block 11. Block 11 primarily consists of affordable housing and is therefore not listed in the table.

Source: San Francisco Office of Community Investment and Infrastructure (OCII), San Francisco Controller’s Office, San Francisco Assessor’s Office, TJPA, Urban Analytics LLC.

**a. 415 Mission (Salesforce Tower/Parcel T)**

The Salesforce Tower is a high-rise office building with supporting retail uses that is located on Parcel T at 415 Mission Street, immediately adjacent to the Salesforce Transit Center. Boston Properties, a self-managed real estate investment trust traded on the New York Stock Exchange, is the owner of Salesforce Tower.

The building is currently the tallest in the City and the second-tallest building west of the Mississippi River with a top roof height of 970 feet and an overall height of 1,070 feet. The building has 61 floors with 13-foot high ceilings. The building is LEED® Core and Shell Platinum certified and contains a number of environmentally friendly features. The total leasable building square footage is approximately 1.4 million.

Occupancy of the building began in 2018, and Salesforce.com, Inc. purchased the naming rights for the building. As of the date of this Report, it is TJPA’s understanding that the office space has been substantially leased. According to Costar, Salesforce.com has leased 864,000 square feet in the building, and other major tenants include Accenture, Covington & Burling, Bain & Company, Hellman & Friedman, and CBRE, which have leased office space ranging from 38,000 square feet to 126,000 square feet.

**Address**

- 415 Mission Street

**Property Owner**

- Boston Properties

**Development**

- 61 floors
- About 1.4 million sq. ft. office space
- About 9,800 sq. ft. retail
- Observation deck on top floor
- Connected to Salesforce Transit Center via pedestrian bridge and aerial gondola

**Current Status**

- Certificate of Occupancy (“CO”) in 2018
- Substantially leased
- Salesforce leased 864,000 sq. ft. for a 15-year term
- Other major tenants include Accenture, Covington & Burling, Bain & Company, Hellman & Friedman and CBRE

**Assessed Value**

- About \$1.8 billion in FY 2019/20



**b. 299 Fremont (Solaire/Block 6)**

The residential buildings located on Block 6 at 299 Fremont Street include a 32-story residential tower and 7 townhomes with a total of 409 rental units marketed as "Solaire." The owner is Block 6 Joint Venture, LLC, an affiliate of Golub Real Estate Corporation.

The 409 market rate apartments in Solaire range in size from approximately 420 square feet for studios to 1,560 square feet for two-bedroom, two-and-a-half bath units. Amenities include a fitness center, community room and kitchen, media room, game room, yoga studio, roof deck lounge and spa, as well as retail space on the ground floor. According to the developers and the Successor Agency, the buildings were completed in 2017. As of the date of this Report, TJPA believes the Solaire has been substantially leased.

Block 6 also includes a 70-unit affordable rental development that was developed by the non-profit housing developer, Mercy Housing California ("Mercy"). The affordable units in Block 6 are not assumed to generate Net Tax Increment as these units have been granted a welfare property tax exemption.

**Address**

- 299 Fremont Street

**Property Owner**

- Block 6 Joint Venture LLC  
(Golub Real Estate Corporation)

**Development**

- 32 floors
- 409 market rate rental units, including 7 townhomes
- About 9,000 sq.ft. retail
- Co-working lounge, outdoor spaces, fitness center

**Current Status**

- CO in 2017
- Substantially leased

**Assessed Value**

- About \$303 million in FY 2019/20





**c. 250 Howard (Park Tower/Block 5)**

The building located on Block 5 at 250 Howard Street is a 43-story, 605-foot tower that contains about 776,000 square feet of office and ground floor retail space. The owner is Park Tower Owner LLC (an entity controlled by MetLife Investment Management, John Buck Company and Golub & Company).

The building received its CO in October 2019. As of the date of this Report, all of the leasable office space (about 752,000 square feet) has been leased to Facebook.

The development site consists of an assemblage of about 25,688 square feet of Former State Owned Parcels and approximately 2,576 square feet of a former privately owned parcel. The developer has merged the Former State Owned Parcels and private parcel into a single parcel (APN 3718/040). This Report assumes a Pledge Factor for this parcel of 90.9 percent based on a per square foot contribution of the Former State Owned Parcel to the development site.

**Address**

- 250 Howard Street

**Property Owner**

- Park Tower Owner LLC  
(MetLife, John Buck and Golub)

**Development**

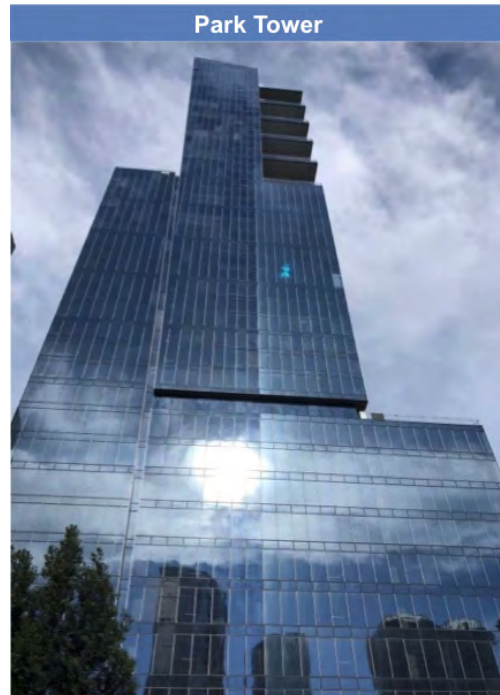
- 43 floors
- About 767,000 sq.ft. office space
- About 8,600 sq.ft. retail

**Current Status**

- CO in 2019
- Office space all pre-leased by Facebook

**Assessed Value**

- About \$547 million in Adjusted Assessed Value in FY 2019/20 (after 90.9% Pledge Factor adjustment)
- Additional value expected to be added to the rolls in the next three fiscal years reflecting completed construction and lease-up.





**d. 450 and 488 Folsom; 250 Fremont (The Avery/Block 8)**

The development on Block 8 consists of a 56-story tower and mid-rise buildings that include 118 for-sale condominiums, 279 market rate rental apartments, 151 affordable housing units, and ground floor retail located around a central open space. All of the condominium units are located on the upper floors of the tower, and eight penthouse condominium units are located on the highest floors. The tower, marketed as “The Avery,” includes a lobby, shared laundry facility, rooftop community garden, community room, an outdoor play area, and bicycle parking available in the parking garage.

The Related Companies developed The Avery in collaboration with Tenderloin Neighborhood Development Corporation (“TNDC”), a non-profit housing developer. The property has three ownership entities: T8 Urban Housing Associates LLC, T8 Urban Condo Owner LLC, and OCII. The affordable housing units on Block 8 are not assumed to generate Net Tax Increment in this Report, as TNDC would be eligible for a welfare property tax exemption for the affordable housing units.

Leasing of the apartments and sales of the condominiums commenced in 2019, and the developer has received all required permits for occupancy. As of December 31, 2019, data from the Assessor indicates that twelve of the condominiums have been sold at an average price of about \$3.1 million per unit. The affordable units are fully leased.

**Address**

- 450 and 488 Folsom Street (tower)
- 250 Fremont Street (mid-rise buildings)

**Property Owner**

- T8 Urban Housing Associates LLC  
(The Related Companies)

**Development**

- 56 floors
- 118 for-sale condos on upper floors
- Condos listed from \$1 million to \$40 million (penthouse)
- 279 market rate apartments
- About 17,000 sq.ft. retail
- 24/7 attended lobby with concierge, pet spa, exclusive-use car share service, bicycle storage with maintenance station

**Current Status**

- CO in 2020
- Leasing and sales ongoing
- Twelve condominiums reported to have been sold

**Assessed Value**

- About \$334 million in FY 2019/20
- Additional value expected to be added to the rolls in the next three fiscal years reflecting completed construction and lease-up.



**e. 500 Folsom (Block 9)**

500 Folsom Street is a 42-story tower with 537 rental apartments and ground floor retail space that is currently being leased and is in the final stages of construction. Essex Property Trust developed the property in collaboration with TMG Partners and the non-profit developer BRIDGE Housing (“BRIDGE”).

The residential units include 428 market rate apartments as well as 109 affordable housing apartments in studio, one- and two-bedroom units. The building contains social spaces and amenities such as a spa, gated underground parking, community gardens, fitness center, yoga and spin rooms, and a community room.

Leasing commenced for the building in Summer 2019, and the developer secured all permits for residential occupancy and use in February 2020. The affordable housing units on Block 9 are not assumed to generate Net Tax Increment in this Report as BRIDGE would be eligible for a welfare property tax exemption for the affordable housing units.

**Address**

- 500 Folsom Street

**Property Owner**

- Block 9 MRU Residential LLC  
(Essex Property Trust and TMG)

**Development**

- 42 floors
- 428 market rate apartments
- About 6,800 sq.ft. retail and amenities, including fitness club, pet spa, concierge

**Current Status**

- Temporary Certificate of Occupancy (“TCO”) for occupancy of all units in 2020, and CO anticipated in 2020
- Leasing has begun

**Assessed Value**

- About \$240 million in FY 2019/20
- Additional value expected to be added to the rolls in the next three fiscal years reflecting completed constructions and lease-up.



**f. 550 Howard (Parcel F)**

Parcel F was sold for \$160 million in 2016 to F4 Transbay Partners LLC, a joint venture of Urban Pacific Development, LLC, Hines F4 Associates Limited Partnership, and Broad Street Principal Investors, LLC (Hines/Urban Pacific). Parcel F consists of Former State Owned Parcels and parcels that TJPA acquired. The developer received approvals from the San Francisco Planning Commission on January 8, 2020 to build a 61-story tower containing office space (about 276,000 gross square feet), a hotel (189 rooms), and market rate, for sale residential units (165 units). The developer is proposing to provide additional affordable housing units on Block 4 in order to meet the affordable housing obligation for Parcel F.

The start of construction is estimated to begin in the second quarter of 2021. The office development schedule will require approval under the City’s Proposition M, which regulates the allocation of office to development projects. As described on the City’s website, Proposition M amended the City’s Office Development Annual Limit Program to generally restrict the amount of office space authorized in a given year to 950,000 gross square feet. Of this total, 875,000 gross square feet is available for projects with at least 50,000 gross square feet of office space, while the remainder is reserved for smaller office projects. Office space that is not allocated in a given year is carried over to subsequent years.

In March 2020, voters in San Francisco passed Proposition E, “Limits on Office Development,” which will link the amount of office space to be authorized to the City’s performance regarding its affordable housing needs according to the Regional Housing Needs Allocation (“RHNA”). Proposition E has created Central SoMa Incentive Reserve and allows certain exceptions to these proposed limitations, which would likely apply to Parcel F because its developer submitted its proposal to the Planning Department before September 11, 2019. At the time of this Report, Parcel F is an assemblage of four parcels, a portion of which consists of Former State Owned Parcels. This Report assumes Net Tax Increment from Parcel F would be limited to 97 percent of the assessed value from assessor parcels 3721-135 and 3721-136, which reflects a Pledge Factor that is based on a per square foot contribution of the Former State Owned Parcel. No assessed value is assumed to be pledged from the remaining assessor parcels 3721-016 and 3721-138 that are part of Parcel F.

**Address**

- 550 Howard Street

**Property Owner**

- Hines and Urban Pacific

**Current Development Plan**

- Mix of hotel, residential and office uses
- Ground floor retail
- Future access to Salesforce Park

**Current Status**

- Development entitlements underway
- Office allocation required from the City

**Assessed Value**

- \$116 million Adjusted Assessed Value in FY 2019/20 (after 97% Pledge Factor adjustment)
- Future value from planned development is not forecasted at this time.



**g. 200 Main (Block 4)**

Block 4 at 200 Main Street is currently owned by TJPA. This Redevelopment Block is 45,377 square feet in size and represents the northern third of the block bounded by Howard, Folsom, Main, and Beale streets (the site of the former Temporary Terminal).

OCII granted an option to the Parcel F developer to acquire Block 4 on certain terms and conditions, and the Parcel F developer is proposing to provide additional affordable housing units on Block 4 to meet the affordable housing obligations attributable to Parcel F.<sup>6</sup> Based on information provided by TJPA, the land sale for Block 4 is estimated to be completed in the fourth quarter of 2020 for an assumed price of \$45 million, and the future land value could be reflected on the roll in FY 2021/22, with the start of construction to potentially begin in the second quarter of 2021. No Net Tax Increment from Block 4 is assumed in the projections used in this Report.

Based on information provided by OCII, the developer is proposing a 47-story mixed income residential tower with an adjacent 16-story mid-rise building. The proposed development would include 683 units, consisting of 347 market rate units (196 market rate apartments and 151 market rate condominiums) and 336 affordable units as both stand-alone and inclusionary housing units. The development program is still being refined and could contain additional affordable housing units beyond what is currently proposed.

**Address**

- 200 Main Street

**Property Owner**

- TJPA
- Successor Agency option to acquire; Successor Agency granted option to Parcel F developer

**Current Development Plan**

- Mix of for-sale and rental housing units
- Ground floor retail

**Current Status**

- Negotiations underway
- Affordable housing obligations for development of Parcel F may be transferred to this block

**Secured Assessed Value**

- \$0 in FY 2019/20
- Future value from planned development is not forecasted at this time.



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<sup>6</sup> As described earlier, the developer deposited \$500,000 to reimburse OCII for its cost to negotiate a Disposition and Development agreement (“DDA”) for Block 4. Those negotiations are currently underway. Subject to future negotiations and approval of a DDA for Block 4, the Parcel F developer would have the right to purchase Block 4 for (1) \$45 million, or (2) a price determined by negotiation with OCII after the parties have agreed on all terms of the DDA except price, or (3) the fair market value of Block 4 subject to the terms of the DDA as determined by an appraisal process set forth in the Block 4 Option Agreement.

## E. Assessed Value in Former State Owned Parcels

Taxable assessed value from the Former State Owned Parcels has grown over recent years as new development has occurred on various Redevelopment Blocks. This section provides an overview of historical assessed values and the current assessed value by land use in the Former State Owned Parcels.

### 1. Assessed Value Growth

Table 2 presents historical assessed values and tax increment revenue based on the one percent property tax rate and actual receipts by TJPA.

**Table 2**  
**Former State Owned Parcels Historical Assessed Valuations and Tax Increment Revenues**

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>Adjusted Assessed Value (\$) <sup>a</sup></b>						
<b>Secured and Utility</b>						
Land	194,866,000	229,941,273	233,435,973	639,081,618	651,863,247	649,408,592
Improvements	7,993,342	85,689,076	251,067,248	608,470,411	1,770,651,719	2,615,672,487
Personal Property	0	0	0	0	0	0
Homeowner Exemptions	0	0	0	0	0	0
<u>Other Exemptions</u> <sup>b</sup>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,663,239)</u>
<b>Secured Total</b>	<b>202,859,342</b>	<b>315,630,349</b>	<b>484,503,221</b>	<b>1,247,552,029</b>	<b>2,422,514,966</b>	<b>3,229,417,840</b>
<b>Unsecured</b>						
Land	0	0	0	0	0	0
Improvements	2,304	1,055,700	67,204	62,247	29,837,640	53,313,785
Personal Property	8,990,520	397,885	54,789	126,547	904,635	33,513,612
<u>Exemptions</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Unsecured Total</b>	<b>8,992,824</b>	<b>1,453,585</b>	<b>121,993</b>	<b>188,794</b>	<b>30,742,275</b>	<b>86,827,397</b>
<b>Total Incremental Adjusted Assessed Value</b>	<b>211,852,166</b>	<b>317,083,934</b>	<b>484,625,214</b>	<b>1,247,740,823</b>	<b>2,453,257,241</b>	<b>3,316,245,237</b>
<b>Net Tax Increment to TJPA (\$)</b>						
<b>Calculated Net Tax Increment to TJPA</b>						
Incremental Revenue (1%)	2,118,522	3,170,839	4,846,252	12,477,408	24,532,572	33,162,452
Less: County Administrative Fee <sup>c</sup>	0	0	0	0	0	(9,949)
Less: Housing Fund	(423,704)	(634,168)	(969,250)	(2,495,482)	(4,906,514)	(6,632,490)
<u>Less: Pass Through Payments</u>	<u>(423,704)</u>	<u>(634,168)</u>	<u>(1,070,696)</u>	<u>(3,050,918)</u>	<u>(6,179,135)</u>	<u>(8,418,518)</u>
<b>Net Tax Increment to TJPA</b>	<b>1,271,113</b>	<b>1,902,504</b>	<b>2,806,306</b>	<b>6,931,008</b>	<b>13,446,923</b>	<b>18,101,495</b>
<b>Annual Remittance Payments to TJPA</b>						
Plus: Supplemental and Escape Assessments <sup>d</sup>	232,056	324,259	532,464	2,778,292	1,966,199	1,222,735
Plus: Overpayments <sup>e</sup>	3,769	492,121	42,051	6,774,241	11,529	0
<u>Less: Overpayment Adjustments</u> <sup>f</sup>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(872,236)</u>	<u>(5,246,230)</u>	<u>(1,588,878)</u>
<b>Total Revenue After Adjustments</b>	<b>1,506,938</b>	<b>2,718,884</b>	<b>3,380,821</b>	<b>15,611,306</b>	<b>10,178,421</b>	<b>17,735,352</b> <sup>g</sup>

Note: Totals may not foot due to rounding.

a. Adjusted assessed value represents the assessed value after application of the Pledge Factor.

b. Other exemptions represent the property tax welfare exemption for affordable housing units in Blocks 8 and 9.

c. The Controller has not historically allocated an amount for administration cost recovery to the Former State Owned Parcels as it is permitted to do under Revenue and Taxation Code, Section 95.3 property tax administration costs from the successor agency. This table and the projections included in this Report assume these cost recoveries will be made in FY 2019/20 and future years at 0.03% of tax increment.

d. Supplemental and Escape Assessments for FY 2019/20 include payments received in January; additional revenue is expected in June.

e. Overpayments relate to tax increment revenues from non-pledged parcels and the inclusion of housing fund revenue in TJPA remittances in current and/or prior years. In FY 2013/14, there was an overpayment in the amount of \$383,632.39 that was incorporated into the overpayment adjustment for FY2017/18.

f. These overpayment adjustments take into account overpayments for non-pledged parcels and inclusion of housing fund revenue from prior periods.

g. Total revenue after adjustments in FY 2019/20 is estimated based on the Controller's calculations for the January 2020 Net Tax Increment payment to the TJPA.

Source: San Francisco Assessor's Office, San Francisco Controller's Office, Urban Analytics LLC.

Based on assessment roll data provided by the Assessor, the Adjusted Assessed Value of the Former State Owned Parcels is about \$3.3 billion in FY 2019/20, after deducting all exemptions. This represents an increase of 38 percent over the FY 2018/19 valuation, largely due to sales and new construction.

The secured roll accounts for 97 percent of the total Adjusted Assessed Value in the Former State Owned Parcels in FY 2019/20, with the unsecured roll comprising about 3 percent.<sup>7</sup> According to Assessor records, no utility roll value (\$0) is allocated to any of the Former State Owned Parcels. The unitary utility roll is based on countywide assessments and is not reported by project area. The base year value of the Former State Owned Parcels is \$0; therefore, the total Adjusted Assessed Value is equal to the incremental Adjusted Assessed Value.

Table 3 shows historical assessed values by Redevelopment Block.

**Table 3**  
**Historical Adjusted Assessed Values by Redevelopment Block, FY 2014/15 to FY 2019/20**

Fiscal Year	Parcel T Salesforce Tower	Block 6 Solaire	Block 5 Park Tower	Block 8 The Avery	Block 9 500 Folsom	Parcel F Hines/Urban Pacific	Block 4 TJPA	All Others <sup>a</sup>	Total
<b>Adjusted Assessed Value (\$)</b>									
FY 2014/15	201,657,154	0	0	0	0	0	0	10,195,012	211,852,166
FY 2015/16	275,491,185	37,867,180	0	0	0	0	0	3,725,569	317,083,934
FY 2016/17	331,152,458	149,636,813	4,472	0	0	0	0	3,831,471	484,625,214
FY 2017/18	560,839,459	146,494,358	238,656,127	72,420,000	112,551,093	114,697,117	0	2,082,669	1,247,740,823
FY 2018/19	1,366,150,889	291,266,692	349,678,087	180,728,400	146,305,302	116,991,058	0	2,136,813	2,453,257,241
FY 2019/20	1,777,083,250	303,179,195	546,839,309	333,656,197	239,592,667	115,757,207	0	137,412	3,316,245,237

Note: Totals may not foot due to rounding.

a. The value for FY 2014/15 includes a \$6.6 million secured assessment on a Former State Owned Parcel, which was removed from the FY 2015/16 roll. The value for all other parcels includes secured value on three parcels on Block 11 as well as unsecured value.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

## 2. Largest Property Owners

Table 4 shows the ten largest assessesees in the Former State Owned Parcels for FY 2019/20, along with a comparison to the total valuation for the area as a whole. All of the ten largest assessesees are located on the Redevelopment Blocks. The percentage of total valuation attributable to each owner is calculated by dividing the owner's valuation into the total valuation for the Former State Owned Parcels. The valuation of the top ten property owners in the Former State Owned Parcels represents approximately 99.9 percent of the total valuation of all of the Former State Owned Parcels, with the remaining value being associated with unsecured value on the Former State Owned Parcels.

<sup>7</sup> Property subject to ad valorem taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor. The secured roll is that part of the assessment roll containing State- assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."



**Table 4  
Largest Property Owners in the Former State Owned Parcels, FY 2019/20**

Property Assessee	Redevelopment Block	Tenancy	Number of Assessor Parcels	Adjusted Secured Value (\$)	Adjusted Unsecured Value (\$)	Total Adjusted Assessed Value (\$)	Percent of Total AV
1 Transbay Tower LLC (Boston Properties)	Parcel T Salesforce Tower	Office	1	1,691,744,881	-	1,691,744,881	51.0%
2 Park Tower Owner LLC (MetLife/John Buck/Golub)	Block 5 Park Tower	Office	1	546,797,400	-	546,797,400	16.5%
3 Block 6 Joint Venture LLC (Golub)	Block 6 Solaire	Rental Residential	1	302,255,088	-	302,255,088	9.1%
4 Block 9 MRU Residential (Essex/TMG)	Block 9 500 Folsom	Rental Residential	5	239,207,067	-	239,207,067	7.2%
5 T8 Urban Condo Owner LLC (Related) <sup>a</sup>	Block 8 The Avery	For Sale Residential	118	217,325,470	-	217,325,470	6.6%
6 Parcel F Owner LLC (Hines/Urban Pacific) <sup>b</sup>	Parcel F	Vacant	2	115,757,207	-	115,757,207	3.5%
7 T8 Urban Housing Associates LLC (Related)	Block 8 The Avery	Rental Residential, Retail	11	116,330,727	-	116,330,727	3.5%
8 Salesforce.com Inc. <sup>c</sup>	Parcel T Salesforce Tower	Office Tenant	1	-	45,422,422	45,422,422	1.4%
9 415 Mission Street Tenant LLC <sup>c</sup>	Parcel T Salesforce Tower	Office Tenant	1	-	33,752,424	33,752,424	1.0%
10 MDC Venture Capital <sup>c</sup>	Parcel T Salesforce Tower	Office Tenant	1	-	5,048,529	5,048,529	0.2%
<b>Total, Top Ten</b>			<b>142</b>	<b>3,229,417,840</b>	<b>84,223,375</b>	<b>3,313,641,215</b>	<b>99.9%</b>
Total, All Others			103	-	2,604,022	2,604,022	0.1%
<b>Totals, Former State Owned Parcels</b>			<b>245</b>	<b>3,229,417,840</b>	<b>86,827,397</b>	<b>3,316,245,237</b>	<b>100.0%</b>

Note: Totals may not foot due to rounding.

a. Based on property tax records, twelve condominium units were sold in 2019, for a combined total of \$37 million and an expected gain in assessed value of \$21.7 million on the FY 2020/21 roll; this increase is not included in the FY 2019/20 figures shown here.

b. This property is currently vacant. Proposed development includes office, hotel and condominium.

c. Businesses leasing space in the Salesforce Tower, assessed on the unsecured roll.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

### 3. Current Valuation by Land Use

As shown in Table 5, the land uses in the Former State Owned Parcels include commercial, for-sale residential and other residential uses. Commercial properties account for approximately 71% of the FY 2019/20 secured assessed value. As the completed construction value for Blocks 8 and 9 are fully enrolled, the percent of residential value will likely increase.

**Table 5  
Land Use in Former State Owned Parcels, FY 2019/20**

Land Use	Adjusted Assessed Value		Land Area		Parcels	
	FY 2019/20 (\$)	Percent	Acres	Percent	Number	Percent
Commercial						
Secured AV	2,254,249,368	68.0%	3.59	20.1%	13	5.3%
Unsecured AV	<u>86,827,397</u>	<u>2.6%</u>	<u>N/A</u>	<u>N/A</u>	<u>13</u>	<u>5.3%</u>
Subtotal	2,341,076,765	70.6%	3.59	20.1%	26	10.6%
For Sale Residential	217,325,470	6.6%	0.00	0.0%	118	48.2%
Rental Residential	642,085,795	19.4%	1.55	8.7%	12	4.9%
Vacant	115,757,207	3.5%	11.60	64.9%	86	35.1%
Other	<u>0</u>	<u>0.0%</u>	<u>1.12</u>	<u>6.3%</u>	<u>3</u>	<u>1.2%</u>
<b>Total</b>	<b>3,316,245,237</b>	<b>100.0%</b>	<b>17.86</b>	<b>100.0%</b>	<b>245</b>	<b>100.0%</b>

Note: Totals may not foot due to rounding.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

## F. Overview of Tax Increment

Property tax increment revenue is generated by the increase in property values within a project area over the base year value at the time the redevelopment plan was adopted. The county auditor-controller allocates to the successor agency the tax increment generated from the growth in assessed value above the base year assessed valuation for the project area and also apportions a share of state-assessed unitary revenue as well as revenue from supplemental assessments, as appropriate.<sup>8</sup>

### 1. Calculation of Property Tax and Tax Rates

The property tax revenue in San Francisco is distributed to all taxing entities within the tax rate areas comprising the City. The property tax share of taxing entities within San Francisco, including the Former State Owned Parcels, is as follows per the Controller:

<sup>8</sup> In San Francisco, the Controller allocates unitary revenue from all redevelopment project areas in San Francisco to OCII, and this revenue is not specifically allocated to the TJPA.



City and County of San Francisco <sup>9</sup>	64.588206 %
San Francisco Community College District	1.444422 %
San Francisco Unified School District	7.698857 %
Bay Area Air Quality Management District	0.208539 %
San Francisco Bay Area Rapid Transit District	0.632528 %
San Francisco County Office of Education	0.097335 %
<u>Educational Revenue Augmentation Fund (“ERAF”)</u>	<u>25.330113 %</u>
Total	100.000000 %

## 2. Allocation of Tax Increment Revenue

In redevelopment tax rate areas, the property tax revenue deriving from the base year assessed valuation is distributed to all other taxing entities within the tax rate areas comprising the project area. The distribution of the base year tax revenue is accomplished using the same apportionment process used to allocate property tax revenue in non-redevelopment tax rate areas. As noted earlier, the base year assessed value is \$0 for the Former State Owned Parcels.

### a. Housing Fund

Prior to Redevelopment Dissolution, California redevelopment law required agencies to maintain a low- and moderate-income housing fund, depositing 20 percent of gross tax increment revenues annually into the Housing Fund. Although the Redevelopment Dissolution Law eliminated this requirement, OCII continues to have a 20 percent affordable housing obligation through the Transbay Implementation Agreement and the Pledge Agreement.

### b. Pass Through Obligations

In 1994, all new redevelopment plans –and all existing plans amending certain fiscal terms or adding territory –became subject to a statutorily-defined set of pass through requirements and plan limitations generally known as AB1290 requirements. This legislation replaced a system of negotiated pass through agreements with a specific pass through formula that applied to all taxing entities. The Project Area was formed after the passage of AB1290 and has been subject to statutory pass throughs since its formation.

Statutory pass through payments are made from that portion of tax increment available for infrastructure financing and not from that portion of tax increment required to fund housing. Statutory pass through payments are made to all taxing entities receiving a portion of the basic one percent levy. The pass through payments are made in three periods, or tiers, each beginning in a different year - years one, eleven, and thirty-one after tax increment collection begins - and extending through the remaining duration.

The payments received by each taxing entity are based on a specified percentage of the growth in assessed valuation above a specified assessed value for each tier, multiplied by the property tax apportionment factor for the taxing entity and the specified percentage pass-through rate applicable to each tier, which is 25 percent of tier one increases, 21 percent of tier two increases and 14 percent of tier three increases. The percentages for each tier are calculated on tax increment after deducting the 20 percent set-aside to the Housing Fund.

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<sup>9</sup> This percentage share includes specific set-asides for special revenue funds as required by the Charter for library (about 2.5%), open space (about 2.5%) and children (about 4%) leaving a residual amount of about 56% that is dedicated to the General Fund.

In the case of those project areas formed after 1994, the first year of pass through payments is the first year in which tax increment is collected in the project area, and the base assessed value (\$0 for the Former State Owned Parcels) is used to calculate the tier one pass-through payments.<sup>10</sup> Thus, the tier one pass through is based on 20 percent of pledged tax increment from the Former State Owned Parcels.

The calculation of the tier two pass-through payments is based on the assessed value in the tenth year of tax increment collection, and the tier two payments begin in year 11. Similarly, the calculation of the tier three payments is based on the assessed value in the thirtieth year of tax increment collection, and the tier three payments begin in year 31.

