

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2022

NEW ISSUE—BOOK-ENTRY ONLY

NO RATING

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX EXEMPTION" with respect to tax consequences relating to the Bonds.

\$21,325,000*

**CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
SPECIAL TAX BONDS (OYSTER POINT), SERIES 2022**

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) Special Tax Bonds (Oyster Point), Series 2022 (the "Bonds") are being issued by City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the "District") to: (i) finance the acquisition of certain public improvements supporting the development of property located within the District; (ii) fund a reserve account for the Bonds; (iii) fund capitalized interest on the Bonds through September 1, 2022; and (iv) pay costs of issuance for the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the "Act"), and pursuant to that certain Bond Indenture, dated as of April 1, 2022 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The Bonds are payable from Net Taxes (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described herein. The Special Tax is to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and Appendix A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The 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"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2022. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF SAN MATEO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption "THE BONDS — Redemption."

Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney of the City, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Quint & Thimmig, Larkspur, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about _____, 2022.

[STIFEL LOGO]

Dated: _____, 2022

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$21,325,000*
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
SPECIAL TAX BONDS (OYSTER POINT), SERIES 2022

MATURITY SCHEDULE

BASE CUSIP®† _____

\$ _____ Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
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\$ _____	_____ %	Term Bonds due September 1, 20__	Yield: _____ %	Price: _____	CUSIP No.† _____
\$ _____	_____ %	Term Bonds due September 1, 20__	Yield: _____ %	Price: _____	CUSIP No.† _____
\$ _____	_____ %	Term Bonds due September 1, 20__	Yield: _____ %	Price: _____	CUSIP No.† _____

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**CITY OF SOUTH SAN FRANCISCO
COUNTY OF SAN MATEO, CALIFORNIA**

CITY COUNCIL

Mark Nagales, *Mayor*
Buenaflor Nicolas, *Vice Mayor*
Mark Addiego, *Council Member*
James Coleman, *Council Member*
Eddie Flores, *Council Member*

CITY OFFICIALS

Michael Futrell, *City Manager*
Frank Risso, *Treasurer*
Jason Wong, *Acting Director of Finance*
Sky Woodruff, *City Attorney*
Rosa Govea Acosta, *City Clerk*

BOND AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR

KNN Public Finance
Berkeley, California

SPECIAL TAX CONSULTANT

DTA, Inc.
San Jose, California

APPRAISER

Integra Realty Resources
Rocklin, California

TRUSTEE

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

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described herein since the date hereof. All summaries of the Indenture or 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 City for further information in connection therewith.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget,” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “OYSTER POINT AND THE DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE 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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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[INSERT AERIAL PHOTOGRAPH]

\$21,325,000*
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
SPECIAL TAX BONDS (OYSTER POINT), SERIES 2022

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the “District”) of its Special Tax Bonds (Oyster Point), Series 2022 in the aggregate principal amount of \$21,325,000* (the “Bonds”). The proceeds of the Bonds will be used to: (i) finance the acquisition of certain public improvements supporting the development of property located within the District; (ii) fund a reserve account for the Bonds; (iii) fund capitalized interest on a portion of the Bonds through September 1, 2022; and (iv) pay costs of issuance for the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), a resolution adopted on March 23, 2022, by the City Council of the City of South San Francisco (the “City”), acting as the legislative body of the District, and a Bond Indenture, dated as of April 1, 2022 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as such term is defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined have the meanings set forth in Appendix E.

Oyster Point and the District

General. The District consists of approximately 44 acres of the larger approximately 81-acre bayfront development known as Oyster Point within the City. Oyster Point is located approximately five miles north of the San Francisco International Airport on the western shoreline of the San Francisco Bay. The Oyster Point project is expected to include a new life-science campus, recreation and open space, a non-vehicular trail along the bayfront, a hotel with 350 guest rooms, a conference center, commercial and retail space, and new public infrastructure to serve the foregoing projects.