The total amount of pass-through payments in FY 2019/20 is estimated to be \$8.4 million to the seven taxing entities within the Transbay Redevelopment Project Area, as shown in the table above.<sup>11</sup> In addition to the taxing entities, the Controller allocates a portion of revenue to the Educational Revenue Augmentation Fund (“ERAF”) for distribution to schools. ERAF was established by the State in FY 1992/93 to receive a portion of property tax revenue shifted from cities, counties and special districts for subsequent allocation to schools.<sup>12</sup>

### **c. Property Tax Administration Costs**

The Controller does not allocate a specific amount for administration cost recovery to the Former State Owned Parcels in order to recoup property tax administration costs from the successor agency as it is permitted to do under Revenue and Taxation Code, Section 95.3. The Controller could elect to change this practice in the future. While the Controller does charge the Successor Agency for its annual administrative costs, historically the Successor Agency has not allocated these costs to the Former State Owned Parcels.<sup>13</sup>

## **G. Legislation and ROPS Process**

California redevelopment was fundamentally changed as part of the FY 2011/12 State budget process. The passage of ABx1 26 dissolved redevelopment agencies and replaced them with successor agencies. This section describes the dissolution of redevelopment agencies and the allocation of tax increment revenues.

### **1. Redevelopment Dissolution**

Dissolution of all redevelopment agencies within California took effect February 1, 2012 following a court decision affirming ABx1 26. Additional clarifying legislation AB 1484 and SB 107 took effect June 28, 2012

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<sup>10</sup> The first year when tax increment was collected from the Project Area was FY 2013/14.

<sup>11</sup> The Children’s Fund, the Library Fund, and the Open Space Fund are entities of the City and County of San Francisco, and pass through payments to these funds are included in the pass through payments to the City’s General Fund in the tax increment projections in this Report.

<sup>12</sup> An appellate court decision in the Second Appellate District in southern California may affect the proportionate distribution of statutory pass-through payments to school districts and other taxing entities. The decision held that the school districts’ share, for pass-through payment calculation purposes, should take into account the amount the school districts receive from the ERAF fund. The decision was appealed to the California Supreme Court but the petition for review was denied. The City is not within the legal jurisdiction of the Second Appellate District. However, if the Successor Agency’s proportionate distribution of statutory pass-through payments to the school district and other taxing entities is challenged in court, the court may decide to follow the Second Appellate Court decision and require the county auditor-controller to pay a higher amount to the school districts in statutory pass-through payments, and a correspondingly lower amount to the ERAF fund. The total amount of statutory pass-through payments would not change.

<sup>13</sup> Based on input from the Controller, this Report estimates that 0.03 percent of tax increment could be dedicated to pay for these costs in the future (referred to as “County Admin Fee” in tax increment projections).

and September 22, 2015, respectively. ABx1 26, AB 1484 and SB 107 are jointly referred to in this Report as “Redevelopment Dissolution Law.”

Redevelopment Dissolution Law created successor agencies charged with paying off existing debt of the former redevelopment agencies and winding down the former agencies’ operations. Successor agencies are governed by seven-member oversight boards representing the taxing entities that share in the property tax revenues of a former redevelopment agency, as well as an employee representative of the former redevelopment agency. Beginning on July 1, 2018, a single oversight board governs all agencies in each county. Successor agencies are subject to a number of proscriptions intended to limit the scope of their actions.

Redevelopment Dissolution Law did not change the constitutional basis for the collection of property tax increment revenue contained in Article 16, Section 16. Property tax increment revenue continues to be calculated and allocated to a special fund of the successor agency now termed the Redevelopment Property Tax Trust Fund (“RPTTF”).

Redevelopment Dissolution Law did substantially change the mechanism to distribute tax increment revenue to successor agencies. Successor agencies are now required to create a schedule of payments, the Recognized Obligation Payment Schedule (“ROPS”), which serves as the basis for the distribution of property tax increment revenue to the successor agencies. The obligations appearing on the ROPS are limited to items deemed to be “enforceable” under the legislation, including debt service and contractual obligations entered into prior to June 29, 2011. Each ROPS must be approved by a successor agency’s oversight board and the State of California Department of Finance (the “DOF”). A successor agency will only receive money from the RPTTF to the extent that enforceable obligations are listed on its approved ROPS.

Prior to February 1, 2016, the ROPS were prepared twice each year and covered obligations coming due in the subsequent January-June period and the July-December period. Commencing February 1, 2016, the ROPS are prepared once per year and cover obligations coming due during the subsequent full fiscal year. Beginning July 1, 2016, agencies that have received a finding of completion may create a Last and Final ROPS listing all enforceable obligations, which, if accepted by the State of California Department of Finance (“DOF”), will serve as the basis for all future property tax increment revenue distributions by the respective county auditor-controller. The Successor Agency has not filed a Last and Final ROPS for the Project Area.

## **2. RPTTF Distribution**

The distribution of funds from the RPTTF is limited to the obligations listed on the ROPS. Distributions of RPTTF property tax increment revenue are made twice each year, on January 2 and June 1, with the January distribution applied to obligations due in the January-June period and the June distribution applied to obligations due in the July-December period.

Since Redevelopment Dissolution, pass-through payments are calculated and transferred by the county auditor-controller rather than by the successor agency. The Redevelopment Dissolution Law established a hierarchy of payments to be made from the RPTTF in each six-month period, a mechanism informally referred to as “the waterfall”:

1. The first payment is made to the local county auditor-controller and the State Controller’s Office to recover the cost of administering the Redevelopment Dissolution Law, if any.<sup>14</sup>

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<sup>14</sup> If the State Controller’s Office performs an audit of OCII, the State Controller’s Office may seek cost recovery by sending OCII an invoice to be paid from the RPTTF.

2. The second payment is the distribution of pass-through payments to taxing entities by the county auditor-controller.
3. The third payment is a distribution to the successor agency to meet its obligations on the ROPS for the payment period. This is the distribution by which TJPA receives Net Tax Increment pursuant to the Pledge Agreement.
4. The fourth payment is an administrative cost allowance for the successor agency, specified in the Redevelopment Dissolution Law as the greater of \$250,000 or 3 percent of the property tax revenue allocated to the successor agency.<sup>15</sup>
5. The fifth and final payment is a distribution of all remaining property tax increment revenue in the RPTTF to the affected taxing entities.

### **3. ROPS Requirements for Successor Agency**

The Redevelopment Dissolution Law includes a complex system of oversight and approvals. The oversight board is charged with approving the ROPS of the successor agency, which is then submitted to the county auditor-controller and DOF for review. DOF may reject some or all of the obligations on the ROPS; in this case, the ROPS would then be returned to the successor agency and the oversight board for revision. The State Controller, charged with overseeing the actions of the county auditor-controllers, provides additional oversight.

As described above, successor agencies are now required to list all obligations payable from tax increment revenue on their ROPS and may only receive the amount of tax increment revenue required to meet those listed obligations. The Successor Agency prepares a single ROPS each year, covering payments payable from revenue of the subsequent fiscal year. In order to have sufficient funds available in a subsequent period, the Successor Agency may identify on its ROPS an amount necessary to be retained in the RPTTF to be applied to obligations in a subsequent ROPS. If necessary to ensure payment of enforceable obligations, the Successor Agency may submit a single amendment to the annual ROPS by October 1 which, if approved, is effective for the subsequent January 1 to June 30 period.

Prior to submitting the annual ROPS, the Successor Agency and TJPA review the Controller's calculation of the amount of Net Tax Increment expected to be available from the Former State Owned Parcels. That amount is incorporated as a line item on the ROPS, which is then submitted to the Oversight Board for approval and filing with DOF by February 1 for the upcoming fiscal year. The Successor Agency has filed the required ROPS showing its obligations every year since Redevelopment Dissolution, and TJPA expects the Successor Agency to continue filing the ROPS in a timely manner.

On November 7, 2012, the Successor Agency submitted a petition to DOF requesting written confirmation that the Pledge Agreement, among other things, is an enforceable obligation. On April 15, 2013, DOF issued its final and conclusive determination that the Pledge Agreement is an enforceable obligation of the Former Agency.

### **4. RPTTF and ROPS Process for Former State Owned Parcels**

The Controller allocates tax revenue derived from assessed valuation in the Former State Owned Parcels semi-annually to the RPTTF. Prior to allocating revenue attributable to the Former State Owned Parcels in

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<sup>15</sup> Senate Bill 107 (SB 107) limited the successor agency's annual administrative cost allocation and added a cap on the successor agency's annual administrative costs whether transferred from the administrative cost allowance or other funds commencing July 1, 2016. The cap applies to all the successor agency's administrative costs regardless of source of funds, except for administrative costs transferred from bond proceeds or grants.

the semi-annual RPTTF payment periods, the parcels are identified by parcel number and assigned an internal tax code designation by the Assessor. The Controller uses this tax code designation to identify and tabulate Former State Owned Parcel assessments on the regular secured and unsecured rolls as well as supplemental and escape assessments.<sup>16</sup>

The January 2 and June 1 RPTTF payments to TJPA are determined by the Controller in cooperation with OCII (as the Successor Agency) and TJPA. For the regular secured roll, the assessed valuation from the Former State Owned Parcels is split evenly between the two RPTTF payments. For the unsecured roll, supplemental assessments and escape assessments, the Controller determines the assessed valuation based on taxes actually received.<sup>17</sup>

For Former State Owned Parcels that have been merged with parcels that are not Former State Owned Parcels, the Pledge Factor is applied to determine the Adjusted Assessed Value.<sup>18</sup> The Adjusted Assessed Value is multiplied by the one percent levy to determine gross tax increment, from which pass through payments, the 20 percent housing obligation and any county administration fees are deducted to arrive at the Net Tax Increment.

Unitary roll revenue is derived from utility properties including pipelines and other properties that are assessed on a countywide basis as a unit. These utility properties are distinguished from non-unitary utility properties that are assessed within their tax rate area. Property taxes on these unitary assessments are distributed to entities in the City using an allocation formula similar to the regular apportionment mechanism. The State Board of Equalization separately assesses non-unitary utility properties by their location within each county. According to the Controller, there is no revenue generated from the Former State Owned Parcels from either unitary or non-unitary utility properties.

The Controller provides a spreadsheet containing these calculations to the Successor Agency and TJPA for review prior to submitting the RPTTF payment to TJPA. As noted earlier, the annual RPTTF payment is limited to the amount of tax increment revenue that is required to meet the obligations that are listed on that year's ROPS.

Overpayments made to the TJPA in the years prior to FY 2019-20 have been tabulated by the Controller and reviewed by the Successor Agency and TJPA. A portion of these overpayments has been applied to the June 2019 RPTTF payment, and the remainder has been applied to the January 2020 RPTTF payment, as described previously and shown in Table 2.

The annual historical RPTTF payments from the Successor Agency to TJPA for each fiscal year are shown below in Table 6. Due to delays in receipt of some of these payments, the TJPA's Annual Financial Statements do not report some of these payments until the following fiscal year.

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<sup>16</sup> The tax code designation mechanism facilitates consistent identification of Former State Owned Parcels from year to year and is the same mechanism used to manage pledged revenue in other redevelopment project areas.

<sup>17</sup> OCII includes the Pledge Agreement as an enforceable obligation on its ROPS. As stated earlier, the distribution of funds from the RPTTF is limited to the obligations listed on the ROPS.

<sup>18</sup> As described earlier, this Report assumes that the Pledge Factor is calculated based on the total aggregate square feet of land area of a Former State Owned Parcel compared to the total aggregate square feet of land area for the assembled development site based on Assessor parcel records.

**Table 6**  
**Historical RPTTF Payments to TJPA, FY 2014/15 to FY 2019/20**

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>Annual Remittance Payments to TJPA (\$)<sup>a</sup></b>						
January RPTTF Actuals	885,449	1,010,260	776,073	13,331,888	10,178,421	8,859,683
June RPTTF Actuals	<u>621,489</u>	<u>1,708,624</u>	<u>2,604,748</u>	<u>2,279,417</u>	<u>0</u>	<u>TBD</u>
<b>Total</b>	<b>1,506,938</b>	<b>2,718,884</b>	<b>3,380,821</b>	<b>15,611,305</b>	<b>10,178,421</b>	<b>TBD</b>

Note: Totals may not foot due to rounding.

a. These payment represent the actual remittance payments to the TJPA from OCII. The June payments in FY 2017/18 and FY 2018/19 were adjusted for prior period overpayments as shown in the "Overpayment Adjustments" row in Table 2. The total of the payments reported for each fiscal year in Table 4 differ from what is reported for the corresponding fiscal years in the TJPA's Annual Financial Statements because some of the historical tax increment payments have been delayed and not reported by the TJPA until the following fiscal year. Appendix Table 2 summarizes how the TJPA's Annual Financial Statements have reported each of the tax increment payments shown in Table 6.

Source: San Francisco Controller's Office, OCII, TJPA.

## 5. Teeter Plan

The City utilizes a device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code) to distribute secured property tax revenue to all entities, including the Successor Agency, without regard to delinquencies. Pursuant to this mechanism, the City maintains a reserve fund to cover delinquencies and allocate revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Consequently, the tax increment that OCII receives and the Net Tax Increment allocable to TJPA are not affected by delinquent tax payments. However, the Board of Supervisors may discontinue the Teeter Plan prior to the commencement of any fiscal year. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the Series 2020 Bonds. The overall delinquency rate for FY 2018/19 and FY 2017/18 for all secured properties in the Former State Owned Parcels was 0.0 percent. The delinquency rates for prior years were 0.3 percent for FY 2016/17, 1.1 percent for FY 2015/16, and 0.0 percent for FY 2014/15.

## H. Assessment Appeals

Appeals of assessments by property owners in the Former State Owned Parcels can result in future reductions in assessed valuations by the Assessor that affect pledged tax increment to TJPA. While it has not been the practice in prior years, appeal-related refunds in the Former State Owned Parcels are anticipated to be deducted from TJPA pledged tax increment by the Controller in future years as San Francisco implements its new property tax management system.

### 1. Reductions from Assessment Appeals and Value Restorations

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in secured assessment in a particular year based on the current economic value of the property. In past years, assessment reductions under Proposition 8 have generally been temporary in nature and were usually restored to their previous levels, as adjusted for inflation, as economic conditions improved.

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the FY 2019/20 roll data used in this Report.

Property owners may also appeal the Proposition 13 base assessment of a property. Such appeals, if successful, can permanently reduce the enrolled valuation of a property and consequently affect Net Tax Increment received by TJPA.

## **2. Orange County Reassessment Decision**

A court case regarding the proper method of reassessing properties once they receive a temporary reduction in valuation (a Proposition 8 adjustment) was resolved on appeal in favor of the County of Orange. In that case, the assessor was found to have properly returned a property to its statutory base valuation adjusted for inflation once the Proposition 8 adjustment terminated. The assessment practice that was validated by the court is one used in San Francisco and most other counties in the state.

## **3. Assessment Appeals on Former State Owned Parcels**

Based on information provided by the Assessor on October 25, 2019 for appeals filed over the past five fiscal years, eight appeals have been filed in the Former State Owned Parcels, all of which are related to Block 9. Three appeals were filed in FY 2014/15, FY 2017/18 and FY 2018/19, and all of these appeals have been resolved with no reduction in valuation. For FY 2019/20, there are five pending appeals, and the amount of assessed value in dispute is \$62.1 million. The disputed amounts will be resolved in the appeals process, and all or a portion of those amounts may be adjusted. Table 7 summarizes information on the resolved appeals filed in previous years and current pending appeals in the Former State Owned Parcels.

An indicator of the potential exposure of the Net Tax Increment to TJPA to appeals could ordinarily be estimated by applying the retention rate to the amount of valuation in dispute in pending appeals. However, the limited number of resolved appeals in this newly-developed area does not provide an adequate basis on which to evaluate potential future reductions.

The Controller currently applies appeal-related refunds to the property tax apportionment of all taxing entities regardless of the tax rate area from which the property tax payment originated. This practice is anticipated to change in the future as the County implements a new property tax management system that will enable appeal refunds to be deducted from the tax rate area of origin and from parcel groupings such as the Former State Owned Parcels, which could begin occurring in FY 2020/21. The Assessor has generally not extended prior-year Proposition 8 reductions on future rolls. However, should that practice change, the Net Tax Increment to TJPA could be affected. As indicated above, neither the Controller nor Assessor has indicated any proposed changes to their practices that would increase the Successor Agency's or TJPA's potential exposure.

If the full amount of disputed valuation were granted, the reduction in valuation would be \$62.1 million or approximately \$621,000 in Net Tax Increment payable to TJPA. However, this does not necessarily indicate an equivalent reduction in future revenue. As noted below under "Tax Increment Projection," no assumptions are made regarding any potential appeal-related adjustments to the Former State Owned Parcels valuation in the projections prepared for this Report.

**Table 7  
Assessment Appeals in the Former State Owned Parcels**

<b><u>Resolved Historical Appeals Through FY 2018/19</u></b>						
<b>Roll Year</b>	<b>Appeals<sup>a</sup></b>	<b>County Value</b>	<b>Applicant Opinion of Value</b>	<b>Disputed Value</b>	<b>Assessed Value After Appeal</b>	<b>Retention Rate<sup>b</sup></b>
FY 2014/15	1	\$192,687,042	\$148,000,000	\$44,687,042	\$192,687,042	100.0%
FY 2015/16	0	\$0	\$0	\$0	\$0	N/A
FY 2016/17	0	\$0	\$0	\$0	\$0	N/A
FY 2017/18	1	\$112,551,093	\$90,867,810	\$21,683,283	\$112,551,093	100.0%
<u>FY 2018/19</u>	<u>1</u>	<u>\$146,241,702</u>	<u>\$140,000,000</u>	<u>\$6,241,702</u>	<u>\$146,241,702</u>	<u>100.0%</u>
<b>Total</b>	<b>3</b>	<b>\$451,479,837</b>	<b>\$378,867,810</b>	<b>\$72,612,027</b>	<b>\$451,479,837</b>	<b>100.0%</b>
<b><u>Pending Appeals for FY 2019/20</u></b>						
<b>Roll Year</b>	<b>Appeals<sup>c</sup></b>	<b>County Value</b>	<b>Applicant Opinion of Value</b>	<b>Disputed Value</b>	<b>Assessed Value After Appeal</b>	<b>Assessor Parcels Number</b>
FY 2019/20	1	\$93,283,165	\$75,000,000	\$18,283,165	TBD	3736A-001
FY 2019/20	1	\$931,453	\$700,000	\$231,453	TBD	3736A-003
FY 2019/20	1	\$931,453	\$700,000	\$231,453	TBD	3736A-004
FY 2019/20	1	\$931,453	\$700,000	\$231,453	TBD	3736A-005
<u>FY 2019/20</u>	<u>1</u>	<u>\$143,129,543</u>	<u>\$100,000,000</u>	<u>\$43,129,543</u>	<u>TBD</u>	<u>3736A-073</u>
<b>Total</b>	<b>5</b>	<b>\$239,207,067</b>	<b>\$177,100,000</b>	<b>\$62,107,067</b>	<b>TBD</b>	

Note: Totals may not foot due to rounding.

- a. All resolved and pending appeals have been filed by property owners in Block 9.
- b. The Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the "Assessed Value After Appeal" into the "County Value." For withdrawn and denied appeals, the "Assessed Value After Appeal" is the original County valuation.
- c. All pending appeals for FY 2019/20 have been filed by one property owner (Block 9 MRU Residential).

Source: San Francisco Assessment Appeals Board as of October 25, 2019, Urban Analytics LLC.

#### **4. Assessment Appeals in San Francisco**

Under Article XIII A of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30 percent of the assessed valuations appealed have been granted. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant.



Assessment appeals that are granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. As described above, the Controller’s practice has been to apportion refunds to taxing entities using the normal apportionment mechanism and not to deduct appeal-related tax refunds from the tax increment transferred to the Successor Agency.

## **I. Future Assessed Value Growth in Former State Owned Parcels**

Net Tax Increment from the Former State Owned Parcels are generated from the incremental assessed value for these parcels. Growth in assessed property value for these parcels is based on the following components.

### **1. Annual Inflation and Property Reassessment**

Under Section 51 of the Revenue and Taxation Code, the annual increase in assessed valuation for real property is limited to the lesser of two percent or the October-to-October change in the California Consumer Price Index (“CCPI”) preceding the January 1 lien date for land and improvements where the property has not been sold or is applied to improvements in the case of newly constructed projects.

The State Board of Equalization reports CCPI annually in late December. Since FY 1976/77, the CCPI has been above two percent in all but ten years. Over the past five years, the CCPI percentage factor has been the following:

- FY 2015/16: 1.998 %
- FY 2016/17: 1.525 %
- FY 2017/18: 2.000 %
- FY 2018/19: 2.000 %
- FY 2019/20: 2.000 %

As discussed previously, properties whose valuations have been reduced under Proposition 8 continue to receive an inflationary adjustment under Proposition 13 on the reduced valuation, and their values can be increased (restored) by the county assessor as property values recover.

Property reassessment is triggered by: (1) the transfer or sale of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the assessment of new development at market value once construction is completed.

The tax increment projections incorporated into this Report do not assume any growth from inflation as allowed under Proposition 13 or reassessment adjustments through the end of the Redevelopment Plan.<sup>19</sup>

### **2. Construction Completion and Condominium Sales**

As new development occurs, a property is annually reassessed by the Assessor according to the extent of construction completion, lease-up and/or sale of the property, its subdivided lots or condominium air rights. The Salesforce Tower on Parcel T has been completed and is now occupied, which has generated a substantial amount of additional assessed value and supplemental revenues over the past few years. As of the January 1, 2019 valuation date for the FY2019/20 assessment roll, Redevelopment Blocks 5, 8, and 9 were

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<sup>19</sup> This Report also includes tax increment projections under an alternative growth scenario in Appendix Table 7 that assumes the additional value from new development plus an annual two percent inflationary increase on secured value, which is the maximum annual increase allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can trigger a reassessment, such as a sale or construction of new improvement.

currently under construction and near completion, and the full value from these Redevelopment Blocks is anticipated to be enrolled within the next three fiscal years. For these Redevelopment Blocks, an estimate of their full value was made based on the valuation of similar properties in the area and is reflected in the tax increment projections incorporated into this Report.

Table 8 presents estimated values for these four Redevelopment Blocks. In each case, the FY 2019/20 assessed value of each Redevelopment Block was deducted from the estimated full value to arrive at a projection of the additional tax revenues that each new development could reasonably be expected to generate. The estimated full value and phase-in of future assessed values from new development are estimates and have not been confirmed by the Assessor.

**a. Parcel T**

As described earlier, Salesforce Tower on Parcel T is currently occupied. According to the Controller and the Assessor, there is \$56.37 million in supplemental value for Parcel T as of FY 2019/20, which has been reflected in the January 2020 payment to TJPA. This additional value of \$56.37 million is expected to be added to the secured valuation of the parcel for FY 2020/21.

**b. Block 5**

The full value of the office property at Park Tower on Block 5 is estimated using an average value of \$1,000 per square foot, which is based on the approximate average of the current assessed value per square foot for office properties at 101 First (Salesforce Tower), 350 Mission, 535 Mission, 505 Howard, and 222 2nd Street, as detailed in Appendix Table 3. As described earlier, the assessed value for Block 5 is adjusted by the Pledge Factor (90.9%) in order to calculate the Adjusted Assessed Value. The projections of additional value are based on the Adjusted Assessed Value over the next three fiscal years.

**c. Block 8**

Twelve condominium units in The Avery on Block 8 are reported to have been sold as of November 22, 2019, and the estimated value for FY 2020/21 includes the recorded sales prices for these units as shown in Appendix Table 5. The estimated future valuation for the remaining unsold condominium units at The Avery, with the exception of the penthouses, is based on current assessed values for similarly-situated high-rise condominium units in the Lumina condominium building at 201 Folsom Street, as presented in Appendix Table 4. Only the current FY 2019/20 value for the eight penthouse units is reflected in the tax increment projections, and no additional value is estimated from their future sale.

The value of market-rate rental apartment buildings at The Avery on Block 8 is estimated using the average current assessed value for the Jasper apartment building at 45 Lansing Street, 399 Fremont at 399 Fremont Street, and Solaire market rate rental units in Block 6, all of which were completed in 2016. (Please refer to Appendix Table 6 for the supporting calculations.)

**d. Block 9**

The estimated full value of the market-rate rental apartments at 500 Folsom Street on Block 9 is estimated using the same methodology and assumptions as described immediately above for Block 8.

**e. Other Redevelopment Blocks**

No additional value from any of the other Redevelopment Blocks is assumed in the tax increment projections although a substantial amount of new mixed-use development is being proposed for Parcel F and Block 4, as described previously in this Report.

**Table 8**  
**Projection of Additional Adjusted Assessed Value from Construction Completion and Condominium Sales**  
**Former State Owned Parcels**

<u>Land Use</u>				<u>Estimated Full Adjusted Value</u>		<u>Additional Adjusted Value (\$)</u>		<u>Projection of Additional Assessed Value (\$)</u>			
<u>Redevelopment Block</u>	<u>Unit</u>	<u>Sq.Ft.</u>	<u>Pledge Factor</u>	<u>Value per Square Foot or Unit<sup>a</sup></u>	<u>Adjusted Full Value (\$)</u>	<u>Less: FY 2019/20 Secured Roll</u>	<u>Values Not Yet Enrolled</u>	<u>Projected FY 2020/21</u>	<u>Projected FY 2021/22</u>	<u>Projected FY 2022/23</u>	<u>Projected Future Total</u>
<b>Parcel T Salesforce Tower</b>											
<b>Office</b>		1,420,000	100.0%	\$1,291 /sq.ft.	1,833,453,250	(1,777,083,250)	56,370,000	56,370,000	0	0	<b>56,370,000</b>
<b>Block 5 Park Tower</b>											
<b>Office</b>		767,000	90.9%	\$1,000 /sq.ft.	697,085,358	(546,797,400)	150,287,958	50,095,986	50,095,986	50,095,986	<b>150,287,958</b>
<b>Block 8<sup>b</sup> The Avery</b>											
<b>Condominium</b>											
Units Not Sold	98	157,865	100.0%	\$3,019,000 /unit	295,839,010	(142,148,160)	153,690,850	0	76,845,425	76,845,425	<b>153,690,850</b>
Units Sold in 2019	12	18,291	100.0%	\$3,081,000 /unit	36,974,996	(15,266,812)	21,708,184	21,708,184	0	0	<b>21,708,184</b>
Penthouse Units <sup>c</sup>	8	33,946	100.0%	\$7,489,000 /unit	59,910,498	(59,910,498)					
Subtotal	118	210,102	100.0%	\$3,328,000 /unit	392,724,504	(217,325,470)	175,399,034	21,708,184	76,845,425	76,845,425	<b>175,399,034</b>
<b>Block 8<sup>b</sup> The Avery</b>											
<b>Apartment</b>	279	0	100.0%	\$806,000 /unit	224,874,000	(100,623,640)	124,250,360	41,416,787	41,416,787	41,416,787	<b>124,250,360</b>
<b>Block 9<sup>d</sup> 500 Folsom</b>											
<b>Apartment</b>	428	0	100.0%	\$806,000 /unit	344,968,000	(236,412,708)	108,555,292	38,475,000	35,040,146	35,040,146	<b>108,555,292</b>
<b>Total</b>					<b>3,493,105,112</b>	<b>(2,878,242,468)</b>	<b>614,862,644</b>	<b>208,065,957</b>	<b>203,398,344</b>	<b>203,398,344</b>	<b>614,862,644</b>

Note: Estimated valuations are expressed in constant FY 2019/20 dollars and are adjusted by the pledge factor. The assessed values for condominium and apartments represent the value of market rate units only.

- a. The estimated assessed value per unit or square foot is based on the valuation of similar properties in the area. The estimated future valuation includes the FY 2019/20 assessed values plus \$56.37 million in FY 2019/20 supplemental value for Parcel T. See Appendix Tables 3-6. Twelve of the Avery condominium units are reported to have been sold as of December 31, 2019, and the estimated future valuation for FY 2020/21 includes the recorded sales prices for these units. The estimated future valuation for The Avery condominium units is based on the sale of the remaining 98 units exclusive of the eight penthouse units.
- b. Assessed value of Block 8 in this table excludes the portion of assessed value attributable to the commercial space (approximately \$15.7 million).
- c. The projection only includes the FY 2019/20 value for the eight penthouse units and does not include any additional value that could occur from the sale of these units.
- d. Assessed value of Block 9 in this table excludes the portion of assessed value attributable to the commercial space (approximately \$2.8 million). The allocation of additional value for FY 2020/21 is based on the information provided by the Assessor.

Source: San Francisco Assessor's Office, Urban Analytics LLC.

## J. Tax Increment Projection

Net Tax Increment to TJPA is projected over the remaining portion of the 45-year term of the Pledge Agreement, as shown below in Table 9. The projections of Net Tax Increment in this Report assume a one percent tax rate and reflect the incremental property tax revenues generated from the Adjusted Assessed Value attributable to the secured and unsecured value from Former State Owned Parcels.

The first year of the tax increment projections are based on the Adjusted Assessed Value of the current fiscal year, FY 2019/20, as shown in Table 2.<sup>20</sup> Unsecured and utility valuations are assumed to remain constant without any increase in value in subsequent years. No growth in assessed value from the annual inflationary growth allowed by Proposition 13 is assumed in subsequent years, which could result in increased tax increment over time if this inflationary growth were to occur pursuant to Proposition 13.

Tax increment in the next three years (FY 2020/21 through FY 2022/23) is projected based on the increase in secured value from the additional value that is estimated from the completion of construction and sales from condominiums on Parcel T and/or Blocks 5, 8, and 9, as shown in Table 8.

Supplemental roll revenues, derived from new construction and sales added to the rolls after the January 1st lien date in each fiscal year, are subject to substantial annual variance. While supplemental payments of tax increment attributable to supplemental roll revenues can be significant, the projections of Net Tax Increment do not include revenues from supplemental payments. The projections also do not take into consideration any changes in assessed valuation due to Proposition 8 reductions, assessment appeals, economic effects of the coronavirus (COVID-19), or other factors that are uncertain at this time.

Future tax increment from the Former State Owned Parcels over the remaining life of the redevelopment project is projected based on the assumptions described above. Annual administrative costs related to the calculation and allocation of property taxes are estimated to be equal to 0.03 percent of future tax increment according to information provided by the Controller (referred to as “County Admin Fee” in the tax increment projections). Future obligations related to pass through payments to taxing entities are projected in accordance with the legal requirements described earlier. All projections and calculations used in this Report assume that OCII will continue to deposit 20 percent of gross tax increment revenues into the Housing Fund from the Former Non-State Owned Parcels as legally required. Net Tax Increment is projected after deducting these obligations for administration, pass-through payments and the Housing Fund.

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<sup>20</sup> The FY 2019/20 projections do not include the supplemental payments made by the Controller in January 2020 nor do they reflect the reduction in the amount that was distributed to TJPA in January 2020 to fully account for prior overpayments.

**Table 9  
Projected Tax Increment Revenues From New Development Under Construction in 2019  
Former State Owned Parcels**

Fiscal Year Ending	Projected Incremental Adjusted Assessed Value (\$)					Projected Tax Increment (\$)				
	FY 2019/20 Secured Value	Estimate From Completed Development	Total Secured Value	Unsecured Value	Total Adjusted Assessed Value	Total Gross Tax Increment	Less: County Admin Fee	Less: Pass Through Payments	Less: Housing Fund	Net Tax Increment
2020	3,229,417,840	0	3,229,417,840	86,827,397	3,316,245,237	33,162,452	(9,949)	(8,418,518)	(6,632,490)	18,101,495 *
2021	3,229,417,840	208,065,957	3,437,483,797	86,827,397	3,524,311,193	35,243,112	(10,573)	(8,958,432)	(7,048,622)	19,225,485
2022	3,437,483,797	203,398,344	3,640,882,140	86,827,397	3,727,709,537	37,277,095	(11,183)	(9,486,234)	(7,455,419)	20,324,259
2023	3,640,882,140	203,398,344	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2024	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2025	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2026	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2027	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2028	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2029	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2030	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2031	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2032	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2033	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2034	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2035	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2036	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2037	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2038	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2039	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2040	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2041	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2042	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2043	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2044	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2045	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2046	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2047	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2048	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2049	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034
2050	3,844,280,484	0	3,844,280,484	86,827,397	3,931,107,881	39,311,079	(11,793)	(10,014,036)	(7,862,216)	21,423,034

\*As shown in Table 2, this represents the Net Tax Increment from the current FY 2019/20 adjusted assessed value, which does not include approximately \$1.2 million in Supplemental and Escape Assessments and is not adjusted for overpayments in prior years."

Note: Vqcnr'o c { 'pqvlqqvf'wg'q'tqwpf lpi OFuture secured value is based on the additional adjusted value identified in Table 8. Supplemental payments are not assumed. Future i tqy j "in assessed value may be lower or higher than what is shown in the tax increment projections. Unsecured and utility valuations are assumed to remain constant throughout. Pror-year adjustments to net tax increment to TJPA take into account overpayments for non-pledged parcels and inclusion of housing fund revenue from prior periods.

Source: Seifel Consulting Inc.

## **K. Limitations of Report**

The information and projections in this Report have been prepared for the sole purpose of providing background information and analysis to evaluate available property tax increment revenues and to provide a Fiscal Consultant Report on the Series 2020 Bonds. The information presented in this report and the projections were prepared based on financial, land use and real estate data collected as of February 2020 before the coronavirus shelter-in-place order occurred, and this report does not represent any modifications to this data that may occur after February 2020.

The information contained in this Report has been obtained from sources that are believed to be reliable, but there is no guarantee as to accuracy or completeness of the information from such sources. The historical calculations of assessed values and tax increment shown in this Report are based on information reasonably believed to be complete, current and reliable at the time of this Report but is not guaranteed.

Projections of Net Tax Increment are based on reasonable assumptions and may not reflect actual future revenue received by TJPA. Future growth in assessed value and corresponding tax increment revenues may be lower or higher than what is shown in the tax increment projections in this Report.

Information regarding the practices and methods used by the City in assessing and allocating property tax revenue has been obtained from City staff and analysis of City records, while information and interpretations concerning Former State Owned Parcels, the Redevelopment Plan, amendments and pass-through agreements has been obtained from the City, TJPA, OCII staff, and legal counsel, as well as through review of documents made available to the fiscal consultants.

Information regarding new development, construction and leasing activity of the Redevelopment Blocks has been obtained from the TJPA, OCII and City staff, analysis of City records, review of published documents, and interviews with real estate professionals and documents made available to the fiscal consultants.

While the fiscal consultants have made reasonable efforts to verify the accuracy of the figures, information and analysis presented in this Report and presume that the information relied upon is timely and accurate, the fiscal consultants make no warranty or guarantee as to the accuracy of this information or to the projections that are based on this information.

## Appendix Tables

**Appendix Table A-1**  
**Summary of Development Program by Redevelopment Block**  
**Former State Owned Parcels**

<b>Development Completed or Substantially Completed</b>				
<b>Redevelopment Block</b>		<b>Block-Lot</b>	<b>Year of Land Sale</b>	<b>Land Use</b>
Parcel T	Salesforce Tower	3720- 009	2013	Office
Block 6	Solaire		2013	Rental Residential
		3738- 016		Market Rate
		3738- 017		Stand Alone Affordable
Block 5	Park Tower	3718- 040	2015	Office
Block 8	The Avery		2015	Residential
		3737- 042		Rental - Market Rate
		3737- 043, 058-175		For Sale - Market Rate
		3737- 044		Inclusionary
		3737- 045-046		Rental - Stand Alone Affordable
	3737- 047, 049-057	Garage, Retail		
Block 9	500 Folsom		2015	Rental Residential/Commercial
		3736A- 001, 003-005, 074-509		Market Rate, Commercial
		3736A- 073		Market Rate
		3736A- 002, 006-072		Inclusionary
<b>Future Development</b>				
<b>Redevelopment Block</b>		<b>Block-Lot</b>	<b>Year of Land Sale</b>	<b>Land Use</b>
Parcel F <sup>a</sup>	Hines/UrbanPacific	3721- 135-136	2016	Office Hotel For Sale Residential - Market Rate
Block 4 <sup>b</sup>	OCH	3739- 008	2020	Residential Rental - Market Rate Rental - Stand Alone Affordable Rental - Inclusionary For Sale - Market Rate

Note: Office square footage rounded to the nearest thousand.

- a. The Parcel F development site is an assemblage of Former State-Owned Parcels and private parcels. Because 2 of the parcels that make up the assemblage (3721-016 and 3721-138) were derived entirely from private parcels, this report conservatively assumes no Net Tax Increment is pledged from these parcels to the TJPA. The developer received approvals from the San Francisco Planning Commission on January 8, 2020 to build a 61-story tower containing office space (about 276,000 gross square feet), a hotel (189 rooms), and market rate, for sale residential units (165 units). The start of construction is estimated to begin in the second quarter of 2021.
- b. OCH granted an option to the Parcel F developer to acquire the parcel on certain terms and conditions. Based on information provided by TJPA and OCH, the land sale for Block 4 is estimated to be completed in the fourth quarter of 2020 for an assumed price of \$45 million, and future land value could be reflected on the roll in FY 2021/22, with the start of construction to potentially begin in the second quarter of 2021.

Source: San Francisco Office of Community Investment and Infrastructure, San Francisco Controller's Office, San Francisco Assessor's Office, TJPA.



**Appendix Table 2**  
**Historical RPTTF Payments as Reported in the TJPA Annual Financial Statements**  
**FY 2014/15 to FY 2019/20**  
**Former State Owned Parcels**

Payment Date	Actual RPTTF Remittance	Payment (\$)
<b>FY 2014/15</b>		
7/3/14	June 2014	1,534,530
1/13/15	January 2015	<u>885,449</u>
	<b>FY 2014/15 Subtotal</b>	<b>2,419,979</b>
<b>FY 2015/16</b>		
7/7/15	June 2015	621,489
1/20/16	January 2016	<u>1,010,260</u>
	<b>FY 2015/16 Subtotal</b>	<b>1,631,749</b>
<b>FY 2016/17</b>		
8/10/16	June 2016	1,708,624
2/1/17	January 2017	776,073
6/23/17	June 2017	<u>2,604,748</u>
	<b>FY 2016/17 Subtotal</b>	<b>5,089,445</b>
<b>FY 2017/18</b>		
2/11/18	January 2018	<u>13,331,888</u>
	<b>FY 2017/18 Subtotal</b>	<b>13,331,888</b>
<b>FY 2018/19</b>		
9/7/18	June 2018	2,279,417
3/4/19	January 2019	10,178,421
6/1/19	June 2019	<u>0</u>
	<b>FY 2018/19 Subtotal</b>	<b>12,457,838</b>
<b>FY 2019/20</b>		
1/21/20	January 2020	8,859,683
TBD	June 2020	<u>TBD</u>
	<b>FY 2019/20 Subtotal</b>	<b>TBD</b>
<b>Total through FY 2018/19</b>		<b>34,930,898</b>
<b>Total through January 2020</b>		<b>43,790,582</b>

Note: This table summarizes how the TJPA's Annual Financial Statements have reported each of the tax increment payments that the TJPA has received. The total of the payments reported for each fiscal year in Table 6 differ from what is reported for the corresponding fiscal years in the TJPA's Annual Financial Statements because some of the historical tax increment payments have been delayed and not reported by the TJPA until the following fiscal year. Some totals may not precisely add up or there may be other minor inconsistencies due to computer rounding.

Source: TJPA, San Francisco Controller's Office, OCII.

**Appendix Table 3**  
**FY 2019/20 Assessed Values of Comparable Office Buildings**  
**Former State Owned Parcels**

<u>Comparable Office Buildings</u>						FY 2019/20 Assessed Value (\$)	
Address	Owner	APN	Year Built	Number of Stories	Building Size (sq.ft.)	Full Value	Value per Sq.Ft.
505 Howard Street	Foundry Square III	3736-183	2013	10	307,000	345,444,174	1,125
535 Mission Street	BXP Mission 535 LLC	3721-122	2014	33	354,000	268,076,297	757
350 Mission Street	350 Mission	3710-017	2015	30	492,980	404,087,148	820
222 2nd Street	LinkedIn	3735-063	2015	26	475,791	519,142,730	1,091
500 Pine Street	500 Pine St	0258-042	2016	5	57,747	73,000,000	1,264
101 First Street	Salesforce	3720-009	2018	63	1,420,430	1,691,744,881	1,191
<i>Average Value (Rounded)</i>						<i>550,249,000</i>	<i>1,000</i>

Source: San Francisco Assessor's Office.

**Appendix Table 4**  
**FY 2019/20 Assessed Values of Comparable Condominium Units**  
**Former State Owned Parcels**

<b>Comparable Condominium Units (Lumina, 201 Folsom Street)</b>					<b>FY 2019/20 Assessed Value (\$)</b>	
<b>APN</b>	<b>Unit Number</b>	<b>Floor</b>	<b>Sales Date</b>	<b>Unit Size (sq.ft.)</b>	<b>Full Value</b>	<b>Value per Sq.Ft.</b>
3746-634	035D	35	9/22/16	972	1,763,478	1,814
3746-637	036B	36	9/27/16	2,683	6,367,248	2,373
3746-644	037D	37	9/27/16	972	1,815,498	1,868
3746-651	039A	39	10/7/16	1,568	2,855,898	1,821
3746-624	033D	33	10/13/16	972	1,612,620	1,659
3746-653	039C	39	11/2/16	1,495	2,700,000	1,806
3746-641	037A	37	12/16/16	1,568	2,783,070	1,775
3746-631	035A	35	12/30/16	1,568	2,757,060	1,758
3746-657	040B	40	3/30/17	2,683	6,242,400	2,327
3746-636	036A	36	4/19/17	1,568	2,777,868	1,772
3746-658	040C	40	6/6/17	1,495	2,574,990	1,722
3746-645	037E	37	6/9/17	1,784	3,381,300	1,895
3746-621	033A	33	6/21/17	1,568	2,720,644	1,735
3746-642	037B	37	7/7/17	2,683	5,604,900	2,089
3746-643	037C	37	7/26/17	1,495	2,432,700	1,627
3746-648	038C	38	7/31/17	1,495	2,529,600	1,692
3746-640	036E	36	8/4/17	1,784	3,411,900	1,913
3746-623	033C	33	10/6/17	1,495	2,295,000	1,535
3746-638	036C	36	10/11/17	1,495	2,519,400	1,685
3746-632	035B	35	11/1/17	2,683	5,613,200	2,092
3746-626	034A	34	11/8/17	1,568	2,787,800	1,778
3746-650	038E	38	11/8/17	1,784	3,411,900	1,913
3746-639	036D	36	11/30/17	972	1,683,000	1,731
3746-652	039B	39	1/3/18	2,683	5,406,000	2,015
3746-656	040A	40	1/25/18	1,568	2,909,770	1,856
3746-659	040D	40	1/25/18	972	1,840,849	1,894
3746-647	038B	38	1/30/18	2,683	5,523,300	2,059
3746-649	038D	38	1/30/18	972	1,734,000	1,784
3746-655	039E	39	2/20/18	1,784	3,503,700	1,964
3746-633	035C	35	2/21/18	1,495	2,499,000	1,672
3746-635	035E	35	3/1/18	1,784	3,294,600	1,847
3746-628	034C	34	3/29/18	1,495	2,493,900	1,668
3746-660	040E	40	4/20/18	1,784	3,468,000	1,944
3746-629	034D	34	5/8/18	972	1,693,200	1,742
3746-654	039D	39	5/10/18	972	1,770,000	1,821
3746-622	033B	33	6/29/18	2,683	5,564,100	2,074
3746-630	034E	34	7/12/18	1,784	3,100,000	1,738
3746-646	038A	38	7/24/18	1,568	4,832,000	3,082
3746-627	034B	34	9/26/18	2,683	4,999,000	1,863
3746-625	033E	33	11/13/18	1,784	2,750,000	1,541
<b>Average Value (Rounded)</b>					<b>3,251,000</b>	<b>1,874</b>

Source: San Francisco Assessor's Office.

**Appendix Table 5**  
**FY 2019/20 Assessed Values of The Avery Condominium Units**  
**Former State Owned Parcels**

<b>The Avery Condominium Units (Sold as of December 2019)</b>					<b>Assessed Value (\$)</b>		
<b>APN</b>	<b>Unit Number</b>	<b>Floor</b>	<b>Sale Date</b>	<b>Size (sq.ft.)</b>	<b>Actual Sale (Full Value)</b>	<b>Less: FY 2019/20 Secured Roll</b>	<b>Values Not Yet Enrolled</b>
3737-064	3404	34	7/1/19	1,544	2,895,000	(1,174,203)	1,720,797
3737-067	3501	35	7/1/19	2,053	3,750,000	(1,552,558)	2,197,442
3737-080	3702	37	7/1/19	1,901	3,684,996	(1,526,464)	2,158,532
3737-063	3403	34	7/2/19	915	1,750,000	(724,091)	1,025,909
3737-071	3505	35	7/2/19	1,679	3,140,000	(1,300,322)	1,839,678
3737-075	3603	36	7/2/19	913	1,815,000	(750,184)	1,064,816
3737-066	3406	34	7/10/19	964	1,850,000	(750,184)	1,099,816
3737-078	3606	36	7/24/19	1,116	2,350,000	(971,979)	1,378,021
3737-122	4402	44	8/1/19	1,888	4,175,000	(1,728,688)	2,446,312
3737-158	5101	51	8/1/19	2,159	5,100,000	(2,159,229)	2,940,771
3737-072	3506	35	8/2/19	964	1,865,000	(765,406)	1,099,594
3737-085	3801	38	8/15/19	2,195	4,600,000	(1,863,504)	2,736,496
<b>Total</b>				<b>18,291</b>	<b>36,974,996</b>	<b>(15,266,812)</b>	<b>21,708,184</b>
<i>Average Sale Price per Sq.Ft. (Rounded)</i>					<b>2,021</b>		
<i>Average Sale Price per Unit (Rounded)</i>					<b>3,081,000</b>		

Source: San Francisco Assessor's Office.

**Appendix Table 6  
 FY 2019/20 Assessed Values of Comparable Apartment Building  
 Former State Owned Parcels**

<b>Comparable Apartment Building</b>								<b>FY 2019/20 Assessed Value (\$)</b>	
<b>Address</b>	<b>Owner</b>	<b>APN</b>	<b>Year Built</b>	<b>Number of Stories</b>	<b>Number of Units</b>	<b>Building Size (sq.ft.)</b>	<b>Average Size per Unit</b>	<b>Total Value</b>	<b>Value per Unit</b>
45-45 Lansing Street	NM-Jasper LLC	3749-059	2016	39	319	471,334	1,478	258,140,131	809,217
399 Fremont Street	OM/UDR SF LLC	3747-320	2016	42	448	370,694	827	389,196,202	868,742
299-299 Fremont Street	Block 6 Joint Venture LLC	3738-016	2016	32	409	295,875	723	302,255,088	739,010
<b><i>Average Value (Rounded)</i></b>									<b><i>806,000</i></b>

Source: San Francisco Assessor's Office.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2019**

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# Transbay Joint Powers Authority

## Annual Financial Report

Fiscal Year Ended June 30, 2019



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**TRANSBAY JOINT POWERS AUTHORITY  
SAN FRANCISCO, CALIFORNIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**PREPARED BY THE FINANCE DEPARTMENT**





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TRANSBAY JOINT POWERS AUTHORITY

Mark Zabaneh • Executive Director

TJPA Board of Directors

December 12, 2019

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Mohammed Nuru, Chair
San Francisco Mayor
Representative

Jeff Gee, Vice Chair
Peninsula Corridor Joint
Powers Board
Representative

Cheryl Brinkman
SF Municipal
Transportation Agency
Representative

Matt Haney
SF Board of Supervisors
Representative

Michael Hursh
AC Transit
Representative

Boris Lipkin
California High Speed
Rail Authority
Representative

Nadia Sesay
SF Board of Supervisors
Representative

Tony Tavares, ex officio
State Department of
Transportation (Caltrans)
Representative

I am pleased to present the Annual Financial Report of the Transbay Joint Powers Authority ("TJPA") for the year ended June 30, 2019, with the independent auditors' report. The TJPA is responsible for the accuracy of the data and for the completeness and fairness of its presentation. Our internal accounting controls provide reasonable assurance, rather than absolute assurance, that the financial statements are free of material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the TJPA's financial position. I am confident that the included disclosures provide the reader with an understanding of the TJPA's financial affairs.

The records have been audited by Eide Bailly LLP and are presented in the Basic Financial Statements. This letter of transmittal is designed to complement the Management's Discussion and Analysis ("MD&A") section of the Annual Financial Report. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditors' report.

Governance

The TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program. The TJPA is a joint exercise of powers authority created by the City and County of San Francisco, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, the California High Speed Rail Authority, and Caltrans (ex officio). The TJPA is managed by TJPA staff and is overseen by an eight-member Board of Directors.

Overview

The Transbay Program (Program) is a multi-billion dollar transportation infrastructure investment that replaces the former Transbay Terminal at First and Mission streets in San Francisco with a state-of-the-art regional transit station connecting eight Bay Area counties and the State of California through eleven bus and rail transit systems: AC Transit, BART, Caltrain, Golden Gate Transit, Greyhound, San Francisco Municipal Railway (Muni), SamTrans, WestCAT Lynx, Amtrak, Paratransit, and future high-speed rail from San Francisco to Los Angeles. The Program consists of three interconnected elements:

- Replacing the former Transbay Terminal at First and Mission streets
• Extending Caltrain and California High-Speed Rail underground from Caltrain's current terminus at 4th and King streets into the new downtown Salesforce Transit Center

- Creating a new neighborhood with homes, offices, parks, and shops surrounding the new transit center

The Program has two phases. Phase 1 includes the design and construction of the above-grade levels of the new transit center and its related components, including the core and shell of the below-grade train box, a bus ramp connecting the station to the San Francisco–Oakland Bay Bridge, a bus storage facility for off-peak bus layovers, a temporary terminal, and a utility relocation project to clear the area of utilities ahead of excavation.

Phase 2 is the Downtown Rail Extension, which will extend Caltrain commuter rail from its current terminus at Fourth and King streets into the transit center and accommodate future high-speed rail service between San Francisco and Los Angeles. It also includes the build-out of the transit center’s below-grade train station, a new underground station at Fourth and Townsend streets, a pedestrian tunnel to the Embarcadero BART/Muni Metro station, and an intercity bus facility.

### Highlights

In this Fiscal Year, we opened the Salesforce Transit Center on August 12, 2018. The \$2.26 billion Transit Center replaces the seismically deficient Transbay Terminal with a modern regional transportation hub that connects transit systems throughout the Bay Area. It also includes pop-up retail, a public art program, shopping and dining; and a 5.4-acre rooftop public park that is programmed with year-round free activities. At one million square feet, the Transit Center stretches four blocks with four stories above ground, and two stories below ground to accommodate future regional and high-speed trains. The Transit Center eases traffic congestion, reduces pollution and makes transit more accessible and efficient for Bay Area commuters, especially in San Francisco’s rapidly growing South of Market neighborhood.

However, on September 25, 2018, the building was closed for repairs to two structural steel girders and remained closed through June 30, 2019. Temporary shoring systems were installed until repairs were completed. Additional inspections and a building-wide review were completed, along with continued monitoring. The building-wide review revealed that there were no additional issues.

On July 1, 2019, the transit center was reopened to the public and transit operations at the bus plaza resumed on July 13. AC Transit resumed operations on the bus deck in mid-August.

### Acknowledgements

I would like to express my appreciation to the Finance staff for their professionalism, dedication, and efficiency in the day to day operations and in the preparation of this report.

Respectfully submitted,



Erin Roseman  
Chief Financial Officer

## **TRANSBAY JOINT POWERS AUTHORITY**

### **GOVERNING BOARD**

#### *GOVERNING BOARD*

*Mohammed Nuru, Chair (Office of the San Francisco Mayor Representative)*  
*Jeff Gee, Vice Chair (Peninsula Corridor Joint Powers Board Representative)*  
*Cheryl Brinkman, Board Member (San Francisco Municipal Transportation Agency Representative)*  
*Matt Haney, Board Member (San Francisco Board of Supervisors Representative)*  
*Michael Hursh, Board Member (AC Transit Representative)*  
*Boris Lipkin, Board Member (California High Speed Rail Authority Representative)*  
*Nadia Sesay, Board Member (San Francisco Board of Supervisors Representative)*  
*Tony Tavares, Ex officio Board Member (Caltrans Representative)*

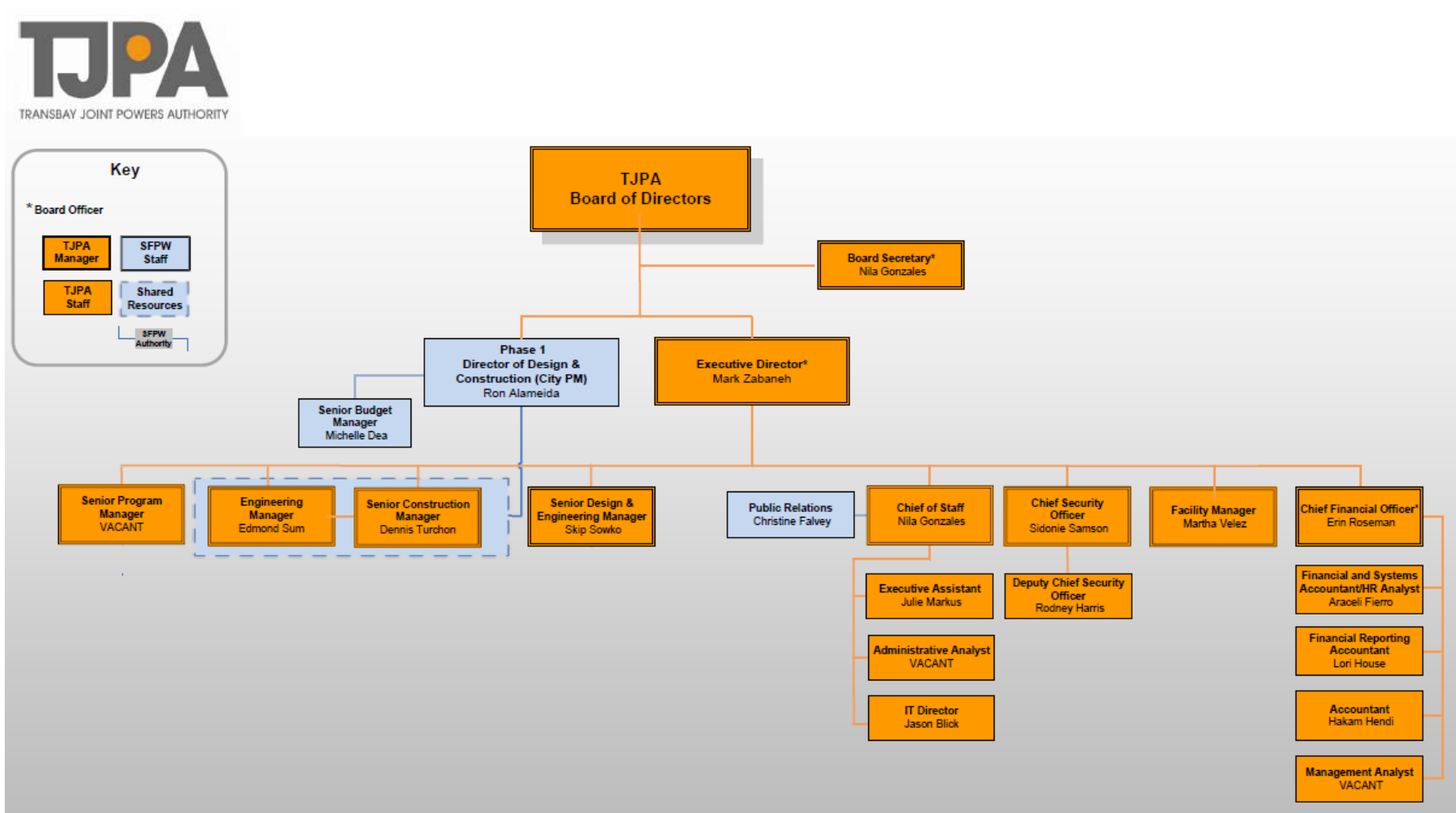
### **AUTHORITY STAFF**

*Mark Zabaneh, Executive Director*  
*Erin Roseman, Chief Financial Officer*  
*Nila Gonzales, Secretary*

*Deborah Miller (Shute Mihaly & Weinberger LLP), General Counsel*



# ORGANIZATIONAL CHART





## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Transbay Joint Powers Authority  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TJPA as of June 30, 2019 and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the net OPEB liability and related ratios and schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TJPA's basic financial statements. The transmittal letter and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respect in relation to the financial statements taken as a whole.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019 on our consideration of the TJPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TJPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TJPA's internal control over financial reporting and compliance.



Palo Alto, California  
December 3, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TRANSBAY JOINT POWERS AUTHORITY**  
Management's Discussion and Analysis  
(Required Supplementary Information-Unaudited)  
For the Year Ended June 30, 2019

The following management discussion and analysis ("MD&A") provides a narrative overview of the Transbay Joint Powers Authority's ("TJPA") financial activities for the year ended June 30, 2019, with comparative information for the year ended June 30, 2018. The MD&A section is required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34 and should be read in conjunction with the TJPA's basic financial statements, which follow this section.

The TJPA's financial activities are reported based on a twelve-month fiscal year, which starts on July 1 of one calendar year and ends on June 30 of the next calendar year; the fiscal year is named by the calendar year in which the fiscal year ends. Therefore, the basic annual financial statements presented in this report are for Fiscal Year 2019.

**Purpose of the TJPA**

The TJPA is a local government agency formed in 2001 in accordance with California Government Code to design, build, develop, operate and maintain a new regional transit terminal (the "transit center") and associated facilities in downtown San Francisco (collectively, the "Transbay Program"), replacing the former Transbay Terminal. An extension of rail lines for Caltrain and future California High Speed Rail from the current Caltrain San Francisco terminus at Fourth and King Streets to the transit center, referred to as the Downtown Rail Extension ("DTX") is also part of the Transbay Program as a second phase ("Phase 2"). See Note 1 for additional information.

**Financial Highlights**

- We experienced an operating loss of \$12,044,281 primarily due to the extended closure of the transit center related to the girder fissures discovered on September 25, 2018, which delayed planned revenues.
- At the close of the fiscal year, assets and deferred outflows of the TJPA exceeded its liabilities and deferred inflows by \$2,058,996,807.
- The City and County of San Francisco ("City") sold the second tranche of Community Facilities District ("CFD") bonds during the fiscal year, a portion of which is remitted to the TJPA as CFD reimbursements to fund the transit center and other infrastructure in the Transit Center District. The issuance of more than \$157 million resulted in \$142.4 million in proceeds for the Transbay Program, of which \$25 million was used to pay down the interim City Financing. As of June 30, 2019, \$180 million has been drawn by the TJPA since inception.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the TJPA's basic financial statements. The annual financial report for the TJPA includes this management's discussion and analysis ("MD&A"), the basic financial statements and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The TJPA is reported as an *enterprise fund*. Enterprise funds are a type of proprietary fund used to report information in a manner similar to a private-sector business. An enterprise fund is used to account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. Under the Joint Powers Agreement creating the TJPA, dated April 4, 2001, the new transit center and related facilities are to be managed and operated as an enterprise operation.

**TRANSBAY JOINT POWERS AUTHORITY**  
Management's Discussion and Analysis  
(Required Supplementary Information-Unaudited)  
For the Year Ended June 30, 2019

The basic financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and Statement of Cash Flows.

The *Statement of Net Position* presents information on all of the TJPA's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TJPA is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the TJPA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the cash inflows and outflows from operating activities, capital and related financing activities, and investing activities, and the resulting cash position at fiscal year-end.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* ("RSI") concerning the TJPA's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

**Financial Statement Analysis**

In accordance with GASB requirements, a comparative analysis of financial data is presented in the following condensed formats to compare amounts from the current fiscal year (2019) to amounts from the prior fiscal year (2018).