Development within the District is expected, at full build-out, to include approximately 2.5 million square feet of “Class A” life science office and research and development space across ten buildings, three parking garages, and associated courtyards, plazas, and open space. The first of four planned development phases, Phase 1, is complete, fully leased, and occupied. Phase 1 consists of three buildings totaling approximately 656,000 square feet built over a four-story shared parking facility with approximately 1,190 stalls. Two of the three buildings in Phase 1 are leased and occupied by Stripe, Inc. and the third building is leased and occupied by Cytokinetics Incorporated. Construction of the site work for Phase 2 has commenced. The remaining planned development within the District is expected to occur over several years and is currently estimated to be completed in approximately 2026.

* *Preliminary, subject to change.*

Property within the District is being developed by affiliated entities of Kilroy Realty Corporation, a Maryland corporation, a publicly-traded real estate investment trust (“Kilroy”). Kilroy is the general partner of, and owns approximately 99% interest in Kilroy Realty, L.P. (“KRLP”). Kilroy conducts substantially all of its operations through KRLP. The current property owners within the District are KR Oyster Point I, KR Oyster Point II, LLC, KR Oyster Point III, LLC and KR Crescent Beach, LLC, each a wholly-owned special purpose entity of KRLP. As used herein, the term “Developer” refers collectively to KRLP and the foregoing entities which own property in the District and other wholly-owned special purpose entities of KRLP, including Kilroy Realty TRS, LLC, and KR Oyster Point Developer, LLC that are parties to one or more of the Project Approval Agreements. See the caption “OYSTER POINT AND THE DISTRICT” for further information with respect to the District, the Developer and development within the District.

Formation Proceedings. The District was formed on March 10, 2021 pursuant to the Act. The Act was enacted to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on January 27, 2021, the City Council adopted Resolution No. 18-2021 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 19-2021, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$105,000,000 for the purpose of financing the purchase, construction, expansion or rehabilitation of certain public facilities to serve the area within the District.

Subsequent to a noticed public hearing on March 10, 2021, the City Council adopted Resolution Nos. 53-2021 and 54-2021 on March 10, 2021 (collectively the “Resolution of Formation”). The Resolution of Formation: (i) established the District; (ii) authorized the levy of a special tax (the “Special Tax”) within the District; (iii) determined the necessity to incur bonded indebtedness in an amount not to exceed \$105,000,000 within the District; and (iv) called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On March 10, 2021, an election was held within the District in which the property owners within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$105,000,000. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on March 22, 2021, as Document No. 2021-046010. On March 24, 2021, the City Council adopted Ordinance No. 1620-2021 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment approved at the March 10, 2021 election (the “Rate and Method”), a copy of which is attached hereto as Appendix A.

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “Special Tax” means the “Special Tax A,” as defined in the Rate and Method, which has been authorized pursuant to the Act and the Rate and Method to be levied upon taxable property within the District. The Rate and Method also authorizes a levy of “Special Tax B” (as defined in the Rate and Method) to fund certain authorized services within the District. Any Special Tax B amounts received by the District are not pledged to and are not available to pay debt service on the Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” See the caption “OYSTER POINT AND THE DISTRICT.”

Under the Indenture, the District has pledged to repay the Bonds and any Parity Bonds (as defined herein) from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from other amounts in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture. The Special Taxes are the primary source of security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, to the limited extent described in the Indenture. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.”

Annual Debt Service on the Bonds has been sized such that Net Taxes to be derived in each Fiscal Year from the Taxable Property within Phase 1 of the development in the District (which consists of 546,601 square feet of Non-Residential Floor Area (as defined in the Rate and Method)) will equal at least 110% of Annual Debt Service.

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and diligently pursue such foreclosure proceedings to completion or the payment of the delinquent amounts; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as: (i) the total delinquency of Special Taxes for such Fiscal Year is less than 5% of the total Special Taxes levied in such Fiscal Year; and (ii) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” There is no assurance that the property within the District can be sold for the appraised or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS — Property Values.”

Teeter Plan. The District participates in the County’s Teeter Plan (as defined herein) pursuant to which the County pays to the District the full amount of Special Taxes levied without any reduction for delinquencies. The Net Taxes (as defined herein) pledged to repay the Bonds do not include any penalties, fees, costs, foreclosure proceeds or delinquent Special Taxes where the County has paid the delinquent installment to the District pursuant to the Teeter Plan. See “SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan” and “SPECIAL RISK FACTORS — Teeter Plan Termination.”

EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS HELD UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

Appraisal Report

Integra Realty Resources (the “Appraiser”) has conducted an appraisal of certain land and existing improvements within the District to provide an estimate of the market value of the fee simple interest of such land and improvements (the “Appraisal Report”). The Appraisal Report provides an estimate of the approximate market value of the property in the District subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of approximately 2.5 million square feet of rentable area within four phases, open space and walking paths, various amenities for the project’s life science users, and three parking facilities. Based on the definitions, assumptions, and limiting conditions in the Appraisal Report, the Appraiser concluded that the market value of all of the parcels within the District subject to the Special Tax was \$1,248,200,000 as of November 2, 2021 (the “Date of Value”).

The Appraiser has prepared a Supplement to Appraisal Report (the “Appraisal Supplement”) in which the Appraiser concludes that the estimated market value of the property within the District subject to the levy of the Special Taxes, as of March 9, 2022, was not less than the concluded value as of the Date of Value set forth in the Appraisal Report. See APPENDIX D-2 “SUPPLEMENT TO APPRAISAL REPORT.”

The Appraisal Report and the Appraisal Supplement are based upon a variety of assumptions and limiting conditions that are described in Appendix D-1 and D-2. The District makes no representation as to the accuracy of the Appraisal or the Appraisal Supplement. See “OYSTER POINT AND THE DISTRICT — Appraisal Report” and “— Estimated Appraised Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by a property owner. See “OYSTER POINT AND THE DISTRICT,” “SPECIAL RISK FACTORS — Property Values” herein and Appendix D-1 and Appendix D-2.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE BONDS — Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see the caption “THE BONDS” and Appendix E — “SUMMARY OF THE INDENTURE.”

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION.”

Set forth in Appendix C is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain tax consequences incident to the ownership of the Bonds, see the caption “TAX EXEMPTION.”

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, N.A., San Francisco, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) is the Underwriter of the

Bonds. KNN Public Finance, Berkeley, California is serving as municipal advisor to the City in connection with the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the City and the District by the City Attorney of the City, for the Underwriter by Quint & Thimmig, Larkspur, California, and for the Trustee by its counsel. Other professional services have been performed by DTA, Inc., San Jose, California, as Special Tax Consultant (the “Special Tax Consultant”) and by Integra Realty Resources, Rocklin, California, as Appraiser.

For information concerning circumstances in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see the caption “FINANCIAL INTERESTS.”

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate to be executed by the District (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”), maintained on the Internet at <http://emma.msrb.org>, certain annual financial information and operating data and notices of certain enumerated events. These covenants are being made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (“Rule 15c2-12”).

The Underwriter does not consider any of the property owners within the District to be an “obligated person” with respect to the Bonds for purposes of the Rule. Notwithstanding the foregoing, to assist in the marketing of the Bonds, KRLP will agree to provide, or cause to be provided to EMMA, certain updates with respect to the development within the District and notices of certain enumerated events. See Appendix G for a description of the specific nature of the semiannual reports and enumerated event notices to be filed by KRLP.

See “CONTINUING DISCLOSURE,” Appendix F — “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE” and Appendix G — “FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE.”

Parity Bonds

Under the Indenture, the District may issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) to finance additional Project Costs and for refunding all or a portion of the Bonds or Parity Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Parity Bonds.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied in the future on the property within the District, which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See the caption “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

Bond Owners’ Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the Constitution and laws of the State, as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined in this Official Statement have the meanings set forth in Appendix E.

Copies of the Indenture and other documents and information are available for inspection and copies may be obtained from the City, 400 Grand Avenue, 2nd Floor, South San Francisco, California, 94080, Attention: City Clerk.

FINANCING PLAN

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds

Principal Amount of Bonds	\$
Plus/Less Net Original Issue Premium/Discount	<u> </u>
Total Sources	<u><u>\$</u></u>

Uses of Funds:

Acquisition and Construction Fund	\$
Interest Account of the Special Tax Fund ⁽¹⁾	
Costs of Issuance ⁽²⁾	
Reserve Account of the Special Tax Fund	<u> </u>
Total Uses	<u><u>\$</u></u>

⁽¹⁾ Amount to pay the interest due on the Bonds through September 1, 2022.