**TRANSBAY JOINT POWERS AUTHORITY**  
Management's Discussion and Analysis  
(Required Supplementary Information-Unaudited)  
For the Year Ended June 30, 2019

**CONDENSED STATEMENTS OF NET POSITION**

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets:</b>				
Current and other assets	\$ 39,806,853	\$ 31,384,488	\$ 8,422,365	27%
Restricted assets	40,497,075	38,522,343	1,974,732	5%
Capital assets	<u>2,324,072,355</u>	<u>2,232,131,779</u>	<u>91,940,576</u>	4%
<b>Total assets</b>	<u>2,404,376,283</u>	<u>2,302,038,610</u>	<u>102,337,673</u>	4%
<b>Deferred outflows of resources:</b>				
OPEB related	47,768	30,028	17,740	59%
Pension related	499,520	802,339	(302,819)	-38%
<b>Total deferred outflows of resources</b>	<u>547,288</u>	<u>832,367</u>	<u>(285,079)</u>	-34%
<b>Liabilities:</b>				
Current and other liabilities	63,307,787	76,169,986	(12,862,199)	-17%
TIFIA loan payable	186,128,592	156,606,090	29,522,502	19%
Intergovernmental liability to the City for:				
Interim City financing	78,000,000	103,000,000	(25,000,000)	-24%
Re-conveyance of State transferred land	<u>18,414,675</u>	<u>18,414,675</u>	<u>-</u>	0%
<b>Total liabilities</b>	<u>345,851,054</u>	<u>354,190,751</u>	<u>(8,339,697)</u>	-2%
<b>Deferred inflows of resources:</b>				
Pension related	75,710	74,247	1,463	2%
<b>Total deferred inflows of resources</b>	<u>75,710</u>	<u>74,247</u>	<u>1,463</u>	2%
<b>Net position:</b>				
Net investment in capital assets	2,006,396,770	1,893,787,267	112,609,503	6%
Restricted				
O&M Reserve for transit center	-	8,950,286	(8,950,286)	-100%
Construction of transit center	9,422,848	15,926,608	(6,503,760)	-41%
Debt service	16,779,491	14,012,765	2,766,726	20%
Unrestricted	<u>26,397,698</u>	<u>15,929,053</u>	<u>10,468,645</u>	66%
<b>Total net position</b>	<u>\$ 2,058,996,807</u>	<u>\$ 1,948,605,979</u>	<u>\$ 110,390,828</u>	6%

Total net position at June 30, 2019 includes net investment in capital assets, which is comprised of construction in progress of \$2,119,438,106, land scheduled to be permanently and temporarily retained by the TJPA of \$186,082,200, and permanent easements of \$137,374. The construction in progress includes construction, construction management, program management, and administrative costs necessary to support the development of the transit center and DTX, as well as information technology costs for website development and labor compliance software.

\$16,779,491 of current year net position includes net tax increment funds restricted for debt service, being used to pay the ongoing interest costs of the interim City financing that closed in Fiscal Year 2017 and otherwise reserved for future debt service on a Federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan.

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In addition, \$9,422,848 is land sales proceeds restricted for construction of the transit center under a cooperative agreement with the State of California ("State"). Total current year net position also includes \$26,397,697 in unrestricted net position which is derived primarily from the TJPA's non-operating revenues. Of this amount, \$11,330,374 is earmarked for the operations and maintenance of Program facilities, including the transit center or the future DTX. The remaining \$15,067,323 is to be used for acquisition of capital assets.

The \$8,422,365 net increase in current and other assets resulted primarily from a \$12,614,795 increase in State of California pooled cash, partially offset by a \$6,984,407 decrease in grantor receivables outstanding at fiscal year-end. The \$1,974,732 increase in restricted assets resulted primarily from an increase in Tax Increment trust balances, partially offset by lower investment balances as land sales proceeds continue to be spent. The changes in deferred outflows of resources and deferred inflows of resources are due to accounting treatment of pension amounts, and the purchase of a derivative instrument to protect against rising interest rates under the interim City financing.

The net decrease of \$12,862,199 in current and other liabilities resulted primarily from a \$7,398,639 decrease in retainage payable, a \$10,902,956 decrease in accounts payable, and a \$335,618 decrease in intergovernmental payables. In addition, liabilities increased \$4,522,502 due to the final draws on the TIFIA loan, including capitalized interest, partially offset with the \$25,000,000 paydown on the interim City financing.



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**CONDENSED STATEMENTS OF CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Operating income</b>				
Operating revenues	\$ 5,109,101	\$ 3,349,162	\$ 1,759,939	53%
Operating expenses	(17,153,382)	(8,206,581)	(8,946,801)	109%
Operating income (loss)	<u>(12,044,281)</u>	<u>(4,857,419)</u>	<u>(7,186,862)</u>	148%
<b>Nonoperating revenues (expenses)</b>				
Operating grant				
Revenue	8,026,046	7,838,235	187,811	2%
Expenses	-	-	-	n/a
Net operating grant	<u>8,026,046</u>	<u>7,838,235</u>	<u>187,811</u>	2%
Investment income	1,707,917	742,343	965,574	130%
Miscellaneous revenues	29	881	(852)	-97%
Net tax increment revenue	12,457,838	13,331,888	(874,050)	-7%
CFD impact fee revenue	-	866,000	(866,000)	-100%
Gain on conveyance of air rights	42,000	1,406,685	(1,364,685)	-97%
Total nonoperating revenues	<u>22,233,830</u>	<u>24,186,032</u>	<u>(1,952,202)</u>	-8%
<b>Income before capital contributions</b>	<u>10,189,549</u>	<u>19,328,613</u>	<u>(9,139,064)</u>	-47%
<b>Capital contributions</b>				
Federal government capital grants	1,885,660	4,952,293	(3,066,633)	-62%
State government capital grants	-	6,445	(6,445)	-100%
Local government capital grants	2,723,205	13,603,080	(10,879,875)	-80%
CFD reimbursements	91,534,393	88,108,212	3,426,181	4%
Other capital contributions	4,058,021	2,054,992	2,003,029	97%
Total capital contributions	<u>100,201,279</u>	<u>108,725,022</u>	<u>(8,523,743)</u>	-8%
<b>Change in net position</b>	110,390,828	128,053,635	(17,662,807)	-14%
Net position- beginning	1,948,605,979	1,820,552,344	128,053,635	7%
<b>Net position- ending</b>	<u>\$ 2,058,996,807</u>	<u>\$ 1,948,605,979</u>	<u>\$ 110,390,828</u>	6%

Operating revenues

The source of Fiscal Year 2019 operating revenues of \$5,109,101 was comprised primarily of naming rights revenue, combined with cellular antennae licensing agreement revenue for the transit center, lease and rental revenues, reimbursements from others and Community Benefits District revenue. The increase in operating revenues of \$1,759,939 is due mainly to the naming rights revenue. \$17,153,382 in operating expenses were incurred in preparing the transit center for full operations and funded from operating revenues.

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Nonoperating revenues

The TJPA funds facility management and related operating expenses from a Metropolitan Transportation Commission ("MTC") Regional Measure 2 ("RM-2") operating grant. Total Fiscal Year 2019 operating grant revenues were \$8,026,046.

The Fiscal Year 2019 increase in investment income of \$965,574 is attributable mainly to higher investment balances as Net Tax Increment funds are accumulated for debt service. The decrease in miscellaneous revenues is attributable to the inherent variability of revenues earned in this category. CFD reimbursements increased \$3,426,181 as compared to the prior year following the City's sale of the second tranche of CFD bonds in the current year. Gain on conveyance of air rights decreased \$1,364,685 in the current year as a parcel was sold in the prior year, as compared to an easement sale in the current year.

Capital contributions

For the year ended June 30, 2019, the TJPA received \$100,201,279 in capital contributions. The increase in capital contributions from the prior fiscal year is directly attributable to CFD reimbursements. Capital contributions were expended on the Transbay Program.

**Budgetary Highlights**

Quarterly budget-to-actual reports are presented to the TJPA Board of Directors ("TJPA Board") by the TJPA Chief Financial Officer. During the fiscal year, four amendments each to the Capital Budget and Operating Budget were approved. The amendments transferred amounts amongst line items but did not increase total appropriations.

**Capital Asset and Debt Administration**

Capital assets

The TJPA's investment in capital assets as of June 30, 2019 amounts to \$2,324,072,355. This investment in capital assets includes land, easements, and construction in progress. Major capital asset events during the fiscal year included the following:

- The transit center opened on August 12, 2018, however on September 25, 2018, fissures were discovered in two steel beams over Fremont Street. Out of an abundance of caution, the transit center was temporarily closed for further evaluation and repair. The rooftop park re-opened on July 1, 2019, with bus service following in July and August 2019.
- Transit center construction work continued throughout the year, with 5,663,429 craft hours completed through June 2019. The majority of work under all trade packages was completed or nearly complete.
- Construction of the bus storage facility underneath Interstate 80 was completed.

See Note 4 for additional information on the TJPA's capital assets.

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Long-term debt

At the end of the current fiscal year, the TJPA had total debt outstanding of \$264,128,592. Of this amount, \$186,128,592 was TIFIA loan debt. The remainder of the TJPA's debt represents amounts drawn on an interim financing provided by the City. Total debt increased by \$4,522,502 during the fiscal year, the balance available under TIFIA was drawn, partially offset by a \$25,000,000 payment on the interim City financing. See Note 5 for more detailed information on the TJPA's long-term debt.

**Next Year's Budgets**

The TJPA Board approved the Fiscal Year 2020 budgets on June 13, 2019.

The Operating budget totals \$37.3 million in revenues and expenses. Approximately a quarter of the revenues will be provided by RM-2 and RM-3 operating funds. The remainder will be covered through transit center revenues, and contributions from the Primary Tenants of the transit center, AC Transit and SFMTA. Expenses include a facility management contract, operating support for Alameda-Contra Costa Transit District ("AC Transit"), and other expenses directly related to the transit center such as security, operations, and maintenance at the transit center totaling \$24.7 million. Also included is \$6.5 million in debt service and \$3.1 million in salaries, fringe benefits and administration.

The TJPA's Fiscal Year 2020 \$100.1 million Capital budget anticipates that most of the revenues will be provided by the following sources: proceeds from CFD reimbursements, unspent proceeds from the TJPA debt (prior bank loan and TIFIA loan), land sales proceeds, the funding identified in the expenditure plan approved by the voters for the half cent sales tax for transportation in San Francisco ("Prop K"), Transit Center District Impact Fees, lease revenue, interest income and reimbursements, and to a lesser extent the bridge toll increases approved in Regional Measure 2 and AB1171 ("RM-2" and "AB1171"), and grants from the Federal Transit Administration ("FTA").

The approved Fiscal Year 2020 Capital budget shows revenues in two categories—committed and planned. Committed revenues are the planned drawdowns of grants that were already allocated or land sales and debt proceeds already received at the time the TJPA Board approved the 2020 fiscal year budget, and planned revenues include sources that have pending applications with funding partners or applications that are anticipated to be submitted and approved during the fiscal year. This is explained in detail in the Staff Reports which were submitted with the Fiscal Year 2020 budget presentations and can be found on the TJPA website for the May 9 and June 13, 2019 TJPA Board meetings.

The main component of the Capital budget is the completion of construction of the new transit center. Approximately \$76.9 million is budgeted for construction activities and \$3.2 million for construction management. The TJPA has also budgeted approximately \$19.9 million for DTX preliminary engineering in fiscal year 2020.

**Request for Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Transbay Joint Powers Authority, 425 Mission Street, Suite 250, San Francisco, California 94105.

**BASIC FINANCIAL STATEMENTS**

## TRANSBAY JOINT POWERS AUTHORITY

### Statement of Net Position

June 30, 2019

**Assets:**

Current assets:

Cash and equivalent

Cash in banks	\$ 2,848,500
Restricted for construction of the Transit Center	195,664
Cash in City and County of San Francisco pool	10,409,131
Cash in State of California pool	23,866,457
Total cash and cash equivalents	37,319,752

Receivables:

Federal government	155,088
Metropolitan Transportation Commission	380,770
San Francisco County Transportation Authority	400,652
City and County of San Francisco	229,791
Accounts receivable	151,289
Total receivables	1,317,590

Other current assets:

Prepaid items	120,467
Security deposits held by others	7,936
Total other current assets	128,403
Total current assets	38,765,745

Noncurrent assets:

Restricted assets:

Cash	4,000
Investments	40,055,931
Interest receivable	191,734
Interest rate cap	245,410
Total restricted assets	40,497,075

Other noncurrent assets

Derivative instrument-interest rate cap	1,029,590
Net OPEB asset	11,518
Total other noncurrent assets	1,041,108

Capital assets, nondepreciable:

Land	186,082,200
Permanent easements	137,374
State transferred land to be re-conveyed to the City and County of San Francisco	18,414,675
Construction in progress:	
Information technology	191,965
Transit Center	2,055,899,487
Caltrain Downtown Extension	63,346,654
Total nondepreciable capital assets	2,324,072,355
Total noncurrent assets	2,365,610,538
<b>Total assets</b>	<b>2,404,376,283</b>

**Deferred outflows of resources:**

OPEB related	47,768
Pension related	499,520
<b>Total deferred outflows of resources</b>	<b>547,288</b>

*(Continued on next page)*

See notes to the financial statements

**TRANSBAY JOINT POWERS AUTHORITY**

## Statement of Net Position (Continued)

June 30, 2019

**Liabilities:**

## Current liabilities:

Accounts, contracts and intergovernmental payables	22,807,020
Accrued payroll	91,192
Retainage payable	30,975,286
Intergovernmental payables-related parties	
City and County of San Francisco	1,849,210
AC Transit	143,089
Accrued interest payable	103,647
Unearned revenue	6,201,520
Deposits payable	192,766
<b>Total current liabilities</b>	<b>62,363,730</b>

## Noncurrent liabilities:

USDOT TIFIA loan payable	186,128,592
City and County of San Francisco interim financing	78,000,000
State transferred land to be reconveyed	18,414,675
Compensated absences	235,322
Net pension liability	708,735
<b>Total noncurrent liabilities</b>	<b>283,487,324</b>
<b>Total liabilities</b>	<b>345,851,054</b>

**Deferred inflows of resources:**

Pension related	75,710
<b>Total deferred inflows of resources</b>	<b>75,710</b>

**Net position:**

Net investment in capital assets	2,006,396,770
Restricted:	
Construction of Transit Center	9,422,848
Debt Service	16,779,491
Unrestricted	26,397,698
<b>Total net position</b>	<b>\$ 2,058,996,807</b>

See notes to the financial statements

**TRANSBAY JOINT POWERS AUTHORITY**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended June 30, 2019

<b>Operating revenues:</b>	
Neutral host distributed antennae system revenue	\$ 864,583
Naming rights revenue	3,037,567
Community Benefits District revenue	246,255
Reimbursements from others	330,082
Temporary Terminal rental revenue	343,665
Other rental revenue	226,108
Miscellaneous revenue	60,841
<b>Total operating revenues</b>	<b><u>5,109,101</u></b>
<b>Operating expenses:</b>	
Personnel services	908,512
Materials and supplies	47,410
Transit Center temporary closure	164,235
Other expenses	427,799
Facility management	2,730,022
Security	5,743,193
Insurance	1,087,858
Maintenance	3,580,659
Marketing and wayfinding	1,594,292
Park expenses	869,402
<b>Total operating expenses</b>	<b><u>17,153,382</u></b>
<b>Operating loss</b>	<b><u>(12,044,281)</u></b>
<b>Nonoperating revenues and expenses:</b>	
Operating grant revenue	8,026,046
Investment income	1,707,917
Miscellaneous revenues	29
Net tax increment revenue	12,457,838
Gain on sale of easement	42,000
<b>Total nonoperating revenues and expenses</b>	<b><u>22,233,830</u></b>
<b>Income before capital contributions</b>	<b><u>10,189,549</u></b>
<b>Capital contributions:</b>	
Federal government capital grants	1,885,660
Local government capital grants:	
Regional Measures, bridge tolls	818,743
Proposition K, half cent sales tax	1,904,462
Community Facilities District reimbursements	91,534,393
Other capital contributions	4,058,021
<b>Total capital contributions</b>	<b><u>100,201,279</u></b>
Change in net position	110,390,828
Net position, beginning of year	1,948,605,979
<b>Net position, end of year</b>	<b><u>\$ 2,058,996,807</u></b>

See notes to the financial statements

**TRANSBAY JOINT POWERS AUTHORITY**

Statement of Cash Flows

For the Year Ended June 30, 2019

**Cash flows from operating activities:**

Cash receipts from Temporary Terminal lease revenue	\$ 6,461,337
Cash receipts from rental revenues	226,108
Cash receipts from Transit Center neutral host distributed antennae system revenues	864,583
Cash receipts from Transit Center naming rights revenue	3,037,567
Cash receipts from Community Benefits District revenue	246,255
Cash payments to employees for salaries and benefits	(614,479)
Cash payments to suppliers for goods and services	(16,019,153)
Other receipts	519,220
<b>Net cash used for operating activities</b>	<b><u>(5,278,562)</u></b>

**Cash flows from noncapital financing activities:**

Net tax increment revenue received	12,457,838
Operating grant	10,693,675
Deposits received (paid)	143,944
Other receipts (payments)	29
<b>Net cash provided by noncapital financing activities</b>	<b><u>23,295,486</u></b>

**Cash flows from capital and related financing activities:**

Proceeds from capital debt	4,522,502
Federal government capital grants received	2,496,548
Local government capital grants received	4,959,456
Other capital contributions received	4,058,021
Community Facilities District reimbursement revenue received	91,534,393
Proceeds from sale of air rights easement	42,000
Acquisition of capital assets	(109,315,789)
<b>Net cash used for capital and related financing activities</b>	<b><u>(1,702,869)</u></b>

**Cash flows from investing activities:**

Purchases of investment securities	(184,721,926)
Proceeds from maturities of investment securities	180,731,078
Investment income received	1,485,321
<b>Net cash used for investing activities</b>	<b><u>(2,505,527)</u></b>

Net increase in cash and cash equivalents	13,808,527
Cash and cash equivalents, beginning of year	23,515,225
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 37,323,752</u></b>

**Cash and cash equivalents, end of year:**

Cash and cash equivalents, unrestricted	\$ 37,319,752
Cash and cash equivalents, restricted	4,000
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 37,323,752</u></b>

*(Continued on next page)*

See notes to the financial statements



**TRANSBAY JOINT POWERS AUTHORITY**

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2019

<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ (12,044,281)
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) decrease in:	
Accounts receivables	296,086
Prepaid items	(65,467)
Increase (decrease) in:	
Pensions, OPEB and related deferrals	282,489
Accrued payroll	(1,261)
Unearned revenue	6,117,672
Accounts payable	123,395
Compensated absences	12,805
<b>Net cash used for operating activities</b>	<u><u>\$ (5,278,562)</u></u>
 <b>Supplemental disclosures of cash flow information</b>	
<b>Noncash capital financing activities:</b>	
Acquisition of capital assets on accounts	<u><u>\$ 19,285,624</u></u>

See notes to the financial statements

## **TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### **NOTE 1 - ORGANIZATION**

In April 2001, the City, AC Transit, and the Peninsula Corridor Joint Powers Board (“PCJPB”) entered into an agreement creating the TJPA to design, develop, finance, build, operate and maintain the transit center and DTX. In November 2017, the California High-Speed Rail Authority was added as a new member agency of the TJPA based on the unanimous concurrence of the original member agencies (the original member agencies and new member agency referred to collectively as “Member Agencies”). The 8-member TJPA Board is composed of a director appointed by each of the following:

- Alameda-Contra Costa Transit District
- California High-Speed Rail Authority
- City and County of San Francisco, Board of Supervisors (2 members)
- City and County of San Francisco, Mayor’s Office
- San Francisco Municipal Transportation Agency
- Peninsula Corridor Joint Powers Board
- State of California Department of Transportation (ex-officio)

The Member Agencies of the TJPA have granted to the TJPA most of their jointly held powers, including the authority to buy and sell property, to enter into contracts, and to accept and expend grants of cash and property. The TJPA’s management functions include contract oversight, policy direction, financing, investment supervision, and coordinating and collaborating with, among others, the U.S. Department of Transportation, the State and local entities including but not limited to the Member Agencies.

Based upon the TJPA Board’s adopted implementation plan, the Transbay Program is divided into two phases: the design and construction of the transit center, including the core-and-shell of the rail levels, as Phase 1, and the design and construction of the DTX as Phase 2. Phase 1 will be complete in Fiscal Year 2020. Phase 2 is at approximately a 30 percent design level; final design and construction will commence when the required revenues and financing have been secured.

The TJPA is legally separate and financially independent and is not considered a component unit of the State, California High-Speed Rail Authority, the City, AC Transit, or the PCJPB. Therefore, these financial statements represent solely the activities, transactions and status of the TJPA.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting and Measurement Focus**

The TJPA is a single enterprise fund. The activities of the TJPA are reported using the economic resources measurement focus and its records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and Program capital outlay and operating expenses are recorded when the related liability is incurred.

The TJPA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. In Fiscal Year 2019, the principal operating revenues of the TJPA are comprised of revenues from neutral host distributed antennae system, naming rights, rentals and leases and the Community Benefits District reimbursements (“CBD”). Operating expenses for the TJPA include the cost of operations and administrative expenses. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

As noted above, nonoperating revenues result from an operating grant, CFD reimbursements and impact fees, net tax increment revenue, gain of the sale of an easement, as well as investment income and miscellaneous revenue. Capital grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and qualifying expenditures are incurred.

### **Net Position Flow of Assumptions**

When Program costs are incurred, if there is both restricted and unrestricted net position available to finance the costs, it is the TJPA's policy to first apply restricted grant and revenue sharing resources to such Program costs.

### **Unearned Revenue**

Resource inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue. Capital contribution revenue from the TJPA's expenditure-driven grants and from other contributors such as adjacent property developers or tenants is recognized only when qualifying expenditures are incurred or the rental period begins. At June 30, 2019, the total amount of unearned revenue is \$6,201,520, which is primarily from Naming Rights unearned revenue.

### **Prepaid Items**

Resource outflows that do not yet meet the criteria for expenditure recognition, in that they benefit a future fiscal period, are recorded as prepaid items. At June 30, 2019, the total amount of prepaid items is \$120,467.

### **Security Deposits Payable**

The TJPA may require deposits from tenants of TJPA-owned rental property, the temporary terminal, and the transit center. Deposits may also be required from adjacent property developers for temporary leasing of access easements. At June 30, 2019, the TJPA had deposits payable of \$192,766, comprised of \$8,900 for a rental property, \$24,000 for a transit center operating lease, \$12,132 from developers for two easements and \$146,373 from new transit center retail lessees.

### **Cash and Equivalents, and Investments**

The TJPA reports demand deposits, deposits in investment pools, money market funds, and all other highly liquid investments with a maturity of twelve months or less when purchased as cash equivalents or investments at cost. Investments that are not highly liquid, or had maturities longer than twelve months at purchase, would be reported at fair value derived from the investment account statements.

All deposits are made in TJPA Board-designated official depositories. Investments are made per the TJPA Investment Policy, also approved by the TJPA Board. For more information on cash and investments, see Note 3.

### **Restricted Assets**

Restricted assets consist of cash and investments that are held in trust as well as other assets that are restricted for specific purposes.

### **Capital Assets**

The TJPA generally defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land, including land transferred by the State that may be re-conveyed to the City or the Office of Community Investment and Infrastructure ("OCII") for future use or sale, and permanent easements are recorded as non-depreciable capital assets. Information technology, transit center, and DTX capital asset costs are classified as construction in progress until such assets are completed and placed in service, at which time the TJPA will commence recording depreciation expense on depreciable capital assets.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

All construction in progress costs associated with the planning and construction of the Program that are not directly associated with either the transit center or the DTX are accumulated as indirect program-wide costs. The annual increase in accumulated indirect program-wide costs is allocated to the transit center and DTX based on the respective percentage increase of annual direct costs of each project and capitalized.

Non-depreciable land capital assets include the cost of the land and associated acquisition costs. Under the TJPA's capital asset policy, land costs include the following in addition to the actual acquisition costs: title and closing costs; relocation services, consultation and assistance; appraisal services; environmental consulting; land surveys; and site preparation including demolition.

### **Capital Contributions**

The TJPA receives expenditure-driven restricted capital grants from the federal, state and local governments. Capital grants and contributions from external sources are recognized as capital contributions earned when the related allowable expenditures are incurred. Details for the various active federal government direct and pass-through capital grants are presented in the *Schedule of Expenditures of Federal Awards* ("SEFA").

Contributions of donated noncash, nonland assets are recorded at estimated acquisition value in the period received as in-kind contributions.

Federal and state grants, State-conveyed land scheduled to be retained by the TJPA, grants from local agency shared revenues, and in-kind contributions for the Transbay Program are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position as capital contributions.

### **Net Position**

The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the Statement of Net Position is classified as Net Position and is subdivided into the following three categories:

#### Net Position-Net Investment in Capital Assets

This component of net position consists of capital assets, net of related debt and of accumulated depreciation (when applicable), reduced by obligations to re-convey State-transferred land. At June 30, 2019, the TJPA has \$249,000,000 in debt related to acquisition of capital assets, and \$18,414,675 recorded as an intergovernmental liability to the City for re-conveyance of State-transferred land. In addition, the TJPA had retention and accounts payable related to acquisition of capital assets in the amount of \$50,260,909. Total invested in capital assets net of related debt is \$2,006,396,770.

#### Net Position-Restricted

Restricted net position has external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

Restricted net position at June 30, 2019 is as follows:

<b>Net position-restricted</b>	
Restricted for construction	\$ 9,422,848
Restricted for debt service	16,779,491
Total restricted net position	<u>\$ 26,202,339</u>

### Net Position-Unrestricted

This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”. At June 30, 2019, unrestricted net position is \$26,397,697.

### **Pensions and OPEB**

For purposes of measuring the net pension liability or net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees’ Retirement System (“CalPERS”) plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension and OPEB plan investments are reported at fair value.

Deferred inflows and outflows of resources are reported in accordance with generally accepted accounting principles. Deferred outflows of resources represent a consumption of net position that applies to a future period and thus will not be recognized as an expense until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time. See Note 6 for detailed information on the TJPA’s pension benefits.

### **Derivative Instruments**

The TJPA’s interest rate cap is accounted for in accordance with generally accepted accounting principles, and the change in fair value of the hedging derivative instrument is reported as in the Statement of Revenues, Expenses and Changes in Fund Net Position. See Note 5 for further discussion of the TJPA’s interest rate cap.

### **Use of Estimates**

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

### **NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The TJPA’s investment policy allows the TJPA to invest cash balances in insured savings or money market accounts in a qualified public depository as established by California state law, the City Treasurer’s investment pool, the State’s Local Agency Investment Fund (“LAIF”), or through trust accounts required by agreements, including the 2003 Cooperative Agreement with the State and financing agreements such as the TIFIA loan agreement with the USDOT, for the deposit of various types of revenues and debt proceeds.

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

The TJPA's cash held in the City and State investment pools is considered to be cash and cash equivalents because it has the same characteristics as a demand deposit. The TJPA's investments in the pools may be deposited or withdrawn without notice or penalty. Because the TJPA's short-term position in these pools is considered to be a demand deposit, the TJPA does not record any allocated share of unrealized gains or losses. The TJPA cash held in the City and State pools on June 30, 2019, as follows:

Account Name	City Pool	State Pool
Equity in pooled cash and investments	\$ 10,409,131	\$ 23,866,457

LAIF and the City pool are not registered with the Securities and Exchange Commission. LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts. Oversight for LAIF is provided by the Local Investment Advisory Board ("LIAB"), consisting of five members appointed by the California State Treasurer. The City pool invests public funds in a manner which will preserve capital and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds. Oversight for the City pool is provided by a Treasury Oversight Committee, established by the San Francisco Board of Supervisors.

Additional information regarding the City pool is presented in the notes of the City's basic financial statements. Additional information regarding LAIF is available online at [www.treasurer.ca.gov/pmia-laif/laif.asp](http://www.treasurer.ca.gov/pmia-laif/laif.asp).

As of June 30, 2019, the TJPA had investments of \$40,055,932 in U.S. Treasury notes, U.S. Treasury bills, U.S. Agency notes, negotiable certificates of deposit and money market funds, all considered highly liquid with a term to maturity at purchase of less than one year. Accordingly, all investments below are reported at cost, rather than fair value because the difference between the cost and market value was insignificant:

Type	Value	Credit Ratings	Percent of Total Portfolio
<b>Cash equivalents</b>			
Negotiable certificates of deposit	\$ 250,000	n/a	0%
Money market mutual funds	7,038,436	AAAm	9%
<b>Investments</b>			
U.S. Agency notes	7,042,347	AAA	9%
U.S. Treasury notes	15,609,107	AAA	20%
U.S. Treasury bills	10,116,042	AAA	13%
Total investments	40,055,932		52%
Cash and pooled investments	37,323,752	n/a	48%
Total Portfolio	\$ 77,379,684		100%

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

TJPA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 – inputs are quoted prices in active markets for identical assets. Level 1 assets may include debt and equity securities that are traded in an active exchange market, are highly liquid, and are actively traded in over-the-counter markets.

Level 2 – inputs are significant other observable inputs such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads.

Level 3 – inputs are unobservable and should be developed using the best information available under the circumstances; TJPA does not have any Level 3 investments at June 30, 2019. TJPA's fair value measurements are categorized as follows at June 30, 2019:

- U.S. Treasury securities are Level 1, valued using quoted market prices
- U.S. Agency securities are Level 2, valued using IDSI institutional bond quotes
- Certificates of deposit are Level 2, valued using market prices
- Money market mutual funds are Level 2, valued at \$1 per share

TJPA's investments in the City and State investment pools are uncategorized; they are not measured using the input levels described above because TJPA's transactions are based on a stable net asset value of \$1 per share.

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. Certificates of deposit are insured by the Federal Deposit Insurance Corporation up to \$250,000; all TJPA certificates of deposit are \$250,000 or less in value. The credit ratings of other TJPA investments are disclosed above.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The only investments in any single issuer that exceeded 5% of the total investment portfolio were in U.S. Treasuries.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. California Government Code limits investments in U.S. Treasury Obligations, commercial paper, and negotiable certificates of deposit to a maximum maturity of five years, 270 days, and five years, respectively, which helps to mitigate this risk since the prices of fixed-income securities with a longer time to maturity tend to be more sensitive to changes in interest rates. At June 30, 2019, TJPA had a series of investments in U.S. Treasury notes and bills that mature by March 15, 2020; U.S. Agency notes that matured by August 1, 2019; and negotiable certificates of deposit with the latest maturity at August 1, 2019.

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. TJPA investment policy limits deposits to qualified public depositories as established by state law. The amounts placed on deposit with the bank were covered by federal depository insurance and were collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. Such collateral is held by the pledging financial institutions' trust department or agent but not in the TJPA's name.

Custodial credit risk for investments is the risk that, in the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2019, \$32,767,496 of U.S. Treasuries and Agencies were held by the same broker-dealer (counterparty) that was used to purchase the securities.

**NOTE 4 - CAPITAL ASSETS**

The TJPA's capital assets consist of land, including land transferred by the State and land acquired by the TJPA that may be re-conveyed to the City or OCII, permanent easements, and accumulated construction in progress related to the transit center and DTX. Construction in progress also includes intangible assets that are recorded as Information Technology in the statement of net position, which consists of costs to develop the TJPA's website and labor compliance software licensing. Capital assets are recorded at historical cost if purchased or constructed. Capital assets not purchased or constructed are recorded at estimated fair value at the time of acquisition.

Capital Asset Activity for the Fiscal Year Ended June 30, 2019:

	<b>Beginning of Fiscal Year</b>	<b>Current Year Acquisitions</b>	<b>Current Year Dispositions</b>	<b>End of Fiscal Year</b>
Capital assets not being depreciated:				
Land	\$ 186,082,200	\$ -	\$ -	\$ 186,082,200
Permanent easements	137,374	-	-	137,374
State transferred land to be re-conveyed to the City	18,414,675	-	-	18,414,675
Construction in progress:				
Information technology	177,965	14,000	-	191,965
Transbay Transit Center	1,965,452,685	90,446,802	-	2,055,899,487
Caltrain Downtown Extension	61,866,880	1,479,774	-	63,346,654
Total capital assets not being depreciated	<u>\$ 2,232,131,779</u>	<u>\$ 91,940,576</u>	<u>\$ -</u>	<u>\$ 2,324,072,355</u>



**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

Land Acquisition

The total land value at June 30, 2019 of \$186,082,200 is made up of 32 parcels of land acquired by purchase, eminent domain, or transfer from the State over the life of the Program. The additional costs included in the land value are primarily for demolition of the old terminal and bus ramps, relocation assistance and loss of goodwill for relocated businesses, appraisals, surveying, environmental remediation and monitoring, garage easement interests, and title and closing costs. No property was acquired during the year ended June 30, 2019.

Land Acquisition Summary

<b>Scheduled disposition:</b>	<b>Parcels</b>	<b>Land Value</b>	<b>Additional Costs</b>	<b>Total Land Value</b>
Retained for:				
Transit Center	18	\$ 125,409,458	\$ 21,607,336	\$ 147,016,794
Downtown Extension	11	15,691,890	1,886,957	17,578,847
Total to be retained	29	141,101,348	23,494,293	164,595,641
Transfer to the City or OCII	3	20,628,720	857,839	21,486,559
Total value	32	\$ 161,730,068	\$ 24,352,132	\$ 186,082,200

TJPA is scheduled to permanently retain title to 29 parcels valued at \$164,595,641. The TJPA will hold title to the remaining three parcels with a land value of \$20,628,720 for a temporary period. These three parcels are needed only during the construction of the transit center and the operation of the Temporary Terminal and then will be conveyed to the City or OCII, along with an additional four parcels transferred by the State, with a value of \$18,414,675, when no longer needed for Temporary Terminal operations. The fiscal year in which the TJPA transfers the parcels to the City or OCII, the TJPA will remove the liability related to the four former State-owned parcels and will report the remaining three parcels as either a sale or conveyance to the City or OCII at the time the transaction occurs.

Land Transferred From the State by Fiscal Year and Land Scheduled to be Transferred to the City or OCII:

	<b>Total Transferred From the State</b>		<b>Scheduled To be Retained</b>		<b>Scheduled To be Transferred To City/OCII For Sale</b>	
	<b>No.</b>	<b>Value</b>	<b>No.</b>	<b>Value</b>	<b>No.</b>	<b>Value</b>
FY 2009	4	\$ 16,683,315	0	\$ -	4	\$ 16,683,315
FY 2011	14	72,007,574	9	53,186,468	5	18,821,106
FY 2013	0	(6,985,999)	0	(6,985,999)	0	-
FY 2014	1	7,476,962	0	-	1	7,476,962
FY 2015	0	-	0	-	0	-
FY 2016	0	-	0	-	0	-
FY 2017	0	-	0	-	0	-
FY 2018	0	-	0	-	0	-
FY 2019	0	-	0	-	0	-
Total Transferred	19	\$ 89,181,852	9	\$ 46,200,469	10	42,981,383
Total State Parcels transferred to the City/OCII					(6)	(24,566,708)
Remaining State Parcels to be transferred to the City/OCII					4	18,414,675
TJPA acquired land scheduled to be transferred to the City/OCII					3	20,628,720
Additional costs for all parcels scheduled to be transferred to the City/OCII						857,839
Total land scheduled to be transferred to the City/OCII					7	\$ 39,901,234

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

The TJPA has applied one of two valuation methods for each land parcel transferred from the State to the TJPA. Parcels that the State was leasing to third parties prior to transfer to the TJPA are valued by the TJPA using the lease rate. For parcels that were not being leased by the State at or near the date of transfer, the TJPA has used the sale price of comparable parcel(s) sold in the vicinity of the transit center. This valuation is for purposes of compliance with GASB Statement No. 34 accounting and reporting requirements only and should not be construed as current market value for the parcels.

Land parcels transferred from the State which are scheduled to be retained by the TJPA are recorded as a capital contribution and included as a component of the land capital asset account. At June 30, 2019, the value of the land transferred from the State which is scheduled to be retained by the TJPA is \$46,200,469 according to the described valuation methodology.

At June 30, 2019, the TJPA held title to seven land parcels valued at \$39,901,234 which are temporarily needed by the TJPA only for the construction of the Transbay Program—three acquired by purchase and four via transfer from the State. Upon completion of the construction period, these parcels are scheduled to be transferred to the City or OCII for future sale.

Land parcels transferred from the State which are scheduled to be re-conveyed to the City or OCII upon completion of the new transit center are recorded as an intergovernmental liability to the City and as State-transferred land to be re-conveyed to City capital asset account. At June 30, 2019, the total value of the land to be re-conveyed to the City recorded in these liability and capital asset accounts is \$18,414,675.

In the fiscal year the TJPA transfers the parcels to be re-conveyed to the City or OCII, the TJPA will record the liquidation of the intergovernmental liability to the City and accordingly reduce the State-transferred land capital asset account.

### Future Transfers of State Parcels

Of the three State parcels to be transferred, one is scheduled to be transferred to the TJPA when required for construction purposes or development. Another parcel is scheduled to be transferred directly from the State to the City or OCII and will not be recorded in the TJPA's accounting records. And the third parcel that had been planned for transfer is no longer required and will be retained by the State.

### Contract Commitments

At year end, the TJPA had contract commitments of \$72,194,368 for construction, design, engineering, planning and administrative costs.

## NOTE 5 - LONG TERM OBLIGATIONS AND DERIVATIVE INSTRUMENT

The TJPA has outstanding debt from direct borrowings, at June 30, 2019, as follows:

<u>Obligation</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at June 30</u>
TIFIA loan	2051	4.57%	\$ 186,128,592
Interim City financing	upon repayment	1-month LIBOR plus margin	78,000,000
		Total long-term obligations	<u>\$ 264,128,592</u>

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### TIFIA Loan

The federal TIFIA program provides loans, loan guarantees and standby lines of credit to transportation infrastructure projects throughout the country. TJPA reached financial close on a \$171,000,000 TIFIA loan in January 2010 for Phase 1 transit center construction. TIFIA commenced disbursements of the loan in Fiscal Year 2017. The full loan amount of \$171,000,000 was drawn as of June 30, 2019. Interest is added to the loan balance for the first two years; the TJPA accrued \$15,128,592 through June 30, 2019. Interest payments will commence in 2020, two years after the substantial completion of the transit center. Principal repayment will commence when amortization begins in 2025.

### Pledged Revenues

The TJPA receives net tax increment revenues generated by the former State-owned parcels sold for development and committed to the TJPA, pursuant to an agreement with the City and OCII. The net tax increment revenue that is received by TJPA, together with, to a much lesser extent, certain AC Transit contributions, and income derived from permitted investments from these two sources (together “Pledged Revenues”) is pledged as security under the TIFIA loan. This revenue is only available for limited other purposes until the TIFIA loan is repaid in full, currently forecast for August 1, 2050.

Tax increment in California has a 20% mandated set-aside for affordable housing. The net tax increment revenue assumed to flow to TJPA is net of this set-aside as well as 21% statutory pass-through payments to other taxing entities including school districts. In accordance with the Transbay Development Project Tax Increment Allocation and Sales Proceeds Pledge Agreement, TJPA is to receive net tax increment revenue until March 31, 2050. An amendment to the TIFIA loan allows use of net tax increment revenues to pay the ongoing interest on, and, potentially, a take-out of, the interim City financing described below.

### TIFIA Annual Debt Service

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Current Accreted Interest</b>	<b>Future Accretion of Interest</b>	<b>Total</b>
2020	\$ -	\$ -	\$ 4,293,098	\$ 4,293,098
2021	-	-	8,551,295	8,551,295
2022	-	-	8,539,533	8,539,533
2023	-	-	8,539,533	8,539,533
2024	-	-	8,527,771	8,527,771
2025-2029	17,203,066	1,595,627	41,054,212	59,852,905
2030-2034	23,744,148	2,202,328	35,838,492	61,784,968
2035-2039	29,762,970	2,760,589	29,261,409	61,784,968
2040-2044	37,311,702	3,460,753	21,012,513	61,784,968
2045-2049	46,760,556	4,337,157	10,687,254	61,784,967
2050-2051	16,217,558	1,504,219	813,713	18,535,490
Total	<u>\$ 171,000,000</u>	<u>\$ 15,860,673</u>	<u>\$ 177,118,823</u>	<u>\$ 363,979,496</u>

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

**Interim City Financing**

In 2016, the TJPA Board approved a Phase 1 budget of \$2.259 billion, at the recommendation of MTC following a risk and cost review of the project. To fully fund the new budget, additional funding was required. The City, MTC and TJPA negotiated a financing that closed in Fiscal Year 2017. Under the financing, TJPA leases the Train Box portion of the transit center to a bank acting as a trustee. The City is also leasing certain City-owned property to the trustee. The trustee subleases the properties back to the City. Payments by the City under the subleases are set to be equivalent to and pay the debt service on certificates of participation (“COPs”) sold by the City to Wells Fargo Bank, N.A. (“Wells Fargo”) and MTC. Up to \$160 million in COPs may be sold to Wells Fargo and up to \$100 million to MTC. TJPA submits draw requests to the City to fund construction costs and the City sells COPs as needed. TJPA is obligated to reimburse the City for amounts paid by the City on the COPs pursuant to a leaseback by TJPA of the asset it leased, which it pays from net tax increment revenues pursuant to an amendment to the TIFIA loan negotiated concurrently with the City financing. TJPA intends to repay the outstanding principal of the COPs to the City with the City’s future bond proceeds allocated to the TJPA and backed by the Transbay Transit Center CFD special taxes. TJPA is expected to secure a long-term take-out of the financing in the next fiscal year if any City financing remains outstanding.

Interim City Financing Annual Debt Service

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest (Base Rental)</b>	<b>Less Interest Rate Cap Payments Received</b>	<b>Net Interest</b>	<b>Additional Rental</b>	<b>Total</b>
2020	\$ 7,800,000	\$ 2,787,599	\$ (898,750)	\$ 1,888,849	\$ 70,617	\$ 9,759,466
2021	15,600,000	2,322,870	(66,667)	2,256,203	-	17,856,203
2022	15,600,000	1,759,797	-	1,759,797	-	17,359,797
2023	15,600,000	1,196,724	-	1,196,724	-	16,796,724
2024	15,600,000	635,193	-	635,193	-	16,235,193
2025	7,800,000	106,058	-	106,058	-	7,906,058
<b>Total</b>	<b>\$ 78,000,000</b>	<b>\$ 8,808,241</b>	<b>\$ (965,417)</b>	<b>\$ 7,842,824</b>	<b>\$ 70,617</b>	<b>\$ 85,913,441</b>

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

The COPs are sold based on a variable rate of one-month London Interbank Offer Rate (“LIBOR”) plus an applicable margin. The one-month LIBOR rate is the rate in effect each month and is set at the end of the prior month. TJPA was required by the TIFIA lender to enter into an interest rate cap that caps the 1-month LIBOR portion of the variable interest rate (excluding the margin) at 1.75%. The interest is paid as Base Rental on a quarterly basis, and a commitment fee for the unused amount of Wells Fargo capacity of 20 basis points (0.20%) is also paid quarterly as Additional Rental. The interest rate at June 30, 2019, was 3.0%. The Base and Additional Rental amounts paid or accrued for Fiscal Year 2019 are as follows:

<b>Quarter Ended</b>	<b>Principal Balance</b>	<b>Rate</b>	<b>Interest (Base Rental)</b>	<b>Less Interest Rate Cap Payments Received</b>	<b>Net Base Rental</b>	<b>Additional Rental</b>
Sep-18	\$ 103,000,000	2.674%	\$ 691,148	\$ (127,167)	\$ 563,981	\$ 29,133
Dec-18	103,000,000	2.909%	761,266	(207,822)	553,445	29,133
Mar-19	78,000,000	3.049%	715,036	(272,812)	442,223	28,500
Jun-19	78,000,000	3.000%	598,778	(268,271)	330,507	28,817
<b>Total</b>	<b>\$ 78,000,000</b>		<b>\$ 2,766,228</b>	<b>\$ (876,072)</b>	<b>\$ 1,890,156</b>	<b>\$ 115,583</b>

Base and Additional Rental were capitalized for the period because the financing proceeds were used exclusively to fund project construction.

The changes in long-term obligations for the year ended June 30, 2019 are as follows:

	<b>Beginning of Fiscal Year</b>	<b>Current Year Additions</b>	<b>Current Year Decreases</b>	<b>End of Fiscal Year</b>
Loans payable				
TIFIA loan	\$ 156,606,090	\$ 29,522,502	\$ -	\$ 186,128,592
Interim City financing	103,000,000	-	(25,000,000)	78,000,000
Accrued compensated absences	222,517	12,805	-	235,322
<b>Total long-term obligations</b>	<b>\$ 259,828,607</b>	<b>\$ 29,535,307</b>	<b>\$ (25,000,000)</b>	<b>\$ 264,363,914</b>

TJPA does not have any unused lines of credit.

**Derivative Instrument - Interest Rate Cap**

TJPA has two interest rate caps as a hedge against rising interest rates under the interim City financing, as required by the TIFIA lender. The first Interest Rate Cap Agreement limits TJPA’s variable interest rate exposure by providing that SMBC Capital Markets, Inc., as cap provider counterparty, will make monthly payments to TJPA to the extent that the one-month LIBOR rate exceeds 1.75%. The interest rate cap has a notional amount that started at \$25,000,000 and stepped up incrementally to \$162,000,000, and then back down to \$64,000,000 as of June 30, 2019. The cap is in effect through July 1, 2020.

TJPA paid \$1,260,000 for the SMBC interest rate cap and the fair value was \$239,326 at June 30, 2019; the cost exceeded fair value by \$1,020,674.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

The initial cap notional principal dropped to \$64,000,000 on July 1, 2019, while the outstanding balance of the City Financing is expected to remain at \$78,000,000 through some or all of calendar year 2020. In order to cover this gap, the TJPA purchased an incremental cap effective July 1, 2019 with a one-month LIBOR strike price of 3% and a notional principal profile reflecting the expected repayment profile of the City Financing. The incremental cap notional profile is \$14,000,000 through July 1, 2020, increasing to \$78,000,000 through January 1, 2021.

The TJPA paid \$15,000 for the Goldman Sachs interest rate cap and the fair value was \$6,084 at June 30, 2019; the cost exceeded fair value by \$8,916. The fair value of both caps was derived from the Dodd Frank Regulatory Daily Mark value provided by Swap Financial Group, LLC. Both caps were recorded as other non-current assets on the Statement of Net Position. The interest rate cap was determined to be effective, meaning that the derivative significantly reduces an identified financial risk and hedge accounting is used.

### Credit Risk

Credit risk is the risk that a counterparty will not fulfill its obligations. The maximum loss that would be recognized at the reporting date if both counterparties failed to perform as contracted is \$245,410 which is the fair value of the interest rate caps at year-end. To minimize TJPA's exposure to credit risk, the Interest Rate Cap agreements require that if the cap provider is downgraded below A/A2/A then the cap provider must transfer collateral to TJPA equal to 100% of the mark to market value of the cap or obtain a replacement counterparty that meets the rating requirements. If the cap provider is downgraded below A-/A3/A-, the cap provider must obtain a replacement counterparty that meets the rating requirements. At June 30, 2019, both counterparties were rated A/A1/A.

### Termination Risk

Termination risk is the possibility that a derivative may end earlier than expected, depriving TJPA of the protection from interest rate risk. TJPA or its counterparty may terminate the interest rate cap in accordance with the terms of the Interest Rate Cap Agreement. The Interest Rate Cap Agreement was entered into under the International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement"). The ISDA Master Agreement together with the Confirmation of the Interest Rate Cap Agreement provide the terms and conditions upon which each party may terminate the Interest Rate Cap Agreement. Included in such terms and conditions is the right of TJPA to terminate the Interest Rate Cap Agreement on any business day and the right of TJPA to terminate the Interest Rate Cap Agreement if the counterparty's senior, unsecured, unenhanced debt rating is downgraded below the ratings noted above. No payment would be due from TJPA to the counterparty in any instance of termination.

## **NOTE 6 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS**

### A. Pension Plan

#### **Plan Description and Benefits Provided**

All full-time employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined-Benefit Pension Plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement, disability, and death benefits based upon the employee's years of service, age, and final compensation. Benefit provisions under the Plan are established by State statute and TJPA resolution. Employees vest after five years of service.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

TJPA contracted with CalPERS effective January 1, 2012. Prior to that date, full-time employees participated in the CalPERS pension plan via Local Government Services (“LGS”), previously TJPA’s employer of record under contract. CalPERS processed a merger, transferring TJPA employees from LGS’ plan to TJPA’s plan. Due to its small number of employees, TJPA participates in the CalPERS risk pool for Miscellaneous Employees. There are two retirement formulas for TJPA employees, depending upon date of hire: “2% at 55” risk pool for “Classic” CalPERS employees, and “2% at 62” for employees hired after January 1, 2013 who are not already CalPERS members, per the California Public Employees’ Pension Reform Act (“PEPRA”).

Detailed information about the pension plan’s fiduciary net position is publicly available in separately issued CalPERS reports. The reports and other details referenced below may be obtained from CalPERS, [www.calpers.ca.gov](http://www.calpers.ca.gov).

### **Contributions**

The contribution requirements of plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS. PEPRA members are required to contribute 6.25% of their annual covered salary, and Classic members are required to contribute 7% of their annual covered salary. TJPA pays this required contribution on behalf of Classic employees, amounting to \$101,975 for the year ended June 30, 2019. For Fiscal Year 2019, the actuarially determined employer contribution rate was 9.409% of covered payroll costs for Classic employees, amounting to \$137,069, and 6.842% for PEPRA employees, amounting to \$43,450. The employer contribution, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, TJPA employer contributions that are included in the calculation of net pension expense were \$180,519.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Generally accepted accounting principles require employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position. Net pension liability is the plan’s total pension liability based on the entry age normal actuarial cost method less the plan’s fiduciary net position.

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. Each participating cost-sharing employer, such as TJPA, is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements. The disclosures below are thus based on an actuarial valuation provided by CalPERS.

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

At June 30, 2019, TJPA reported a liability of \$708,735 for its proportionate share of the net pension liability. The net pension liability was measured by CalPERS as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. TJPA's proportion of the net pension liability was based on a projection of TJPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. TJPA's proportionate share of the net pension liability for the plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.0186%
Proportion - June 30, 2019	<u>0.0188%</u>
Change - Increase (Decrease)	0.0002%

The annual pension expense is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for the deferred recognition of actual contributions and items such as investment gains and losses, changes in actuarial assumptions, and changes in plan benefits. For the year ended June 30, 2020, TJPA recognized a net pension expense of \$280,123. At June 30, 2019, TJPA also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 180,519	\$ -
Differences between actual and expected experience	27,193	(9,254)
Changes in assumptions	80,798	(19,802)
Contributions in excess of employer share	30,433	(28,600)
Changes in proportion	177,073	(18,054)
Net differences between projected and actual earnings on pension plan investments	<u>3,504</u>	<u>-</u>
Total	<u>\$ 499,520</u>	<u>\$ (75,710)</u>

Of the \$499,520 total deferred outflows of resources, \$180,519 resulting from TJPA employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Total Deferred Outflows (Inflows)</u>
2020	\$ 136,221
2021	105,773
2022	7,672
2023	(6,375)
2024	-
Total	<u>\$ 243,291</u>



## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

#### Actuarial Assumptions

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%, Net of Expenses

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation was based on the results of a 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

#### Discount Rate

The discount rate used to measure the total pension liability remained at 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS determined the long-term expected rate of return on pension plan investments using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Both short-term and long-term market return expectations were taken into account, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years). Using the expected nominal returns, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to this calculated single equivalent rate and rounded down to the nearest one quarter of one percent.

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

**Sensitivity of TJPA’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents TJPA’s proportionate share of the net pension liability for the plan, calculated using the discount rate of 7.15%, as well as what TJPA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Discount Rate -1 (6.15%)</b>	<b>Discount Rate (7.15%)</b>	<b>Discount Rate +1 (8.15%)</b>
Net pension liability	\$ 1,363,841	\$ 708,735	\$ 167,956

**Payable to the Pension Plan**

At June 30, 2019, TJPA reported a payable of \$14,630 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**B. Defined Contribution Retirement Plan**

TJPA participates in the California Public Agencies Self-Directed Tax-Advantaged Retirement System Plan (the “STARS Plan”), which provides retirement benefits for employees of the member public agencies. The STARS Plan includes a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement, and a defined contribution plan in accordance with Internal Revenue Code Section 401(a), whereby TJPA matches employee contributions up to two percent of the employee’s base annual salary. All employees are eligible for plan participation. Plan assets are invested in each individual’s name with a deferred compensation plan provider. The STARS Plan deferred compensation and defined contribution assets are not reflected in these financial statements. Each of the STARS Plan’s participants directs the investments of their separate accounts. Employer contributions vest immediately. Distributions are made upon the participant’s termination, retirement, death or total disability. During the year ended June 30, 2019, the TJPA and participating employees made contributions to the STARS Plan totaling \$32,154 and \$125,387, respectively. At June 30, 2019, TJPA had a payable of \$6,934 for the outstanding amount of contributions to the defined contribution plan required for the fiscal year.

**C. Other Post-Employment Benefits**

**Plan Description and Benefits Provided**

TJPA contracts with CalPERS under the Public Employees’ Medical and Hospital Care Act (“PEMHCA”), which provides healthcare insurance programs for both active and retired employees of public employer contracting agencies. TJPA has a program in place to partially pay CalPERS medical insurance premiums for eligible retiring employees. Retiree benefit provisions are established and amended through agreements between TJPA and its employees; at a minimum TJPA will contribute the amount required by PEMHCA, which is \$136 per month per employee in calendar year 2019 and \$139 in 2020. Participating retirees pay the difference between the benefit they receive and the monthly premium. Medical insurance premiums for retiree’s spouses or dependents are not covered under these agreements, nor are dental or vision premiums. The plan does not issue a separate financial report.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### Contribution

TJPA joined the California Employers' Retiree Benefit Trust ("CERBT"), an irrevocable trust established under Internal Revenue Code Section 115 to fund other post-employment benefits ("OPEB"), in Fiscal Year 2016. CERBT, an agent multiple-employer plan, is administered and managed by CalPERS and issues a financial report available on the CalPERS website. For Fiscal Year 2019, TJPA accrued a \$25,252 payable to CERBT, which was paid on July 31, 2019. TJPA participates in the CERBT Strategy 3 portfolio, the most conservative of the three available investment strategies, and the ending trust balance at June 30, 2019 was \$329,320.

### Employees Covered

At the July 1, 2017 valuation date, the TJPA had nine active employees and one retiree receiving benefits.

### Discount Rate

The discount rate used to measure the total OPEB liability was 5.6%. The projection of cash flows used to determine the discount rate assumed that the TJPA contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	22%
Fixed Income	49%
Treasury Inflation-Protected Securities	16%
Real Estate Investment Trusts	8%
Commodities	5%
	<u>100%</u>

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

**Net OPEB Asset**

TJPA's net OPEB asset was measured as of June 30, 2018, determined by an actuarial valuation of total OPEB liability as of July 1, 2017:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Asset</b>
Balance at June 30, 2018	\$ 238,490	\$ 270,112	\$ (31,622)
Changes for the year:			
Service cost	26,314	-	26,314
Interest	15,841	-	15,841
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	12,817	(12,817)
Changes in assumptions	16,402	-	16,402
Contribution - employer	-	26,135	(26,135)
Contribution - member	-	-	-
Net investment income	-	-	-
Benefit payments	(1,566)	(1,566)	-
Other expenses	-	(358)	358
Administrative expense	-	(141)	141
Net changes	<u>56,991</u>	<u>36,887</u>	<u>20,104</u>
Balance at June 30, 2019	<u>\$ 295,481</u>	<u>\$ 306,999</u>	<u>\$ (11,518)</u>

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### Actuarial Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between TJPA and the plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The 2017 actuarial valuation used the following actuarial methods and assumptions:

Discount rate	5.60%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increases	3.25%, used only to allocate cost of benefits between service years
Investment rate of return	5.60%
Mortality rates	MacLeod Watts Scale 2017 applied generationally
Healthcare cost trend rate	7.5% in 2019, trending down to 5% in 2024 and thereafter

### Sensitivity of the Net OPEB Liability to Change in Discount Rate

The following presents the net OPEB liability/asset of the TJPA, as well as what the TJPA's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher, than the current discount rate (in thousands):

Net OPEB Asset at 1% increase	\$	50,294
Net OPEB Asset at Current Rate		11,518
Net OPEB Liability at 1% decrease		(35,643)

### Sensitivity of the Net OPEB Liability to Change in Healthcare Costs

The following presents the net OPEB liability/asset of the TJPA, as well as what the TJPA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower, or one percentage point higher, than the current healthcare cost trend rates (in thousands):

Net OPEB Liability at 1% increase	\$	(76,820)
Net OPEB Asset at Current Rate		11,518
Net OPEB Asset at 1% decrease		68,435

### Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is amortized over a five-year period. All other amounts are amortized over the expected average remaining service lifetime (EARSL) of 8.96 years.

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

**OPEB Expense (Income) and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the TJPA recognized OPEB expense of \$2,364. As of the fiscal year ended June 30, 2019, the TJPA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 26,987	\$ -
Assumption changes	14,571	-
Net differences between projected and actual earnings on plan investments	6,210	-
<b>Total</b>	<b>\$ 47,768</b>	<b>\$ -</b>

The reported deferred outflows of resources related to OPEB will be recognized as expense as follows:

<b>For the Fiscal Year Ending June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2020	\$ 3,626
2021	3,626
2022	3,627
2023	2,655
2024	1,831
Thereafter	5,416
<b>Total deferred outflows (inflows)</b>	<b>\$ 20,781</b>

**NOTE 7 - LEASES**

Leases as Lessee

The TJPA leases office space under an operating lease which expires in March 2021. Total costs for this lease were \$767,819 for the year ended June 30, 2019. These costs represent direct Program management costs related to the transit center and DTX and as such are capitalized as part of accumulated Program costs.

In May 2017 the TJPA entered into an airspace lease agreement with the State of California for the property under Interstate 80 between Third, Second, Perry and Stillman streets for the construction and operations of the Bus Storage Facility. The term of the lease is 25 years. In August 2018, with the completion of construction and commencement of operations of the Bus Storage Facility, AC Transit became responsible for the lease costs under a sublease with TJPA. Payments for this lease made for the fiscal year ending June 30, 2019 were \$24,885. There are no future lease payments as a result of sublease with AC Transit.

**TRANSBAY JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

The future minimum lease payments are as follows:

	TJPA Office Lease	
2020	\$	753,761
2021		579,899
	\$	<u>1,333,659</u>

Leases as Lessor

The transit center is comprised of 91,640 square feet of retail space, currently divided into 36 retail spaces. As of June 30, 2019, 14 leases have been executed, which correlates to leasing rates of 39% of the retail spaces and 59% of the retail square footage.