⁽²⁾ To pay costs of issuance of the Bonds, including legal fees, underwriter’s discount, printing costs, Appraiser, Special Tax Consultant and Trustee fees.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2022 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (each, a “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event

interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Principal of, premium, if any, due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in San Francisco, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX H — "BOOK-ENTRY-ONLY SYSTEM."

In the event the Bonds are not held in book-entry form, interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books kept by the Trustee. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds or of any issue of Parity Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional or special mandatory redemptions. See the caption “— Redemption” below. Interest on the Bonds through September 1, 2022 will be paid from capitalized interest.

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
Total			

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 20__ may be redeemed, at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 20__, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth

below. The 20__ Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 20__

Sinking Fund Redemption Date
(September 1)

Sinking Fund Payments

* Maturity.

The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 20__

Sinking Fund Redemption Date
(September 1)

Sinking Fund Payments

* Maturity.

If the District purchases Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District will notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment for the Term Bond so purchased, to the extent of the full principal amount of the purchase. All Term Bonds purchased will be cancelled pursuant to the Indenture.

In the event of a partial optional redemption or special mandatory redemption of the Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis.

Special Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on or after September 1, 2022, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method (the “Prepayments”) deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve

Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date from September 1, 20__ through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the payment at maturity and redemption of Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds and such amounts shall be applied to redeem Bonds and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of \$5,000; provided, however, that, for Prepayments of less than \$50,000, the District may specify in a Certificate of an Authorized Representative that Prepayments be applied to one or more maturities of the Bonds or Parity Bonds so long as there is delivered to the Trustee a Certificate of the Independent Financial Consultant that, following such application of the Prepayments, the maximum Special Taxes that may be levied in each Fiscal Year on Taxable Property is not less than 110% of Annual Debt Service in the Bond Year that begins in such Fiscal Year.

See the caption “SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes or proceeds of bonds of other community facilities districts.

Notice of Redemption. So long as the Bonds are held in book-entry form, notice of redemption will be sent by the Trustee to DTC and not to the Beneficial Owners of the Bonds under the DTC book-entry only system. Neither the District nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

The Trustee will give notice, in the name of the District, of the redemption of Bonds. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee will mail a copy of such notice of redemption, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of any Bonds; provided, however, so long as the Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties and no Owner is entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice will be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is sent to the Owners pursuant to the Indenture to the Depository and to one or more national information services that the Trustee determines are then in the business of disseminating notice of redemption of obligations such as the Bonds. Such notice shall be given by electronically secure means, or any other method agreed upon by such entities and the Trustee.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose will to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if the District determines that such moneys will not be so received on or prior to the redemption date, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. If any condition stated in the redemption notice for an optional redemption shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made, and (iv) the Trustee shall within a reasonable time thereafter give notice to the Persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Selection of Bonds for Redemption. If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee shall treat such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The Trustee shall promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (i) the Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds shall be paid to the Owners thereof; (iii) as of the redemption date the Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds, or portions thereof, shall cease to bear further interest; and (iv) as of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Trustee.

Transfer or Exchange. Subject to the limitations set forth in the following paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Owner or his or her duly authorized attorney.

Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Trustee may not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds are surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee is not required to register transfers or make exchanges of: (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap (an amount equal to \$50,000 in Fiscal Year 2022-23 escalating annually thereafter at 2.00%) and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any scheduled payments and Prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon; but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of this Indenture, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds and Parity Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM

THE NET TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on March 10, 2021 for the purpose of financing of various public improvements required in connection with the proposed development within the District. At a special election held on March 10, 2021, the qualified electors within the District authorized the District to incur indebtedness in an amount not to exceed \$105,000,000 for the District and the levy of the Special Taxes on property within the District to repay such bonds and to finance the Facilities (as defined below). The qualified electors within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

At the special election held on March 10, 2021, the qualified electors within the District also authorized the levy of “Special Tax B” (as defined in the Rate and Method) to fund certain authorized services within the District. Any Special Tax B amounts received by the District are not pledged to and are not available to pay debt service on the Bonds.