	Total	Total Executed	%
Square Footage	91,640	53,082	58%
Number of Retail Spaces	36	14	39%
Average Annual Rent	\$5.5M	\$3.4M	62%

**NOTE 8 - RISK MANAGEMENT**

The TJPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The TJPA participates in the Special District Risk Management Authority (“SDRMA”), a joint powers agency established in 1986 to provide pooled joint protection programs among the members of SDRMA. The purpose of SDRMA is to reduce the amount and frequency of losses and to decrease the cost incurred by its members in the handling and litigation of claims and to purchase excess or re-insurance as a group, thereby reducing costs. The TJPA’s deductibles and maximum coverages under the SDRMA pool are as follows:

Coverage Description	Deductibles	Coverage
General Liability	\$500	\$10,000,000
Auto Liability	\$1,000	\$10,000,000
Property Coverage	\$1,000	\$1,000,000,000
Boiler and Machinery Coverage	\$1,000	\$100,000,000
Employees and Public Officials:		
Errors and Omissions Liability	\$0	\$10,000,000
Dishonesty	\$0	\$1,000,000
Personal Liability for Board Members	\$500	\$500,000

There were no reductions in insurance coverage from the previous year. The TJPA pays an annual contribution, determined by the Board of Directors of SDRMA, and any additional amounts which the SDRMA Board of Directors deems necessary in accordance with bylaws of SDRMA. The TJPA’s annual contribution for the fiscal year ended June 30, 2019 was \$200,851.

In addition, the TJPA purchased an excess liability policy to provide additional coverage of \$10,000,000. The premium for the fiscal year ended June 30, 2019 for this policy was \$105,264. There is no deductible under this policy. The TJPA does not maintain earthquake insurance coverage.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

The TJPA maintains property insurance. The premium for the fiscal year ended June 30, 2019 was \$985,983.

The TJPA maintains workers' compensation insurance in compliance with statutory limits. The premiums for the Fiscal Year ended June 30, 2019 for this coverage were \$19,730. TJPA also holds a public officials bond renewed in May 2019, with a two-year term for \$875.

During the year ended June 30, 2010, the TJPA received a payment and performance bond from Webcor Builders/Obayashi Corporation, the joint venture awarded the Construction Manager/General Contractor ("CM/GC") contract. The bond provides a \$600 million guarantee that the CM/GC will complete the transit center and related structures in accordance with its contract and that it will pay its subcontractors, labor and suppliers. The TJPA reimbursed the CM/GC \$5.4 million for the original bond premium. In Fiscal Years 2014 and 2015, the bond amount was increased to \$889 million, for premiums totaling \$2,594,064. During the year ended June 30, 2016, the TJPA accrued an additional \$4,017,442 for a bond rider that increased the bond amount to \$1,336,575,975. The additional premium was fully paid by June 30, 2017.

### NOTE 9 - RELATED PARTY TRANSACTIONS

Note 9 identifies agencies of State and local government that appoint members to the TJPA Board of Directors. The TJPA also purchases goods and services from some of these TJPA Board Member Agencies and these Agencies are therefore considered to be related parties to the TJPA. Below is a summary of goods and services purchased by the TJPA from these related parties during the fiscal year ended June 30, 2019.

#### A. City and County of San Francisco

During the year ended June 30, 2019, the City provided services including management, administration, permitting and inspection of construction; traffic engineering; transit center power connections; and legal assistance to the TJPA. Such services totaled \$4,188,181, with \$1,849,210 due to the City at June 30. Services were provided by the following organizations/departments:

Office of the City Attorney	\$	1,207
Department of Public Works		1,333,835
Department of Technology		16,272
Municipal Transportation Agency		285,327
Police Department		1,953,896
Fire Department		2,367
Public Utilities Commission		553,512
Department of Building Inspections		38,094
County Clerk		3,234
Tax Collector		437
Total	\$	<u>4,188,181</u>



## TRANSBAY JOINT POWERS AUTHORITY

### Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

In addition, Community Benefit District special assessments of \$221,597 were paid to the San Francisco Tax Collector during the fiscal year. \$3,081,137 was paid to the Office of the Controller, of which \$2,925,946 was for Base and Additional Rental (see Note 5) and \$155,191 was property insurance under the lease-back agreement. Also, at June 30, 2019, the TJPA held title to land parcels which are temporarily needed by the TJPA only for the construction of the Transbay Program. Upon completion of the construction period, these parcels will be transferred to the City or OCII (see Note 4).

#### B. Alameda-Contra Costa Transit District (AC Transit)

AC Transit provides bus services between Alameda and Contra Costa counties and the City and County of San Francisco. Under the Program, the temporary terminal and the transit center are the point of destination/departure for AC Transit's bus services in San Francisco. On September 29, 2008, the TJPA Board of Directors approved a comprehensive Lease and Use Agreement that controls AC Transit's bus operations at the temporary terminal and the transit center through at least the year 2050. The Agreement sets forth all the rights and obligations of the parties with respect to the two facilities. It addresses payments AC Transit will make for its share of operating and maintenance costs at the transit center should operating expenses exceed revenues, as well as its contribution in the sum of \$57,000,000 (discounted to 2011 dollars) to the capital cost of the new transit center. The Agreement also addressed incremental payments that TJPA would make to AC Transit to cover the increased costs to AC Transit of operating out of the temporary terminal. The Agreement allows for subtenant agreements, where subtenants can be allocated a share of the primary tenant's operating and maintenance costs. Beginning in the fiscal year ended June 30, 2019, TJPA was no longer obligated to reimburse AC Transit for its incremental operating and maintenance costs at the temporary terminal.

#### C. State of California Department of Transportation ("Caltrans")

Caltrans provides design review and construction support services to the TJPA and leases the site of the Bus Storage Facility to TJPA. Such services and lease payments totaled \$30,154 during the year ended June 30, 2019, all of which had been paid to Caltrans at June 30. The agreements with Caltrans require the TJPA to provide, within the total agreement amounts, payment for revolving invoice reserves. The payment of these deposits total \$55,000, which the TJPA has recorded as prepaid items.

See also Note 4, Capital Assets, for information regarding State-conveyed land to be retained by the TJPA and re-conveyed to the City or OCII.

As of June 30, 2019, the California High-Speed Rail Authority ("CHSRA") does not provide services to the TJPA and TJPA has not reported any amounts due to or from CHSRA.

### NOTE 10 - CONTINGENT LIABILITIES

#### A. Due from Grantors

Amounts received or receivable from federal, state, and local funders are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by these agencies cannot be determined at this time although the TJPA expects such amounts, if any, to be immaterial.

## TRANSBAY JOINT POWERS AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2019

### B. Pollution Remediation

TJPA has conducted pollution remediation activities as a matter of course in its demolition and construction. The expenditures associated with these activities are capitalized as costs to prepare property for use. As such, the TJPA capitalizes remediation outlays as incurred and does not record a pollution remediation liability. Life-to-date remediation expenditures through June 30, 2019 total \$17,584,342 and are associated with the following project components:

Temporary Terminal	\$	948,283
Transit Center		15,071,322
Bus Storage Facility		1,563,729
Caltrain Downtown Extension		1,008
Total	\$	<u>17,584,342</u>

### C. Millennium Tower Litigation

Millennium Tower (the “Tower”) is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, several owners of condominiums in the Tower filed a lawsuit (the “Lehman Lawsuit”) against the Authority, among others.

The Authority began excavation and construction of the Salesforce Transit Center in 2011, after the Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce Transit Center harmed the Tower by causing it to settle and tilt more than planned, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The Authority has asserted that due to a negligently designed foundation, the Tower had already sunk twice as much as planned and was tilting before the Authority began construction of the Salesforce Transit Center and that the Authority took precautionary efforts to avoid exacerbating the situation.

In addition to the Lehman Lawsuit, the Authority is named as a defendant in lawsuits filed by the homeowners’ association, the Millennium Tower Association Lawsuit; the owners of a single unit, the Montana Lawsuit; and owners of multiple units, the Buttery, the Shaddock Lawsuit, the Ying Lawsuit, the Maui Peaks Lawsuit, and the Turgeon Lawsuit. All lawsuits contain similar claims as the Lehman Lawsuit. The plaintiff in the Maui Peaks Lawsuit has also filed a motion to certify the class of homeowners in the Tower. In another suit, the Chang Lawsuit, the Authority is not named as a defendant but at least one of the defendants has filed a petition for writ of mandate and cross complaint against the Authority.

The parties have been participating in confidential mediation, and recently reached an agreement-in-principle as to a global resolution of the litigation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRANSBAY JOINT POWERS AUTHORITY**

Required Supplementary Information

For the Year Ended June 30, 2019

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CalPERS Public Agency Cost-Sharing Multiple-Employer Plan**

Measurement date	June 30, 2018 <sup>1</sup>	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.0188%	0.0186%	0.0164%	0.0144%	0.0171%
Proportionate share of the net pension liability	\$708,735	\$732,892	\$569,938	\$394,754	\$423,397
Covered payroll	\$1,852,299	\$1,932,209	\$2,215,123	\$2,125,171	\$2,087,405
Proportionate share of the net pension liability as a percentage of its covered payroll	38.26%	37.93%	25.73%	18.58%	20.28%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. TJPA currently has only five years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

**Changes of Benefit Terms and Assumptions**

The figures in the schedule of contributions above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. The discount rate was changed from 7.65% (net of administrative expense) to 7.15% beginning in Fiscal Year 2018.

**TRANSBAY JOINT POWERS AUTHORITY**  
 Required Supplementary Information  
 For the Year Ended June 30, 2019

**SCHEDULE OF PENSION CONTRIBUTIONS**

	FY 2019 <sup>1</sup>	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Actuarially determined contribution	\$ 180,519	\$ 182,740	\$ 174,875	\$ 174,033	\$ 254,524	\$ 228,308	\$ 194,665
Contributions in relation to the actuarially determined contribution	(180,519)	(182,740)	(174,875)	(174,033)	(254,524)	(228,308)	(194,665)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,163,436	\$ 1,852,299	\$ 1,932,209	\$ 2,215,123	\$ 2,125,171	\$ 2,125,171	\$ 1,976,776
Contributions as a percentage of covered payroll	8.34%	9.87%	9.05%	7.86%	11.98%	10.74%	9.85%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. TJPA currently has seven years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

**TRANSBAY JOINT POWERS AUTHORITY**

Required Supplementary Information

For the Year Ended June 30, 2019

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

	<u>FY 2019<sup>1</sup></u>	<u>FY 2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 26,314	\$ 25,486
Interest	15,841	13,518
Changes in benefit terms	-	-
Differences between actual and expected experience	-	-
Changes in assumptions	16,402	-
Benefit payments	<u>(1,566)</u>	<u>(640)</u>
Net changes	<u>56,991</u>	<u>38,364</u>
Total OPEB liability - beginning	<u>238,490</u>	<u>200,126</u>
Total OPEB liability - ending	<u>\$ 295,481</u>	<u>\$ 238,490</u>
<b>Fiduciary net position</b>		
Contribution - employer	\$ 26,135	\$ 20,195
Contribution - member	-	-
Net investment income	12,817	10,149
Benefit payments	(1,566)	(640)
Administrative expense	(141)	(127)
Other expense	<u>(358)</u>	<u>-</u>
Net changes	<u>36,887</u>	<u>29,577</u>
Total fiduciary net position - beginning	<u>270,112</u>	<u>240,535</u>
Total fiduciary net position - ending	<u>\$ 306,999</u>	<u>\$ 270,112</u>
Plan net OPEB liability (asset) - ending	<u>\$ (11,518)</u>	<u>\$ (31,622)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	104%	113%
Covered employee payroll	\$ 1,852,299	\$ 1,932,209
Plan net OPEB liability as a percentage of covered-employee payroll	-0.62%	-1.64%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable. TJPA currently has only two years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

**TRANSBAY JOINT POWERS AUTHORITY**  
 Required Supplementary Information  
 For the Year Ended June 30, 2019

**SCHEDULE OF OPEB CONTRIBUTIONS**

	<u>FY 2019<sup>1</sup></u>	<u>FY 2018</u>
Actuarially determined contribution	\$ 26,987	\$ 26,135
Contributions in relation to the actuarially determined contribution	<u>(26,987)</u>	<u>(26,135)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,163,436	\$ 1,852,299
Contributions as a percentage of covered payroll	1.25%	1.41%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable. TJPA currently has only two years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

**SUPPLEMENTARY INFORMATION**



**TRANSBAY JOINT POWERS AUTHORITY**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Program Description	Federal CFDA Number	Grant Number	Program Award	EXPENDITURES - FEDERAL SHARE			REVENUES - FEDERAL SHARE		
				Cumulative through June 30, 2018	July 1, 2018 through June 30, 2019	Cumulative through June 30, 2019	Cumulative through June 30, 2018	July 1, 2018 through June 30, 2019	Cumulative through June 30, 2019
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>									
<i>Direct Grant</i>									
<b>Federal Transit Formula Grants</b>	20.500	CA-04-0140	\$ 7,885,080	\$ 7,498,579	\$ 367,880	\$ 7,866,459	\$ 7,498,579	\$ 367,880	\$ 7,866,459
Total Federal Transit Cluster			<u>7,885,080</u>	<u>7,498,579</u>	<u>367,880</u>	<u>7,866,459</u>	<u>7,498,579</u>	<u>367,880</u>	<u>7,866,459</u>
<i>Direct Grant</i>									
<b>Alternatives Analysis</b>	20.522	CA-39-0009	1,240,000	1,210,690	29,310	1,240,000	1,210,690	29,310	1,240,000
<i>Direct Grant</i>									
<b>Highway Planning and Construction Grant:</b>									
General Capital Assistance	20.205	CA-70-X011	24,459,002	24,382,465	76,537	24,459,002	24,382,465	76,537	24,459,002
General Capital Assistance	20.205	CA-95-X321	6,000,000	4,588,067	1,411,933	6,000,000	4,588,067	1,411,933	6,000,000
Total Highway Planning and Construction Cluster			<u>30,459,002</u>	<u>28,970,532</u>	<u>1,488,470</u>	<u>30,459,002</u>	<u>28,970,532</u>	<u>1,488,470</u>	<u>30,459,002</u>
<i>Direct Grant</i>									
<b>Transportation Infrastructure Finance and Innovation Act Program</b>									
Total Transportation Infrastructure Finance and Innovation Act Program	20.223	20081007A	<u>171,000,000</u>	<u>149,377,959</u>	<u>21,622,041</u>	<u>171,000,000</u>	<u>149,377,959</u>	<u>21,622,041</u>	<u>171,000,000</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>210,584,082</u>	<u>187,057,760</u>	<u>23,507,701</u>	<u>210,565,461</u>	<u>187,057,760</u>	<u>23,507,701</u>	<u>210,565,461</u>
<b>TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 210,584,082</u>	<u>\$ 187,057,760</u>	<u>\$ 23,507,701</u>	<u>\$ 210,565,461</u>	<u>\$ 187,057,760</u>	<u>\$ 23,507,701</u>	<u>\$ 210,565,461</u>

See note to Schedule of Expenditures of Federal Awards

**TRANSBAY JOINT POWERS AUTHORITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

**NOTE 1 – GENERAL**

The Schedule of Expenditures of Federal Awards (the “Schedule”) presents the current fiscal year and life-to-date activity of all direct and pass-through federal award programs of the Transbay Joint Powers Authority (the “TJPA”) that were active or closed out during Fiscal Year 2019. The TJPA has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 – BASIS OF ACCOUNTING**

The Schedule is presented using the accrual basis of accounting.

**NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

**NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal award and expenditures agree to or can be reconciled with the amounts reported in the TJPA’s basic financial statements.

**NOTE 5 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOAN**

The TJPA executed a TIFIA loan agreement with the United States Department of Transportation in an amount not to exceed \$171,000,000 to finance a portion of permanent terminal center. Total TIFIA loan proceeds expended during the fiscal year ended June 30, 2019 totaled \$21,622,041, and the outstanding loan payable at June 30, 2019 is \$171,000,000 with additional accrued interest for \$15,128,592.

## **OTHER REPORTS**



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

Board of Directors  
Transbay Joint Powers Authority  
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the TJPA's basic financial statements, and have issued our report thereon dated December 3, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the TJPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TJPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the TJPA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the TJPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TJPA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TJPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Palo Alto, California  
December 3, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Transbay Joint Powers Authority  
San Francisco, California

**Report on Compliance for Each Major Federal Program**

We have audited Transbay Joint Powers Authority's (TJPA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TJPA's major federal programs for the year ended June 30, 2019. The TJPA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of TJPA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TJPA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the TJPA's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the TJPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of TJPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TJPA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TJPA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California  
December 3, 2019

**TRANSBAY JOINT POWERS AUTHORITY**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

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Section I Summary of Auditor's Results

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*Financial Statements:*

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

*Federal Awards:*

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA No. 20.223 Transportation Infrastructure Finance and Innovation Act Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

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Section II Financial Statement Findings

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No matters were reported.

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Section III Federal Award Findings and Questioned Costs

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No matters were reported.



## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF INDENTURE

*The following is a summary of certain provisions of the Indenture. This summary is not intended to be considered a fully statement of the terms of the Indenture and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in the Official Statement have the respective meaning set forth in the Indenture.*

### DEFINITIONS

**Definitions.** Unless the context otherwise requires, the terms defined below shall, for all purposes of the Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

**“Additional Assessed Valuation Increases”** means any future estimated increases in the assessed valuation of taxable property in the Former State Owned Parcels, as shown in a Report of an Independent Redevelopment Consultant, due to the completion of construction which is not then fully reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not then fully reflected on the tax rolls or other instances of valuation change. For purposes of this definition, the term “increases in the assessed valuation” means the amount by which the assessed valuation of taxable property in the Former State Owned Parcels is estimated to increase above the assessed valuation of taxable property in the Former State Owned Parcels (as evidenced in the written records of the City) as of the date on which such calculation is made.

**“Additional Revenues”** means, as of the date of any calculation, the additional amount of Pledged Revenues that an Independent Redevelopment Consultant estimates the Authority will be entitled to receive under the Pledge Agreement, as shown in a Report of such Independent Redevelopment Consultant, as a result of the aggregate of each Additional Assessed Valuation Increase for the first Fiscal Year in which the Independent Redevelopment Consultant estimates that the full amount of such Additional Assessed Valuation Increase will be reflected on the tax rolls.

**“Administrative Expenses”** means all costs and expenses of the Authority related to any fees and expenses of the Trustee, any fees and expenses of any credit enhancement for any Bonds or Senior Parity Debt or Subordinate Parity Debt, any fees and expenses of any lender with respect to any Holder of any Bonds, Senior Parity Debt or Subordinate Debt, all administrative costs and expenses of the Authority related to any Series of Bonds, all attorneys’ fees and other costs related thereto, any costs related to the Authority’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds, and any costs and expenses of the Authority relating to its compliance with the Indenture, the Pledge Agreement or the Dissolution Act, the collection of the Pledged Revenues or the Authority’s enforcement of its rights under the Pledge Agreement.

**“Administrative Expense Cap”** means, initially, \$100,000, and thereafter such other amount (which can be increased and decreased from time to time) that the Authority specifies in a Written Certificate of the Authority, provided that such amount shall not exceed \$500,000.

**“Annual Debt Service”** means, with respect to any Series of Bonds, for each Bond Year, the sum of (a) the interest payable on such Series of Bonds in such Bond Year, and (b) the principal amount of

such Series of Bonds scheduled to be paid in such Bond Year, and (c) the aggregate principal amount of Term Bonds scheduled to be redeemed in such Bond Year.

“**Authority**” means Transbay Joint Powers Authority.

“**Authorized Denominations**” means \$5,000 or any integral multiple thereof.

“**Bond Counsel**” means (a) Nixon Peabody LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“**Bond Year**” means each 12-month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the 2020 Bonds shall commence on the Closing Date and end on October 1, 2020.

“**Bonds**” means, collectively, the Senior Bonds and Subordinate Bonds.

“**Business Day**” means any day, other than a Saturday or Sunday or a day on which commercial banks in San Francisco, California, New York, New York, or any other city or cities where the Principal Corporate Trust Office of the Trustee is located are required or authorized by law to close or a day on which the Federal Reserve System is closed.

“**Capital Replacement Reserves**” means that portion of the proceeds from the 2020 Bonds disbursed to the Authority pursuant to the Indenture and which the Authority will hold as reserves for Project costs.

“**Certificate of Closing of Construction Fund**” means a Written Certificate of the Authority filed with the Trustee stating that no additional expenditures will be made from the Construction Fund and instructing the Trustee to close the Construction Fund.

“**Chief Financial Officer**” means the Chief Financial Officer of the Authority.

“**City**” means the City and County of San Francisco.

“**Closing Date**” means the date on which a Series of Bonds is delivered by the Authority to the original purchaser thereof. The Closing Date with respect to the 2020 Bonds is June 25, 2020.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Construction Costs**” means all costs of a Project, including, but not limited to:

(a) all costs which the Authority shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of a Project;

(b) obligations of the Authority or others incurred for labor and materials (including obligations payable to the Authority or others for actual out-of-pocket expenses of the Authority or others) in connection with the construction, installation, financing or improvements of a Project, including reimbursement to the Authority or others for all advances and payments made in connection with a Project prior to or after delivery of the Bonds;

(c) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of a Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs of the Authority for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, right of way, land or property purchases, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of a Project;

(e) legal and administrative costs related to the construction, installation or improvement of a Project;

(f) any sums required to reimburse the Authority for advances made by the Authority for any of the above items or for any other costs incurred and for work done by the Authority which are properly chargeable to the construction, installation or improvement of a Project;

(g) payment of judgement or settlement obligations arising from litigation relating to the construction or design activities of any Project; and

(h) any other cost, expense, or liability for which the Authority may use Net Tax Increment under the Pledge Agreement.

**“Continuing Disclosure Certificate”** means that certain Continuing Disclosure Certificate, with respect to the 2020 Bonds, executed by the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, bond insurance and surety bond premiums, if any, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, administrative costs of the Authority incurred in connection with the issuance of the Bonds, expenses of the underwriters of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

**“Debt Service Transfer Date”** means, with respect to any Bond Year, the First Debt Service Transfer Date or the Second Debt Service Transfer Date, as applicable.

**“Defeasance Obligations”** means any of the following which, at the time of investment, are legal investments under the laws of the State for the moneys proposed to be invested therein and are in compliance with the Authority’s investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Authority as conclusive certification to the Trustee that investments described therein are legal and are in compliance with the Authority’s investment policies then in effect), but only to the extent the same are acquired at Fair Market Value:

(a) Cash;

(b) Non-callable bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the full and timely payment of which is unconditionally guaranteed by, the United States of America, or securities evidencing ownership interests in such obligations or in specified portions thereof (which may consist of specific portions of the principal of or interest on such obligations);

(c) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P; and

(d) Non-callable bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

“**Depository**” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Indenture.

“**Depository System Participant**” means any participant in the Depository’s book-entry system.

“**Dissolution Act**” means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended from time to time.

“**DTC**” means The Depository Trust Company, New York, New York, and its successors and assigns.

“**Event of Default**” means any of the events described in the Indenture.

“**Excess Pledged Revenues**” means, as of the Second Debt Service Transfer Date of any Bond Year, the amount of Pledged Revenues on deposit in the Excess Pledged Revenue Fund after giving effect to the prior required deposits set forth in the Indenture.

“**Fair Market Value**” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

**“Federal Securities”** means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and CATS and TIGRS), or obligations the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America.

**“First Debt Service Transfer Date”** means, with respect to any year, the earlier of (a) the date that is five Business Days before the April 1 Interest Payment Date or (b) the date specified in any Supplemental Indenture.

**“Fiscal Year”** means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Authority to the Trustee in writing as its official fiscal year period.

**“Fitch”** means Fitch Ratings Inc., and its successors.

**“Former Agency”** has the meaning given such term in the recitals to the Indenture.

**“Former State Owned Parcels”** means the “State-Owned Parcels” as defined in the Pledge Agreement, which consist of more than 10 acres of land around the Former Transbay Terminal and the new Salesforce Transit Center.

**“Former Transbay Terminal”** means the old transit facility generally located at First and Mission Streets in downtown San Francisco that was owned by the State and subsequently demolished and replaced with the new Salesforce Transit Center as part of the Transbay Program.

**“Indenture”** means the Indenture of Trust by and between the Authority and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions hereof.

**“Independent Accountant”** means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Authority, and who, or each of whom:

- (a) is in fact independent and not under the control of the Authority;
- (b) does not have any substantial interest, direct or indirect, with the Authority; and
- (c) is not an officer or employee of the Authority.

**“Independent Redevelopment Consultant”** means any consultant or firm of such consultants appointed by the Authority, and who, or each of whom:

- (a) is judged by the Authority to have experience in matters relating to the collection of tax increment revenues or otherwise with respect to the financing of redevelopment projects;
- (b) is in fact independent and not under the control of the Authority;
- (c) does not have any substantial interest, direct or indirect, with the Authority; and
- (d) is not an officer or employee of the Authority.

**“Information Services”** means, in accordance with then current guidelines of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system, or such other services providing information with respect to the redemption of bonds as the Authority may designate in a Written Request of the Authority filed with the Trustee.

**“Interest Payment Date”** means each April 1 and October 1, commencing October 1, 2020.

**“Irrevocable Instruction Letter”** means the letter dated June 25, 2020 delivered by the Authority to the Successor Agency and the Trustee instructing the Successor Agent to pay Net Tax Increment to the Trustee for deposit in the Debt Service Fund.

**“Law”** means the Community Redevelopment Law, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto (including the Dissolution Act).

**“Maximum Annual Debt Service”** means, as to any Series of Bonds, as of the date of calculation, the largest amount of Annual Debt Service for such Series of Bonds with respect to the current or any future Bond Year payable in such Bond Year. For purposes of such calculation, there shall be excluded payments with respect to each Series of Bonds to the extent that amounts due with respect to such Series of Bonds are prepaid or otherwise discharged in accordance with the Indenture.

**“Moody’s”** means Moody’s Investors Service and its successors.

**“Net Tax Increment”** means the “Net Tax Increment” as defined in the Pledge Agreement, which consists of a portion of the property tax increment revenues attributable to the Former State Owned Parcels.

**“Nominee”** means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

**“Outstanding”** when used as of any particular time with reference to Senior Bonds and Subordinate Bonds, means (subject to the provisions of the Indenture) all Senior Bonds and Subordinate Bonds except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; or
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Authority pursuant hereto.

**“Owner”** or **“Bondowner”** means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

**“Participating Underwriters”** has the meaning ascribed thereto in the Continuing Disclosure Certificate.

**“Permitted Investments”** means any of the following which, at the time of investment, are legal investments under the laws of the State for the moneys proposed to be invested therein and are in compliance with the Authority’s investment policies then in effect (provided that the Trustee shall be

entitled to rely upon any investment direction from the Authority as conclusive certification to the Trustee that investments described therein are legal and are in compliance with the Authority's investment policies then in effect), but only to the extent the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of Ginnie Mae (formerly known as the Government National Mortgage Association); (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of Sallie Mae (formerly known as the Student Loan Marketing Association); (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(d) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAM-G, AAAM or AAM, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise);

(e) Unsecured certificates of deposit (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and/or certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Trustee and the Authority), trust funds, trust accounts, time deposits, demand deposits, other deposit products, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or bankers' acceptances (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase A-1 or better by S&P, Moody's and Fitch;

(f) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Trustee and the Authority), trust funds, trust accounts, demand deposits, other deposit products, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or bankers' acceptances, time deposits, deposit accounts or money market deposits (including those of the Trustee, its parent and its affiliates) that are fully insured by FDIC, including BIF and SAIF or collateralized by Federal securities for amounts above insurance;

(g) Investment agreements, including repurchase agreements, guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with an entity rated “Aa” or better by Moody’s and “AA” or better by S&P, or unconditionally guaranteed by an entity rated “Aa” or better by Moody’s and “AA” or better by S&P;

(h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1+” or better by S&P;

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies;

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s, and “A-1+” by S&P;

(k) The Local Agency Investment Fund that is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided that for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

(l) The City and County of San Francisco Treasurer’s Pool.

“**Pledge Agreement**” means the Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement, dated as of January 31, 2008, by and among the City, the Former Agency and the Authority, as amended from time to time.

“**Pledged Revenues**” means all Net Tax Increment to which the Authority is entitled under the Pledge Agreement.

“**Principal Corporate Trust Office**” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency or operations business is conducted.

“**Project**” means the 2020 Project and, with respect to any other Series of Bonds, any other portion of the Phase 1 and Phase 2 of the Transbay Program financed by such Series of Bonds.

“**Qualified Reserve Account Credit Instrument**” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) at least one of the rating agencies rating the Bonds has assigned a long-term credit rating to such bank or insurance company of “A” or higher; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit, insurance policy or surety bond has a stated amount at least equal to the portion of the Senior Bonds Reserve Requirement or Subordinate Bonds Reserve Requirement, as applicable, with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies up to the stated amount of the policy which may exist from time to time in (x) the Senior Bonds Interest Account and the Senior Bonds



Principal Account pursuant to the Indenture or (y) the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account pursuant to the Indenture.

**“Record Date”** means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th calendar day is a Business Day.

**“Registration Books”** means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

**“Report”** means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

**“Reserve Account Excluded Senior Bonds”** means any Series of Senior Bonds that have no rights to the Senior Bonds Reserve Account, as provided in the Indenture.

**“Reserve Account Excluded Subordinate Bonds”** means any Series of Subordinate Bonds that have no rights to the Subordinate Bonds Reserve Account, as provided in the Indenture.

**“Reserve Account Senior Bonds”** means any Series of Senior Bonds that have rights to the Senior Bonds Reserve Account, as provided in the Indenture.

**“Reserve Account Subordinate Bonds”** means any Series of Subordinate Bonds that have rights to the Subordinate Bonds Reserve Account, as provided in the Indenture.

**“Reserve Account Term Senior Bonds”** means any Reserve Account Senior Bonds that are Term Senior Bonds.

**“Reserve Account Term Subordinate Bonds”** means any Reserve Account Senior Bonds that are Term Subordinate Bonds.

**“S&P”** means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and its successors.

**“Salesforce Transit Center”** means the new transit facility, as of the date hereof, generally located at First and Mission Streets in downtown San Francisco that is owned by the Authority and replaced the Former Transbay Terminal as part of the Transbay Program.

**“Second Debt Service Transfer Date”** means (a) during such time as the Subordinate Turbo Bonds are Outstanding, August 15, and (b) during such time as the Subordinate Turbo Bonds are no

longer Outstanding, the earlier of (i) five Business Days before the October 1 Interest Payment Date or (ii) the date specified in any Supplemental Indenture.

**“Securities Depositories”** means The Depository Trust Company, 55 Water Street, New York, New York 10041-0099, Fax (212) 855-7232; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

**“Senior Bonds”** means the Senior 2020 Bonds and any bonds issued pursuant to a Supplemental Indenture in accordance with the Indenture secured by a lien and charge on Pledged Revenues on parity with the lien and charge on Pledged Revenues that secures the Senior 2020 Bonds.

**“Senior Bonds Reserve Requirement”** means, as of any date of calculation, with respect to all Outstanding Series of Reserve Account Senior Bonds, an amount equal to the lesser of:

- (i) 125% of the average Annual Debt Service with respect to such Series of Senior Bonds between the date of such calculation and the final maturity of thereof; or
- (ii) Maximum Annual Debt Service with respect to such Series of Senior Bonds between the date of such calculation and the final maturity of thereof; or
- (iii) 10% of the original principal amount of each such Series of Senior Bonds (or, if such Series of Senior Bonds has more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of such Series of Senior Bonds);

provided that, the Senior Bonds Reserve Requirement may be determined on an individual basis with respect to a Series of Senior Bonds or on a combined basis for two or more Series of Senior Bonds, as determined by the Authority; and provided, further, that in no event shall the Authority, in connection with the issuance of Senior Bonds be obligated to deposit an amount (including in the form of a Qualified Reserve Account Credit Instrument) in the Senior Bonds Reserve Account (whether with respect to tax-exempt or taxable bonds) that is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Senior Bonds Reserve Account is so limited, the Senior Bonds Reserve Requirement shall, in connection with the issuance of such Senior Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Authority may meet all or a portion of the Senior Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. In the event, the Senior Bonds Reserve Requirement is determined on a combined basis for two or more Series of Senior Bonds, such Series of Senior Bonds shall be secured on a parity basis by the Senior Bonds Reserve Account.

**“Senior Parity Debt”** means any bonds, notes, bond anticipation notes and other obligations or indebtedness to be issued or incurred by the Authority and secured on a parity basis with the Senior Bonds under a Senior Parity Debt Instrument.

**“Senior Parity Debt Instrument”** means a resolution, indenture of trust, supplemental indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Senior Parity Debt, other than a Supplemental Indenture.

**“Senior 2020 Bonds”** means the Senior 2020A Bonds and the Senior 2020A-T Bonds.

“**Senior 2020A Bonds**” means the Transbay Joint Powers Authority Senior Tax Allocation Bonds, Series 2020A (Tax-Exempt) (Green Bonds).

“**Senior 2020A-T Bonds**” means the Transbay Joint Powers Authority Senior Tax Allocation Bonds, Series 2020AT (Federally Taxable) (Green Bonds).

“**Serial Bonds**” means all Bonds other than Term Bonds.

“**Series**” whenever used herein with respect to Senior Bonds or Subordinate Bonds, mean all of the Senior Bonds or Subordinate Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Senior Bonds or Subordinate Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Senior Bonds or Subordinate Bonds as herein provided, as provided in a Supplemental Indenture.

“**State**” means the State of California.

“**Subordinate Bonds**” means the Subordinate 2020B Bonds and any bonds issued pursuant to a Supplemental Indenture in accordance with the Indenture secured by a lien and charge on Pledged Revenues subordinate to the lien and charge on Pledged Revenues that secures the Senior Bonds and on parity to the lien and charge on Pledged Revenues that secures the Subordinate 2020B Bonds.

“**Subordinate Bonds Reserve Requirement**” means, as of any date of calculation, with respect to all Outstanding Series of Reserve Account Subordinate Bonds, an amount equal to the lesser of:

- (i) 125% of the average Annual Debt Service with respect to such Series of Subordinate Bonds between the date of such calculation and the final maturity of thereof; or
- (ii) Maximum Annual Debt Service with respect to such Series of Subordinate Bonds between the date of such calculation and the final maturity of thereof; or
- (iii) 10% of the original principal amount of such Series of Subordinate Bonds (or, if such Series of Subordinate Bonds has more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of such Series of Subordinate Bonds);

provided that, the Subordinate Bonds Reserve Requirement may be determined on an individual basis with respect to a Series of Subordinate Bonds or on a combined basis for two or more Series of Subordinate Bonds, as determined by the Authority; and provided, further, that in no event shall the Authority, in connection with the issuance of Subordinate Bonds be obligated to deposit an amount (including in the form of a Qualified Reserve Account Credit Instrument) in the Subordinate Bonds Reserve Account (whether with respect to tax-exempt or taxable bonds) that is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Subordinate Bonds Reserve Account is so limited, the Subordinate Bonds Reserve Requirement shall, in connection with the issuance of such Subordinate Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Authority may meet all or a portion of the Subordinate Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. In the event, the Subordinate Bonds Reserve Requirement is determined on a combined basis for two or more Series of Subordinate Bonds, such Series of Subordinate Bonds shall be secured on a parity basis by the Subordinate Bonds Reserve Account.

**“Subordinate Parity Debt”** means any bonds, notes, bond anticipation notes and other obligations or indebtedness to be issued or incurred by the Authority and secured on a parity basis with the Subordinate Bonds under a Subordinate Parity Debt Instrument.

**“Subordinate Parity Debt Instrument”** means a resolution, indenture of trust, supplemental indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Subordinate Parity Debt, other than a Supplemental Indenture.

**“Subordinate 2020B Bonds”** means the \$53,370,000 initial aggregate principal amount of Transbay Joint Powers Authority Subordinate Tax Allocation Bonds, Series 2020B (Tax-Exempt) (Green Bonds)

**“Subordinate Turbo Bonds”** means the Subordinate 2020B Bonds maturing on October 1, 2049.

**“Successor Agency”** means the City as the successor agency to the Former Agency.

**“Supplemental Indenture”** means any supplement to the Indenture which has been duly adopted or entered into by the Authority and complies with the provisions of the Indenture.

**“Tax Exempt 2020 Bonds”** means the Senior 2020A Bonds and the Subordinate 2020B Bonds.

**“Tax Exempt Bonds”** means the Tax Exempt 2020 Bonds and any additional Series of Bonds on which interest is excluded from the gross income of the owners thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

**“Tax Certificate”** means the Tax and Nonarbitrage Certificate, dated June 25, 2020, executed by the Authority.

**“Term Bonds”** means that portion of any Bonds payable from mandatory sinking account payments.

**“Term Senior Bonds”** means Senior Bonds that are Term Bonds.

**“Term Subordinate Bonds”** means Subordinate Bonds that are Term Bonds.

**“Transbay Program”** has the meaning given such term in the recitals of the Indenture.

**“Trustee”** means The Bank of New York Mellon Trust Company, N.A., as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

**“2020 Bonds”** means the Senior 2020 Bonds and the Subordinate 2020B Bonds.

**“Written Request of the Authority”** or **“Written Certificate of the Authority”** means a request or certificate, in writing signed by the Executive Director or Chief Financial Officer of the Authority, or the designee of either, or by any other officer of the Authority duly authorized by the Authority for that purpose.

## TERMS

**Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount of authorized denominations. The Trustee shall collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to the Indenture. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

The Trustee may refuse to transfer, under the provisions of the Indenture, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption. The Trustee may further require all information it deems necessary to allow the Trustee to comply with any applicable reporting or withholding obligations under the Code. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information. To the extent any such information is not timely provided or is incomplete or inaccurate in any respect, the Trustee will be entitled to report or withhold on any payments hereunder, without liability, to the extent it determines in its discretion such reporting or withholding, as applicable, is required under the Code.

**Exchange of Bonds.** Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to the Indenture. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Authority.

The Trustee may refuse to exchange, under the provisions of the Indenture, either (a) any Bonds during the fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption. The Trustee may further require all information it deems necessary to allow the Trustee to comply with any applicable reporting or withholding obligations under the Code, including without limitation any cost basis reporting obligations. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information. To the extent any such information is not timely provided or is incomplete or inaccurate in any respect, the Trustee will be entitled to report or withhold on any payments hereunder, without liability, to the extent it determines in its discretion such reporting or withholding, as applicable, is required under the Code.

**Registration of Bonds.** The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours be open to inspection and copying by the Authority, upon reasonable prior notice to the Trustee; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books Bonds as hereinbefore provided.

**Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so

surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Authority). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any Bond issued in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds issued pursuant to the Indenture.

## **SECURITY OF BONDS; FLOW OF FUNDS**

### **Security of Bonds; Equal Security.**

(a) The Senior Bonds shall be equally secured by a pledge of, security interest in and lien on all of the Pledged Revenues, and (i) a first pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund and (ii) a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Senior Bonds Interest Account, the Senior Bonds Principal Account and the Senior Bonds Redemption Account therein, without preference or priority for Series, issue, number, dated date, sale date, date of execution or date of delivery. The Reserve Account Senior Bonds shall be additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Senior Bonds Reserve Account. Except for the Pledged Revenues and such other moneys expressly pledged in the Indenture as security for the Senior Bonds, no funds or properties of the Authority shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Senior Bonds.

(b) The Subordinate Bonds shall be equally secured by a pledge of, security interest in and lien on all of the Pledged Revenues on a basis subordinate to the payment of debt service on the Senior Bonds and amounts required to be deposited to the Senior Bonds Interest Account, Senior Bonds Principal Account and Senior Bonds Reserve Account pursuant to the Indenture, and (i) a pledge of, security interest in and lien upon all of the moneys in Debt Service Fund subject only to the prior and senior pledge of, security interest in and lien on all of the Pledged Revenues therein in favor of the Senior Bonds and (ii) a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account and the Subordinate Bonds Redemption Account, without preference or priority for Series, issue, number, dated date, sale date, date of execution or date of delivery. The Reserve Account Subordinate Bonds shall be additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Subordinate Bonds Reserve Account. Except for the Pledged Revenues and such other moneys expressly pledged in the Indenture as security for the Subordinate Bonds, no funds or properties of the Authority shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Subordinate Bonds.

(c) Except as set forth in the Indenture, in consideration of the acceptance of the Senior Bonds and Subordinate Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Senior Bonds and Subordinate Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and

protection of all Owners of the Senior Bonds and Subordinate Bonds without preference, priority or distinction as to security or otherwise of any of the Senior Bonds and Subordinate 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 therein or herein.

**Debt Service Fund and Related Funds and Accounts.** There is hereby established the funds and accounts:

(a) Debt Service Fund. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee hereunder in trust. The Trustee shall immediately deposit any Pledged Revenues it receives from the Authority, the Successor Agency or the City into the Debt Service Fund including as pursuant to the Irrevocable Instruction Letter. The Authority shall use its best efforts to instruct the Successor Agency to deliver any Pledged Revenues by January 15 and July 15 with respect to the January 2 and June 1 Redevelopment Property Tax Trust Fund distribution dates currently referenced in the Dissolution Act, respectively, directly to the Trustee to be deposited in the Debt Service Fund. If the Authority receives any Pledged Revenues, the Authority shall promptly, and in any event no later than two Business Days after receipt, transfer all Pledged Revenues it receives under the Pledge Agreement to the Trustee to be deposited in the Debt Service Fund. The Trustee shall retain all amounts on deposit in the Debt Service Fund until and to the extent required by the Indenture.

(b) Senior Bonds Accounts. There are hereby established the following accounts, which the Trustee shall hold in trust hereunder:

(i) *Senior Bonds Interest Account.* All moneys in the Senior Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Senior Bonds as it shall become due and payable.

(ii) *Senior Bonds Principal Account.* All moneys in the Senior Bonds Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Senior Bonds as it shall become due and payable and the principal of the Term Senior Bonds as it shall become due and payable upon redemption or otherwise

(iii) *Senior Bonds Redemption Account.* All moneys in the Senior Bonds Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Senior Bonds to be redeemed pursuant to optional redemption on the date set for such redemption.

(c) Senior Bonds Reserve Account. There is hereby established a Senior Bonds Reserve Account, which the Trustee shall hold in trust hereunder, and which shall be subject to the following terms and conditions:

(i) The Senior Bonds Reserve Account shall serve solely as security for payments payable by the Authority with respect to the Reserve Account Senior Bonds.

(ii) Except as provided below, all money in the Senior Bonds Reserve Account and any subaccount thereof shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Senior Bonds Interest Account and the Senior Bonds Principal Account to pay debt service on the Reserve Account Senior Bonds, in the event of any deficiency at any time in any of such accounts in the following manner and in the following order of priority:

(A) On any Interest Payment Date, if the amount on deposit in the Senior Bonds Interest Account shall be insufficient to pay interest on the Reserve Account Senior Bonds due and payable on such Interest Payment Date, then the Trustee shall withdraw the amount of such insufficiency from the Senior Bonds Reserve Account and deposit such amount in the Senior Bonds Interest Account; and

(B) On any October 1 Interest Payment Date, if the amount on deposit in the Senior Bonds Principal Account shall be insufficient to pay the sum of (i) the aggregate amount of principal coming due and payable on such October 1 Interest Payment Date on the Reserve Account Senior Bonds and (ii) the aggregate principal amount of the Reserve Account Term Senior Bonds required to be redeemed on such October 1 Interest Payment Date, then the Trustee shall withdraw the amount of such insufficiency from the Senior Bonds Reserve Account and deposit such amount in the Senior Bonds Principal Account.

(iii) If, on any Second Debt Service Transfer Date or on the date of any retirement of Reserve Account Senior Bonds or defeasance of Reserve Account Senior Bonds pursuant to Article IX hereof, the amount in the Senior Bonds Reserve Account and any subaccount thereof is in excess of the Senior Bonds Reserve Requirement, the Trustee shall withdraw such surplus and deposit such amount in the Senior Bonds Interest Account for the payment of debt service solely on the Reserve Account Senior Bonds before giving effect to any transfer from the Debt Service Fund under the Indenture. For purposes of calculating the Senior Bonds Reserve Requirement as of any Second Debt Service Transfer Date, the Trustee shall calculate the Senior Bonds Reserve Requirement as of the next October 1 after giving effect to any scheduled payments of principal of Reserve Account Senior Bonds and any scheduled redemption of Reserve Account Term Senior Bonds that will be paid from amounts on deposit in the Senior Bonds Principal Account after giving effect to the deposit into the Senior Bonds Principal Account. All amounts in the Senior Bonds Reserve Account and any subaccount thereof on the Business Day preceding the final Interest Payment Date with respect to the Reserve Account Senior Bonds shall be withdrawn from the Senior Bonds Reserve Account and any subaccount thereof and shall be transferred to the Senior Bonds Interest Account and the Senior Bonds Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture for the payment of debt service solely on the Reserve Account Senior Bonds. Additionally, amounts on deposit in the Senior Bonds Reserve Account and any subaccount thereof may be released in connection with the issuance of bonds or other obligations issued to refund Reserve Account Senior Bonds, provided that amounts remaining on deposit therein after such release shall be equal to the Senior Bonds Reserve Requirement.

(iv) The Authority shall have the right at any time to direct the Trustee to release funds from the Senior Bonds Reserve Account or any subaccount thereof, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause the exclusion of interest on the Senior Bonds that are Tax Exempt Bonds from gross income for federal income tax purposes to be adversely affected. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of written calculation of the amount permitted to be released from the Senior Bonds Reserve Account or any subaccount thereof (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Senior Bonds Reserve Account or any subaccount thereof to the Authority and applied as provided in the opinion of Bond Counsel noted above.



(v) The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this paragraph (c).

(vi) If the Senior Bonds Reserve Requirement is being maintained partially in cash and Permitted Investments and partially with a Qualified Reserve Account Credit Instrument, to the extent that the Trustee makes any withdrawals from the Senior Bonds Reserve Account under the Indenture, the Trustee shall withdraw all the cash and Permitted Investments first before making any draw under any such Qualified Reserve Account Credit Instrument. If the Senior Bonds Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw pursuant to the Indenture shall be *pro rata* with respect to each such instrument.

(vii) In the event that a Qualified Reserve Account Credit Instrument delivered with respect to a Series of Reserve Account Senior Bonds is available to be drawn upon for only one Series of Reserve Account Senior Bonds, a separate subaccount in the Senior Bonds Reserve Account may be established for such Series, and the calculation of the Senior Bonds Reserve Requirement with respect to all other Reserve Account Senior Bonds shall exclude the debt service on such Series of Reserve Account Senior Bonds, and the Reserve Account Senior Bonds secured by such Qualified Reserve Account Credit Instrument shall not have access to any other amounts on deposit in the Senior Bonds Reserve Account or subaccount thereof. Additionally, the Senior Bonds Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate Series of the Senior Bonds in conformity with applicable provisions of the Code to the extent directed in a Written Instruction of the Authority. Additionally, the Authority may, in its discretion, combine amounts on deposit in the Senior Bonds Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Reserve Account Senior Bonds in order to maintain a combined reserve account for the Reserve Account Senior Bonds and subject to the definition of Senior Bonds Reserve Requirement.

(d) Subordinate Accounts. There are hereby established the following accounts, which the Trustee shall hold in trust hereunder:

(i) *Subordinate Bonds Interest Account.* All moneys in the Subordinate Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Subordinate Bonds as it shall become due and payable.

(ii) *Subordinate Bonds Principal Account.* All moneys in the Subordinate Bonds Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Subordinate Bonds as it shall become due and payable and the principal of the Term Subordinate Bonds as it shall become due and payable upon redemption or otherwise.

(iii) *Subordinate Bonds Redemption Account.* All moneys in the Subordinate Bonds Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Subordinate Bonds to be redeemed pursuant to optional redemption on the date set for such redemption.

(e) Subordinate Bonds Reserve Account. There is hereby established a Subordinate Bonds Reserve Account, which the Trustee shall hold in trust hereunder, and which shall be subject to the following terms and conditions:

(i) The Subordinate Bonds Reserve Account shall serve solely as security for payments payable by the Authority with respect to the Reserve Account Subordinate Bonds.

(ii) Except as provided below, all money in the Subordinate Bonds Reserve Account and any subaccount thereof shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account to pay debt service on the Reserve Account Subordinate Bonds, in the event of any deficiency at any time in any of such accounts in the following manner and in the following order of priority:

(A) On any Interest Payment Date, if the amount on deposit in the Subordinate Bonds Interest Account shall be insufficient to pay interest on the Reserve Account Subordinate Bonds due and payable on such Interest Payment Date, then the Trustee shall withdraw the amount of such insufficiency from the Subordinate Bonds Reserve Account and deposit such amount in the Subordinate Bonds Interest Account; and

(B) On any October 1 Interest Payment Date, if the amount on deposit in the Subordinate Bonds Principal Account shall be insufficient to pay the sum of (i) the aggregate amount of principal coming due and payable on such October 1 Interest Payment Date on the Reserve Account Subordinate Bonds and (ii) the aggregate principal amount of the Reserve Account Term Subordinate Bonds required to be redeemed on such October 1 Interest Payment Date, then the Trustee shall withdraw the amount of such insufficiency from the Subordinate Bonds Reserve Account and deposit such amount in the Subordinate Bonds Principal Account.

(iii) If, on any Second Debt Service Transfer Date or on the date of any retirement of Reserve Account Subordinate Bonds or defeasance of Reserve Account Subordinate Bonds pursuant to Article IX hereof, the amount in the Subordinate Bonds Reserve Account and any subaccount thereof is in excess of the Subordinate Bonds Reserve Requirement, the Trustee shall withdraw such surplus and deposit such amount in the Subordinate Bonds Interest Account for the payment of debt service solely on the Reserve Account Subordinate Bonds before giving effect to any transfer required pursuant to the Indenture. For purposes of calculating the Subordinate Bonds Reserve Requirement on any Second Debt Service Transfer Date, the Trustee shall calculate the Subordinate Bonds Reserve Requirement as of the immediately succeeding October 1 after giving effect to any scheduled payments of principal of Reserve Account Subordinate Bonds, any scheduled redemption of Reserve Account Term Subordinate Bonds that will be paid from amounts on deposit in the Subordinate Bonds Principal Account after giving effect to the deposit into the Subordinate Bonds Principal Account in the Indenture and the redemption of the principal amount of Subordinate Turbo Bonds pursuant to the Indenture that the Trustee calculates will occur after giving effect to the required deposits set forth in the Indenture. All amounts in the Subordinate Bonds Reserve Account and any subaccount thereof on the Business Day preceding the final Interest Payment Date with respect to the Reserve Account Subordinate Bonds shall be withdrawn from the Subordinate Bonds Reserve Account and any subaccount thereof and shall be transferred to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture for the payment of debt service solely on the Reserve Account Subordinate Bonds. Additionally, amounts on deposit in the Subordinate

Bonds Reserve Account and any subaccount thereof may be released in connection with the issuance of bonds or other obligations issued to refund Reserve Account Subordinate Bonds, provided that amounts remaining on deposit therein after such release shall be equal to the Subordinate Bonds Reserve Requirement.

(iv) The Authority shall have the right at any time to direct the Trustee to release funds from the Subordinate Bonds Reserve Account or any subaccount thereof, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause the exclusion of interest on the Subordinate Bonds that are Tax Exempt Bonds from gross income for federal income tax purposes to be adversely affected. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of written calculation of the amount permitted to be released from the Subordinate Bonds Reserve Account or any subaccount thereof (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Subordinate Bonds Reserve Account or any subaccount thereof to the Authority and applied as provided in the opinion of Bond Counsel noted above.

(v) The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this paragraph (c).

(vi) If the Subordinate Bonds Reserve Requirement is being maintained partially in cash and Permitted Investments and partially with a Qualified Reserve Account Credit Instrument, to the extent that the Trustee makes any withdrawals from the Subordinate Bonds Reserve Account under the Indenture, the Trustee shall withdraw all the cash and Permitted Investments first before making any draw under any such Qualified Reserve Account Credit Instrument. If the Subordinate Bonds Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw pursuant to the Indenture shall be *pro rata* with respect to each such instrument.

(vii) In the event that a Qualified Reserve Account Credit Instrument delivered with respect to a Series of Reserve Account Subordinate Bonds is available to be drawn upon for only one Series of Reserve Account Subordinate Bonds, a separate subaccount in the Subordinate Bonds Reserve Account may be established for such Series, and the calculation of the Subordinate Bonds Reserve Requirement with respect to all other Reserve Account Subordinate Bonds shall exclude the debt service on such Series of Reserve Account Subordinate Bonds, and the Reserve Account Subordinate Bonds secured by such Qualified Reserve Account Credit Instrument shall not have access to any other amounts on deposit in the Subordinate Bonds Reserve Account or subaccount thereof. Additionally, the Subordinate Bonds Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate Series of the Reserve Account Subordinate Bonds in conformity with applicable provisions of the Code to the extent directed in a Written Instruction of the Authority. Additionally, the Authority may, in its discretion, combine amounts on deposit in the Subordinate Bonds Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Subordinate Bonds in order to maintain a combined reserve account for the Reserve Account Subordinate Bonds and subject to the definition of Subordinate Bonds Reserve Requirement.

(f) Administrative Expense Fund.

(i) There is hereby established an Administrative Expense Fund, which the Trustee shall hold in trust hereunder. Except as provided in (iii) below, the Trustee shall hold the moneys in the Administrative Expense Fund and shall disburse such moneys therefrom to pay Administrative Expenses. All moneys on deposit in the Administrative Expense Fund shall be used and withdrawn by the Trustee for the sole purpose of paying Administrative Expenses.

(ii) The Trustee shall disburse amounts from the Administrative Expense Fund from time to time upon receipt of a Written Request of the Authority (on which the Trustee may conclusively rely, without investigation) which states with respect to each disbursement to be made: (i) the requisition number, (ii) the amount to be disbursed, and (iii) that all disbursed amounts constitute Administrative Expenses and have not been the basis of any previous disbursement.

(iii) Upon a Written Request of the Authority, the Trustee shall withdraw amounts from the Administrative Expense Fund and deposit such amounts in any accounts or funds in the Debt Service Fund as the Authority shall specify.

(g) Excess Pledged Revenues Fund. There is hereby established an Excess Pledged Revenues Fund, which the Trustee shall hold in trust hereunder. Except for the immediately succeeding sentence, all moneys on deposit in the Excess Pledged Revenues Fund shall be used and withdrawn by the Trustee for the sole purpose of paying the redemption price of the Subordinate Turbo Bonds. On October 2 of each year, after giving effect to the redemption of the Subordinate Turbo Bonds, the Trustee shall transfer any remaining amounts in the Excess Pledged Revenues Fund to the Authority to be used for any lawful purpose and such amounts shall not longer constitute "Pledged Revenues" under the Indenture and shall not longer be subject to any liens or charges established by the Indenture.

**Deposit of Amounts by Trustee in Debt Service Fund on First Debt Service Transfer Date.**

So long as any Bonds remain Outstanding, on the First Debt Service Transfer Date, the Trustee shall withdraw from the Debt Service Fund and deposit the following amounts in the following funds and accounts in the following order of priority:

(a) Senior Bonds Interest Account. First, the Trustee shall withdraw from the Debt Service Fund and deposit into the Senior Bonds Interest Account an amount which, when added to the amount on deposit in the Senior Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Senior Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Senior Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Senior Bonds.

(b) Senior Bonds Reserve Account. Second, if the amount on deposit in the Senior Bonds Reserve Account is less than the Senior Bonds Reserve Requirement as of the First Debt Service Transfer Date, then the Trustee shall withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Senior Bonds Reserve Account.

(c) Subordinate Bonds Interest Account. Third, the Trustee shall withdraw from the Debt Service Fund and deposit into the Subordinate Bonds Interest Account an amount which, when added to the amount on deposit in the Subordinate Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Subordinate Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Subordinate Bonds

Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Subordinate Bonds.

**Deposit of Amounts by Trustee in Debt Service Fund on Second Debt Service Transfer Date.** So long as any Bonds remain Outstanding, on the Second Debt Service Transfer Date, the Trustee shall withdraw from the Debt Service Fund and deposit the following amounts in the following funds and accounts in the following order of priority:

(a) Senior Bonds Interest Account. First, the Trustee shall withdraw from the Debt Service Fund and deposit into the Senior Bonds Interest Account an amount which, when added to the amount on deposit in the Senior Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Senior Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Senior Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Senior Bonds.

(b) Senior Bonds Principal Account. Second, the Trustee shall withdraw from the Debt Service Fund and deposit in the Senior Bonds Principal Account an amount which, when added to the amount on deposit in the Senior Bonds Principal Account on that date, will be equal to the sum of (i) the aggregate amount of principal coming due and payable on the next October 1 on the Senior Bonds and (ii) the aggregate principal amount of the Term Senior Bonds scheduled to be redeemed on the next October 1. No such deposit need be made to the Senior Bonds Principal Account if the amount contained therein is at least equal to the sum of (i) the aggregate amount of principal coming due and payable on the next October 1 on the Senior Bonds and (ii) the aggregate principal amount of the Term Senior Bonds required to be redeemed on the next October 1.

(c) Senior Bonds Reserve Account. Third, if the amount on deposit in the Senior Bonds Reserve Account as of the Second Debt Service Transfer Date is less than the Senior Bonds Reserve Requirement, then the Trustee shall withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Senior Bonds Reserve Account. For purposes of this Section, the Trustee shall calculate the Senior Bonds Reserve Requirement as of the next October 1 after giving effect to any scheduled payments of principal of Senior Bonds and any scheduled redemption of Term Senior Bonds that will be paid from amounts on deposit in the Senior Bonds Principal Account after giving effect to the deposit on the Second Debt Service Transfer Date into the Senior Bonds Principal Account required in the Indenture.

(d) Subordinate Bonds Interest Account. Fourth, the Trustee shall withdraw from the Debt Service Fund and deposit into the Subordinate Bonds Interest Account an amount which, when added to the amount on deposit in the Subordinate Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Subordinate Bonds on the next succeeding Interest Payment Date. No such deposit need be made to the Subordinate Bonds Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Subordinate Bonds.

(e) Subordinate Bonds Principal Account. Fifth, the Trustee shall withdraw from the Debt Service Fund and deposit in the Subordinate Bonds Principal Account an amount which, when added to the amount on deposit in the Subordinate Bonds Principal Account on that date, will be equal to the sum of (i) the aggregate amount of principal coming due and payable on the next October 1 on the Subordinate Bonds and (ii) the aggregate principal amount of the Term Subordinate Bonds required to be redeemed on the next October 1. No such deposit need be made to the Subordinate Bonds Principal Account if the amount contained therein is at least equal to the sum of (i) the aggregate amount of

principal coming due and payable on the next October 1 on the Subordinate Bonds and (ii) the aggregate principal amount of the Term Subordinate Bonds required to be redeemed on the next October 1.

(f) Subordinate Bonds Reserve Account. Sixth, if the amount on deposit in the Subordinate Bonds Reserve Account as of the Second Debt Service Transfer Date is less than the Subordinate Bonds Reserve Requirement, then the Trustee shall withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Subordinate Bonds Reserve Account. For purposes of this Section, the Trustee shall calculate the Subordinate Bonds Reserve Requirement as of the immediately succeeding October 1 after giving effect to any scheduled payments of principal of Subordinate Bonds, any scheduled redemption of Term Subordinate Bonds that will be paid from amounts on deposit in the Subordinate Bonds Principal Account after giving effect to the deposit on the Second Debt Service Transfer Date into the Subordinate Bonds Principal Account required in the Indenture and the redemption of the principal of Subordinate Turbo Bonds that the Trustee calculates will occur after giving effect to the required deposits on the Second Debt Service Transfer Date set forth in this Section.

(g) Administrative Expense Fund. Seventh, if the amount on deposit in the Administrative Expense Fund is less than the Administrative Expense Cap, then the Trustee shall withdraw from the Debt Service Fund the amount of any such deficiency and deposit such amount in the Administrative Expense Fund.

(h) Rebate Fund. Eighth, the Trustee shall withdraw from the Debt Service Fund any amounts required pursuant to the Indenture or the Tax Certificate and deposit such amount in the Rebate Fund.

(i) Excess Pledged Revenues Fund. Ninth, for so long as any Subordinate Turbo Bonds remain Outstanding, the Trustee shall withdraw from the Debt Service Fund all remaining funds after giving effect to the deposits required by paragraphs (a) through (h) of this Section and deposit such amount in the Excess Pledged Revenues Fund.

(j) Surplus to the Authority. Tenth, on any Second Debt Service Transfer Date on which no Subordinate Turbo Bonds remain Outstanding, except as provided by any Supplemental Indenture, on October 2 of each year, so long as all deposits required by paragraphs (a) through (i) of this Section have been satisfied, the Trustee shall transfer any remaining amounts in the Debt Service Fund to the Authority to be used for any lawful purpose and such amounts shall not longer constitute “Pledged Revenues” under the Indenture and shall not longer be subject to any liens or charges established by the Indenture.

**Rebate Fund.** The Trustee shall establish, when required, a separate fund for the 2020 Bonds designated the “Rebate Fund.” Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Tax Exempt 2020 Bonds will not be adversely affected, the Authority shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Tax-Exempt 2020 Bonds shall be governed by this Section and the Tax Certificate, unless the Authority obtains and delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income of interest on the Tax-Exempt 2020 Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee shall be deemed conclusively to have complied with the provisions of this Section and the Tax Certificate if the Trustee follows the directions of the Authority, and the Trustee shall have no independent responsibility to or liability resulting from

failure of the Trustee to enforce compliance by the Authority with the Tax Certificate or the provisions of this Section.

### **OTHER COVENANTS OF THE AUTHORITY**

**Punctual Payment.** The Authority shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of the Indenture. The Authority shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture, all Supplemental Indentures and the Bonds. Nothing herein contained shall prevent the Authority from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

**Limitation on Additional Indebtedness; Against Encumbrances.** The Authority hereby covenants that, so long as the Bonds are Outstanding, the Authority shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Revenues (i) on a basis senior to the Senior Bonds or on a basis senior to the Subordinate Bonds and subordinate to the Senior Bonds, or (ii) on a parity with the Senior Bonds or on parity with the Subordinate Bonds unless the requirements of the Indenture are met. The Authority will not otherwise encumber, pledge or place any charge or lien upon any of the Pledged Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien herein created for the benefit of the Bonds.

**Extension of Payment.** The Authority will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Authority, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then-Outstanding and of all claims for interest which shall not have been so extended or funded.

**Payment of Claims.** The Authority shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Authority or upon the Pledged Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Authority to make any such payment so long as the Authority in good faith shall contest the validity of said claims.

**Books and Accounts; Financial Statements.** The Authority shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Authority, in which complete and correct entries shall be made of all transactions relating to the Indenture and the Pledged Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than 10% in aggregate principal amount of the Senior Bonds then Outstanding, or their representatives authorized in writing.

**Protection of Security and Rights of Owners.** The Authority will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date with respect to Bonds, the Bonds shall be incontestable by the Authority.

**Payments of Taxes and Other Charges.** Except as otherwise provided herein, the Authority will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Authority or the properties then owned by the Authority, or upon the revenues therefrom when the same shall become due. Nothing herein contained shall require the Authority to make any such payment so long as the Authority in good faith shall contest the validity of said taxes, assessments or charges.

**Dissolution Act Invalid; Maintenance of Pledged Revenues.** The Authority shall comply with all requirements of applicable law, including without limitation the Law, and the Pledge Agreement. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Law or the equivalent become applicable to the Bonds, the Authority will use its best efforts to ensure that the Successor Agency complies with all requirements of the Law or the equivalent to ensure the allocation and payment to it of the Pledged Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the City and, in the case of amounts payable by the State, appropriate officials of the State.

**Tax Covenants.** The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Tax-Exempt Bonds to fail to be excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive the payment in full or the defeasance of the Bonds. Notwithstanding any provisions of this Section, if the Authority shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this Section or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Tax-Exempt Bonds, the Authority and the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

**Continuing Disclosure.** The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the holders of at least 25% aggregate principal amount of Outstanding Bonds, may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Pledge Agreement.** The Authority hereby covenants and agrees that it will not amend the Pledge Agreement in any way that materially adversely affects the interest of the Owners.

**Further Assurances.**

(a) The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in the Indenture.

(b) The Authority shall use its best efforts to instruct the Successor Agency to deliver any Pledged Revenues by January 15 and July 15 with respect to the January 2 and June 1 Redevelopment Property Tax Trust Fund distribution dates currently referenced in the Dissolution Act, respectively, directly to the Trustee to be deposited in the Debt Service Fund. If the Authority receives



any Pledged Revenues, the Authority shall promptly, and in any event no later than two Business Days after receipt, transfer all Pledged Revenues it receives under the Pledge Agreement to the Trustee to be deposited in the Debt Service Fund. The Authority hereby agrees that it will not comingle any Pledged Revenues with any other assets or monies of the Authority.

(c) The Authority hereby covenants and agrees that it will exercise all rights and remedies and take all action required under the Pledge Agreement in order to protect the pledge and lien on the Pledged Revenues. The Authority will use its best efforts to take all actions necessary to enforce its rights under the Pledge Agreement to receive the Net Tax Increment. The Authority will use its best efforts to ensure that the City and the Successor Agency take all actions required under the Dissolution Act to include the amount of the Net Tax Increment under the Pledge Agreement in the ROPS that the Authority would have been entitled to under the Pledge Agreement if the Former Agency were not dissolved under the Dissolution Act, and the Authority will use its best efforts to ensure that the Successor Agency timely files its ROPS with DOF.

(d) The Authority hereby covenants that:

(i) It shall only use Capital Replacement Reserves to pay costs permitted under the Pledge Agreement to use Net Tax Increment;

(ii) It will keep Capital Replacement Reserves segregated from other accounts and funds of the Authority; and

(iii) It will maintain policies and procedures to ensure that Capital Replacement Reserves pay only those costs that the Authority is permitted to use Net Tax Increment under the Pledge Agreement.

## **THE TRUSTEE**

### **Duties, Immunities and Liabilities of Trustee.**

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Authority may remove the Trustee at any time, upon thirty days' prior written notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Authority has knowledge that the Trustee has ceased to be eligible in accordance with subsection (f) of this Section, or has become incapable of acting, or has been adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property has been appointed, or any public officer has taken control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Authority to the Trustee, whereupon the Authority shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving thirty days' prior written notice of such resignation to the Authority and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Authority for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Owner not to give such notice.

(f) The Authority agrees that, so long as any Bonds are Outstanding, the Trustee shall be: (i) a financial institution having a trust office in the State, having (or in the case of a corporation, national banking association or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority; or (ii) a state-chartered commercial bank that is a member of the Federal Reserve System having at least \$1,000,000,000 of assets. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to

be eligible in accordance with the provisions of this subsection (f), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

**Merger or Consolidation.** Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

#### **Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the security for the Bonds or the tax status of interest thereon nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or misconduct as finally determined by a court of competent jurisdiction. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(c) The Trustee shall not be liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee as finally determined by a court of competent jurisdiction. Where the Trustee is given the permissive right to do things enumerated in the Indenture, such right shall not be construed as a mandatory duty.

(d) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer shall have actual knowledge thereof, or shall have received written notice thereof from the Authority at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under the Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(e) The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Authority or with respect to the observance or performance by the Authority of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Authority pursuant to the Indenture or otherwise.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it hereunder.

(h) The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(i) Before taking any action, including at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is finally adjudicated by a court of competent jurisdiction to have resulted from its negligence or willful misconduct in connection with any action so taken.

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

transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemics, quarantine restrictions, acts of civil or military authority or governmental action or other similar occurrences.

(l) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys (including the proceeds of Bonds) which shall be released or withdrawn in accordance with the provisions hereof.

**Right to Rely on Documents and Opinions.** The Trustee shall have no liability in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, facsimile transmission, electronic mail, or other paper or document reasonably believed by it to be genuine and to have been signed or prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Authority, which shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the Authority.

**Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession subject to its record retention policies and shall be subject at all reasonable times upon reasonable notice to the inspection of and copying by the Authority and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

**Compensation and Indemnification.** The Authority shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture in accordance with the letter proposal from the Trustee approved by the Authority and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties

under the Indenture. The Trustee shall have a lien on the Pledged Revenues to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Authority further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur to the extent arising out of or in connection with the exercise and performance of its powers and duties hereunder and any other documents executed in connection herewith, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or misconduct of the Trustee, its officers, directors, agents or employees as finally determined by a court of competent jurisdiction. The obligations of the Authority and the rights of the Trustee under this Section shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**Deposit and Investment of Moneys in Funds.** Moneys in any funds and accounts held by the Trustee hereunder shall be invested by the Trustee in Permitted Investments as directed by the Authority in the Written Request of the Authority filed with the Trustee, except that moneys in the Senior Bonds Reserve Account and the Subordinate Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless for any Permitted Investment described in clause (g) of the definition thereof. In the absence of any such Written Request of the Authority, the Trustee shall hold the funds hereunder uninvested. The Trustee shall be entitled to rely conclusively upon the written instructions of the Authority directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Authority's expense. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Senior Bonds Interest Account (pro-rata among sub-accounts); provided, however, that all interest or gain from the investment of amounts in the Senior Bonds Reserve Account and the Subordinate Bonds Reserve Account shall be deposited by the Trustee in the Senior Bonds Interest Account or the Subordinate Bonds Interest Account only to the extent not required to cause the balance in the Senior Bonds Reserve Account or the Subordinate Bonds to equal the Senior Bonds Reserve Requirement or the Subordinate Bonds Reserve Requirement, respectively. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Authority or otherwise made in accordance with this Section. For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.]

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority specifically waives receipt of such

confirmations to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Authority monthly cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by the Indenture. Except as specifically provided in the Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Authority for earnings derived from funds that have been invested.

The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of any Tax Exempt Bonds (within the meaning of Section 148 of the Code), shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow its normal practice in determining the value of Permitted Investments, which may include utilizing and relying conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued by the Authority at their present value (within the meaning of Section 148 of the Code). Investments on deposit in the Reserve Account shall be valued semiannually two (2) Business Days preceding each April 1 and October 1 at their Fair Market Value.

**Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which accurate entries shall be made of all transactions relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority upon reasonable prior notice, at reasonable hours and under reasonable circumstances.

**Other Transactions with Authority.** The Trustee, either as principal or agent, may engage in or be interested in any financial or other transaction with the Authority.

## **MODIFICATION OR AMENDMENT OF THE INDENTURE**

**Amendment With And Without Consent of Owners.** The Indenture and the rights and obligations of the Authority and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, including any covenant or agreement that provides for additional security for the Senior Bonds or Subordinate Bonds, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect

whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Authority, materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Senior Bonds or Subordinate Bonds in accordance with the Indenture; or

(d) to amend any provision hereof to permit the issuance of Senior Parity Debt pursuant to a Senior Parity Debt Instrument in lieu of issuing Senior Bonds or Subordinate Parity Debt pursuant to a Subordinate Parity Debt Instrument in lieu of issuing Subordinate Bonds, including (without limitation) amendments to the Indenture to permit the equal and ratable payment of any such Senior Parity Debt with Senior Bonds or any such Subordinate Parity Debt with Subordinate Bonds, provided that the issuance of any such Senior Parity Debt or Subordinate Parity Debt satisfies the requirements of the Indenture assuming for such purposes that references to Senior Bonds and Subordinate Bonds refer to Senior Parity Debt or Subordinate Parity Debt, respectively; or

(e) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(f) to comply with, or permit the Successor Agency or the City to comply with, amendments or supplements to the Dissolution Act or take any other action under any such amendments or supplements to ensure the continuing enforceability of the Pledge Agreement; or

(g) to permit the Authority to enforce its rights and interest under the Pledge Agreement; or

(h) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument; or

(i) in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Authority, materially adversely affect the interests of the Owners;

provided, however, that any amendment, supplements or modifications of the Indenture pursuant to any Supplemental Indenture which permits the Owners of the Subordinate Bonds to declare all principal on the Subordinate Bonds to be immediately due and payable upon an Event of Default or comparable event shall not require the consent of the Owners of the Senior Bonds, provided that no such amendment, supplement or modification shall permit the payment of any such principal on any date other than October 1 and in the order of priority set forth in the Indenture.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee; provided, however, to the extent the modification or amendment relates solely to rights or obligations of the Owners of the Senior Bonds, upon the filing of the consent of the Owners of majority in aggregate principal amount of the Senior Bonds then Outstanding are filed with the Trustee or to the extent the modification or amendment relates solely to rights or obligations of the Owners of the Subordinate Bonds, upon the filing of the consent of the Owners of majority in aggregate principal amount of the Subordinate Bonds then Outstanding are



filed with the Trustee. No such modification or amendment shall (A) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest, or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, or (B) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture adversely affect the security for the Bonds.

**Effect of Supplemental Indenture.** From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

**Endorsement or Replacement of Bonds After Amendment.** After the effective date of any amendment or modification hereof, the Authority may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such amendment or modification and in that case upon demand of the Authority the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Authority may determine that new Bonds shall be prepared at the expense of the Authority and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Authority, the Owners of the Bonds shall present such Bonds for exchange at the Principal Corporate Trust Office of the Trustee, without cost to such Owners.

**Amendment by Mutual Consent.** The provisions of the Indenture VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

**Opinion of Counsel.** The Trustee may rely on an opinion of counsel, and conclusively rely on an opinion of counsel, to the effect that all conditions precedent to the execution of such Supplemental Indenture under the Indenture have been satisfied and such Supplemental Indenture is authorized and permitted under the Indenture and does not adversely affect the exclusion of interest on any Tax Exempt Bonds from gross income for federal income tax purposes or adversely affect the exemption of interest on the Bonds from personal income taxation by the State.

**Copy of Supplemental Indenture to Rating Agencies.** The Authority shall provide to any rating agency rating the Bonds (without regard to any municipal bond or financial guaranty insurance), a copy of any Supplemental Indenture at least fifteen (15) days prior to its proposed effective date.

## **EVENTS OF DEFAULT AND REMEDIES OF OWNERS**

**Events of Default.** The following events shall constitute Events of Default hereunder:

(a) if default shall be made by the Authority in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; provided that if such default only relates to the payment of the principal of and interest on the Subordinate Bonds, such Event of Default shall relate only to the Subordinate Bonds;

(b) if default shall be made by the Authority in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Authority of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the Authority within such 30 day period and the Authority thereafter diligently and in good faith cures such failure in a reasonable period of time, such period of time not to be longer than 180 days after the date of delivery of such default notice; or

(c) If the Authority files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Authority seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the whole or any substantial part of its property.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Authority by telephone promptly confirmed in writing.

In determining whether an Event of Default has occurred under (a) above, no effect shall be given to payments made under any municipal bond insurance policy, financial guaranty insurance policy or Qualified Reserve Account Credit Instrument.

If an Event of Default with respect to the Senior Bonds has occurred and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Senior Bonds then Outstanding and indemnified to its satisfaction, the Trustee shall: (i) subject to the provisions of the Indenture, exercise any remedies available to the Trustee and the Senior Bond Owners in law or at equity; and (ii) not take any action that could materially adversely affect the interests of the Owners of the Subordinate Bonds and such Owners of Senior Bonds shall have the right to control all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture as set forth in the Indenture.

If an Event of Default relating solely to the Subordinate Bonds has occurred and is continuing, the Trustee may, or, if requested in writing by the Owners of a majority in aggregate principal amount of the Subordinate Bonds then Outstanding and indemnified to its satisfaction, the Trustee shall (i) subject to the provisions of the Indenture, exercise any remedies available to the Trustee and the Subordinate Bond Owners in law or at equity; and (ii) not take any action that could materially adversely affect the interests of the Owners of the Senior Bonds and such Owners of Subordinate Bonds shall have the right to control all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture as set forth in the Indenture.

The Trustee shall in no event be liable hereunder for any actions that it takes at the direction of the Owners of a majority in aggregate principal amount of either the Senior Bonds or the Subordinate Bonds.

The Trustee shall be entitled to conclusively rely, and be fully protected in acting or omitting to act, upon such certificates, directions and opinions of counsel as it shall deem appropriate to determine whether any action subject to the direction of the Owners of the Senior Bonds materially adversely affects the interests of the Owners of the Subordinate Bonds, or any action subject to the direction of the Owners of the Subordinate Bonds materially adversely affects the interests of the Senior Bonds.

**Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**Limitation on Owner's Right to Sue.** No Owner of any Bonds issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Authority and the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of the Indenture.

**Non-Waiver.** Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay from the Pledged Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by the Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Authority, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

**Actions by Trustee as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, provided, however, the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

**Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

**Determination of Percentage of Bondowners.** Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds determined as of the next succeeding Interest Payment Date.

## **DEFEASANCE**

**Discharge of Bonds and Indenture.** (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated herein and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Pledged Revenues as provided herein, and all agreements and covenants of the Authority and the Trustee to such Owners hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section if (i) in case said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of Article II, notice of redemption of such Bonds on said redemption date or such notice has actually been given, (ii) there shall have been deposited with the Trustee either moneys in an amount

which shall be sufficient, or Defeasance Obligations which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be redeemed within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the Indenture, a notice to the Owners of such Bonds and to the securities depositories and information services specified in the Indenture that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Obligations deposited with the Trustee pursuant to this Section may be sold upon the written request of the Authority and the proceeds concurrently reinvested in other Defeasance Obligations which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Tax Exempt Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the Authority, be reinvested in Defeasance Obligations maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this Section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a Written Request of the Authority, be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this Section shall preclude redemptions pursuant to the Indenture.

Any release under this Section shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Indenture created and the performance of its powers and duties under the Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited for defeasance.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this Section, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable and prepared by or on behalf of the Authority to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the Authority all moneys or securities held by it pursuant hereto which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds, but only from amounts deposited pursuant to the Indenture and from no other source.

## MISCELLANEOUS

**Special Obligations.** The Bonds are special obligations of the Authority secured by a pledge and lien as described in the Indenture and shall be payable solely from Pledged Revenues. The Bonds are not debts, liabilities or obligations of the City, any member of the Authority, the Successor Agency, the State, or any of its political subdivisions, and neither said City, said members, said State, nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than Pledged Revenues. The Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

**Benefits Limited to Parties.** Nothing in the Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee and the Owners, any right, remedy or claim under or by reason of the Indenture. Any covenants, stipulations, promises or agreements in the Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Successor is Deemed Included in All References to Predecessor.** Whenever in the Indenture or any Supplemental Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Execution of Documents and Proof of Ownership by Owners.** Any request, consent, declaration or other instrument which the Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by such Owner's attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he or she purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any demand, request, direction, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Authority or the Trustee and in accordance therewith, provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by or for the account of the Authority unless the Authority is the registered Owner or the Trustee has received written notice that any other registered Owner is such an affiliate.

**Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the

Trustee actually knows to be so owned or held shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Upon request of the Trustee, the Authority shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

**Waiver of Personal Liability.** No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

**Destruction of Cancelled Bonds.** Whenever in the Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of the Indenture, the Trustee shall destroy such bonds and provide the Authority a certificate of destruction. The Authority shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

**Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of the Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of the Indenture. The Authority hereby declares that it would have adopted the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the Series of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of the Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall, pending appointment of a successor Trustee in accordance with the provisions of the Indenture, be assumed by and vest in the Chief Financial Officer of the Authority in trust for the benefit of the Owners. The Authority covenants for the direct benefit of the Owners that the Chief Financial Officer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Bonds, pending appointment of a successor Trustee in accordance with the provisions of the Indenture.

**Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee (without liability for interest) to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Authority for the payment of the principal of and interest and redemption premium (if any) on of such Bonds.

**Governing Law.** The Indenture shall be construed and governed in accordance with the laws of the State.

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**APPENDIX D**

**FORM OF BOND COUNSEL OPINION LETTER**

*Upon issuance and delivery of the 2020 Bonds, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Date of Delivery]

**Transbay Joint Powers Authority**

<b>\$189,480,000</b> <b>Senior Tax Allocation Bonds</b> <b>Series 2020A (Tax-Exempt) (Green Bonds)</b>	<b>\$28,355,000</b> <b>Senior Tax Allocation Bonds</b> <b>Series 2020A-T (Federally Taxable) (Green Bonds)</b>
<b>\$53,370,000</b> <b>Subordinate Tax Allocation Bonds</b> <b>Series 2020B (Tax-Exempt) (Green Bonds)</b>	

Transbay Joint Powers Authority  
San Francisco, California

Ladies and Gentlemen:

We have acted as Bond Counsel to the Transbay Joint Powers Authority (the “Authority”) in connection with the issuance of the above-captioned bonds (the “Senior 2020A Bonds,” the “Senior 2020A-T Bonds,” and the “Subordinate 2020B Bonds” and, collectively, the “2020 Bonds”) issued pursuant to an Indenture of Trust, dated as of June 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Senior 2020A Bonds and the Subordinate 2020B Bonds are referred to herein as the “2020 Tax-Exempt Bonds.” Capitalized terms used but not defined herein shall have the meaning ascribed to such term as set forth in the Indenture.

As Bond Counsel, we have examined copies, certified to us as being true and complete, of the Indenture, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The 2020 Bonds constitute the valid and binding limited obligations of the Authority.
2. The Indenture has been duly executed and delivered by, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legally valid and binding

obligation of, the Authority, enforceable in accordance with its terms. The Indenture establishes a valid lien on and a pledge of the Pledged Revenues (as defined in the Indenture) for the security of the 2020 Bonds in the priority set forth therein. Enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally, the exercise of judicial discretion, the application of equitable principles if equitable remedies are sought and limitations on remedies against counties in the State of California.

3. Interest on the 2020 Bonds is exempt from personal income taxes of the State of California under present state law.

4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2020 Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2020 Tax-Exempt Bonds. Pursuant to the Indenture, and the Tax Certificate, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2020 Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2020 Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

The opinions set forth in paragraphs 1 and 2 above are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Indenture, and we express no opinion on the laws of any jurisdiction other than the State of California and the United States of America.

Except as stated in paragraphs 3 and 4, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the 2020 Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2020 Bonds, or the interest thereon, if any action is taken with respect to the 2020 Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of any offering material relating to the 2020 Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has ended as of the date hereof, and we disclaim any obligation to update this letter.

Respectfully submitted,

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the Transbay Joint Powers Authority (the “Authority”) in connection with the issuance of its Senior Tax Allocation Bonds, Series 2020A (Tax-Exempt) (Green Bonds), Senior Tax Allocation Bonds, Series 2020A-T (Federally Taxable) (Green Bonds), and Subordinate Tax Allocation Bonds, Series 2020B (Tax-Exempt) (Green Bonds) (collectively, the “2020 Bonds”) pursuant to the terms of the Indenture (as defined herein). The Authority covenants and agrees as follows:

#### **Section 1. Definitions.**

“*Annual Report*” means the information specified in Section 4 hereof.

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the Securities and Exchange Commission for the purposes referred to in Rule 15c2-12.

“*Holder*” means any registered owner of 2020 Bonds and any beneficial owner of 2020 Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

“*Indenture*” means, the Indenture of Trust, dated as of June 1, 2020, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”).

“*Listed Events*” means any of the events listed in Section 5 hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“*Official Statement*” means the Official Statement, dated June 17, 2020, prepared and distributed in connection with the issuance of the 2020 Bonds.

“*Rule 15c2-12*” means Rule 15c2-12, as amended through the date of this Certificate, as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

“*Tax-Exempt 2020 Bonds*” mean the Authority’s Senior Tax Allocation Bonds, Series 2020A (Tax-Exempt) (Green Bonds), and its Subordinate Tax Allocation Bonds, Series 2020B (Tax-Exempt) (Green Bonds).

**Section 2. Purpose of the Certificate.** This Certificate is being executed and delivered by the Authority pursuant to Rule 15c2-12 for the benefit of the Holders of the 2020 Bonds in order to assist the participating underwriters in complying with Rule 15c2-12.

#### **Section 3. Provision of Annual Report.**

(a) The Authority shall, not later than nine months following the end of each Fiscal Year of the Authority (which Fiscal Year currently ends on June 30), commencing with the report for Fiscal Year ended June 30, 2020, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, the

Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Authority changes, the Authority shall give notice of such change in the same manner as for a Listed Event under Section 5(f) hereof. The requirements of this section with respect to the first Annual Report shall be satisfied by the filing of the Official Statement.

(b) If in any year, the Authority does not provide the Annual Report to the MSRB by the time specified above, the Authority shall instead timely file a notice to the MSRB through the EMMA System stating that the Annual Report has not been timely completed and, if known, stating the date by which the Authority expects to file the Annual Report.

**Section 4. Content of Annual Report.** The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as in effect from time to time and as applied to governmental units. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Updates to the following tables of the Official Statement for the Fiscal Year ending June 30 immediately preceding the Annual Report filing due date (only the information relating to the Fiscal Year ending June 30 immediately preceding the Annual Report need to be provided):

Table 1 – Property Description and FY 2019/20 Adjusted Assessed Value

Table 2 – Total Adjusted Assessed Value by Land Use, FY 2019/20

Table 3 – Historical Assessed Values (\$), FY 2014/15 to FY 2019/20

Table 4 – Historical Adjusted Assessed Values (\$) by Redevelopment Block, FY 2014/15 to FY 2019-20

Table 5 – Largest Property Owners, FY 2019-20

Table 6 – Assessment Appeals (\$), FY 2014/15 to FY 2019/20

Table 7 – Historical RPTTF Payments to the Authority, FY 2014/15 to FY 2019/20

(c) A statement confirming that, during the most recent Fiscal Year, proceeds of the 2020 Bonds were spent only on Green Projects identified in the Official Statement. The Authority shall no longer be obligated to include this statement in its Annual Report beginning with the Annual Report for the Fiscal Year that follows the expenditure of all of the proceeds of the 2020 Bonds.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, that have been submitted to the MSRB through the EMMA System.

### **Section 5. Reporting of Listed Events.**

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2020 Bonds not later than ten business days after the occurrence of 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. Adverse tax opinions with respect to the tax status of the Tax-Exempt 2020 Bonds or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Tax-Exempt 2020 Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the Authority; or

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 the Authority 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 Authority, 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 Authority.

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

Note: For purposes of the events listed as (a)(10) and (b)(8), the term “financial obligation” means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2 12.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2020 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 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 2020 Tax-Exempt Bonds or other material events affecting the tax status of the 2020 Tax-Exempt Bonds;

2. Modifications to rights of the Owners of the 2020 Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the 2020 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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; or

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a financial obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders.

(c) The Authority shall give, or cause to be given, notice of receipt of a written statement from the Climate Bonds Initiative to the effect that the 2020 Bonds are no longer certified in accordance with the “Low Carbon Land Transport Criteria” under the Climate Bonds Standard, not later than ten days after the occurrence of the event.

(d) The Authority shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(e) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Authority shall determine if such event would be material under applicable federal securities laws.

(f) If the Authority learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Authority shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2020 Bonds pursuant to the Indenture.



**Section 6. Remedies.** If the Authority shall fail to comply with any provision of this Certificate, then any Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding in law or in equity, this Certificate against the Authority and any of the officers, agents and employees of the Authority, and may compel the Authority or any such officers, agents or employees to perform and carry out their duties under this Certificate; provided that the sole and exclusive remedy for breach of this Certificate shall be an action to compel specific performance of the obligations of the Authority hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and, provided further, that any challenge to the adequacy of any information provided pursuant to Section 4 or 5 hereof may be brought only by the Holders of 25% in aggregate principal amount of the 2020 Bonds at the time outstanding. A failure by the Authority to comply with the provisions of this Certificate shall not constitute an Event of Default under the Indenture.

**Section 7. Parties in Interest.** This Certificate is executed and delivered solely for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

**Section 8. Amendment.** Without the consent of any Holders of 2020 Bonds, the Authority at any time and from time to time may enter into any amendments or changes to this Certificate for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 or any authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Authority and the assumption by any such successor of the covenants of the Authority hereunder;
- (d) to add to the covenants of the Authority for the benefit of the Holders, or to surrender any right or power herein conferred upon the Authority; or
- (e) to modify the contents, presentation and format of the Annual Report from time to time as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority, or type of business conducted; provided that (i) the certificate, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the 2020 Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances; and (ii) the amendment or change does not materially impair the interests of Holders, as determined either by a party unaffiliated with the Authority (such as bond counsel), or by the vote or consent of Holders of a majority in outstanding principal amount of the 2020 Bonds on or prior to the time of such amendment or change.

**Section 9. Termination of Obligation.** This Certificate shall remain in full force and effect until such time as all principal of and interest on the 2020 Bonds shall have been paid in full or legally defeased pursuant to the Indenture. Upon any such legal defeasance, the Authority shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the 2020 Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

**Section 10. Governing Law.** THIS CERTIFICATE SHALL BE GOVERNED BY THE LAWS OF CALIFORNIA DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW.

IN WITNESS WHEREOF, the undersigned has executed this Continuing Disclosure Certificate this 25th day of June, 2020.

TRANSBAY JOINT POWERS AUTHORITY

By: \_\_\_\_\_  
Executive Director

## APPENDIX F

### DTC'S BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority does not take any responsibility for the accuracy thereof. The Authority gives no assurances that (i) DTC, the Direct and Indirect Participants or others will distribute payments of principal, premium (if any) or interest with respect to the 2020 Bonds paid to DTC or its nominee as the registered owner, to the Beneficial Owners, (ii) such entities will distribute redemption notices or other notices, to the Beneficial Owners, or (iii) an error or delay relating thereto will not occur.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC 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: 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](http://www.dtcc.com).

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 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 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 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 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 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.

Redemption notices shall be sent to DTC. If less than all of the 2020 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 issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMD Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any) and interest payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any) and interest payments with respect to the 2020 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2020 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2020 Bond certificates will be printed and delivered in accordance with the provisions of the Indenture.



**TRANSBAY JOINT POWERS AUTHORITY • SENIOR TAX ALLOCATION BONDS, SERIES 2020A (TAX-EXEMPT) (GREEN BONDS) AND  
SERIES 2020A-T (FEDERALLY TAXABLE) (GREEN BONDS) AND SUBORDINATE TAX ALLOCATION BOND, SERIES 2020B (TAX-EXEMPT) (GREEN BONDS)**



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