The Bonds will be repaid only from annual Net Taxes derived from the levy and collection of Special Taxes pursuant to the Rate and Method. The Rate and Method permits the prepayment of Special Taxes for an Assessor’s Parcel, and any such Prepayments will be applied to redeem Bonds and Parity Bonds, if any. The Net Taxes collected from the annual Special Tax levy and the proceeds of any Prepayment have been pledged under the Indenture to the repayment of the Bonds and Parity Bonds.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method. See “— *Rate and Method of Apportionment of Special Tax*” and Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” There is no assurance that the Net Taxes will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS — Insufficiency of Special Tax Revenues.”

Rate and Method of Apportionment of Special Tax. The Rate and Method applicable to the District is contained in Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in Appendix A.

In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within the District depending upon whether such Taxable Property is classified as: (i) “Developed Property” (in general, Taxable Property for which a Certificate of Occupancy was issued after January 1, 2021 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied), (ii) “Undeveloped Property” (in general, Taxable Property that is not “Developed Property,” “Taxable Property Owner Association Property” or “Taxable Public Property”), (iii) “Taxable Property Owner Association Property” (in general, Property Owner Association Property that would otherwise be exempt from the Special Tax levy but cannot be exempt because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in the Rate and Method), or (iv) “Taxable Public Property” in general, Public Property that would otherwise be exempt from the Special Tax levy but cannot be exempt because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in the Rate and Method).

Under the Rate and Method, the Maximum Special Tax A for each Assessor’s Parcel classified as Developed Property is the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A. For Fiscal Year 2022-23, the Assigned Special Tax A is \$2.04 per square foot of Non-Residential Floor Area. For Fiscal Year 2022-23, the Maximum Special Tax A for each Assessor’s Parcel of Undeveloped Property, Taxable Property Owner

Association Property and Taxable Public Property for CFD No. 2021-01 is \$140,880.36 per Acre. The Assigned Special Tax A for Developed Property and the Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

The term “Non-Residential Floor Area” is defined in the Rate and Method as the total building square footage of the non-residential building(s) located on an Assessor’s Parcel of Developed Property, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or to the appropriate records kept by the City’s Building Division, as reasonably determined by the CFD Administrator.

Pursuant to the Rate and Method the District is required to determine the “Special Tax A Requirement” for each Fiscal Year. The Special Tax Requirement for the District is the amount required in any Fiscal Year to pay: (i) pay debt service on Outstanding Bonds and Parity Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all Bonds and Parity Bonds to the extent such replenishment has not been included in the computation of the Special Tax A Requirement in a previous Fiscal Year, (iii) pay for Administrative Expenses, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax A to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Tax A levied in the previous Fiscal Year, (v) pay for previous Fiscal Year’s delinquent Special Tax A in excess of the amount included in the previous Fiscal Year’s computation under (iv), (vi) at discretion of the City after consultation and agreement of the Developer, to pay directly for construction of Authorized Facilities to the extent that inclusion of this amount does not result in a Special Tax Levy on Undeveloped Property or Taxable Property Owner Association Property, less, (vii) a credit for funds available to reduce the Special Tax A, including, without limitation, Capitalized Interest, as determined by the CFD Administrator, so long as the Special Tax A Requirement is not less than zero.

The Special Tax A Requirement for the District is to be satisfied according to the following steps:

Step 1: Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Developed Property in an amount necessary to equal (i) the Special Tax A Requirement, or (ii) 100% of the applicable Assigned Special Tax A, whichever occurs first.

Step 2: If additional monies are needed to satisfy the Special Tax A Requirement, the Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property until (i) the total Special Tax A levied pursuant to the first two steps equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A for Undeveloped Property, whichever occurs first.

Step 3: If additional monies are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, then the levy of the Special Tax A on each Assessor’s Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor’s Parcel of Developed Property until (i) the total Special Taxes levied under the first three steps equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Step 4: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first four steps

equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Taxable Property Owner Association Property, whichever occurs first.

Step 5: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first five steps equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

The 2022 Bonds have been sized such that Net Taxes to be derived in each Fiscal Year from the Taxable Property within Phase 1 of the development in the District will equal at least 110% of Annual Debt Service, assuming that the Special Taxes are levied at 100% of the Assigned Special Tax A. Based on development status as of the date of this Official Statement, the District will levy the Special Tax A in Fiscal Year 2022-23 on one Assessor's Parcel with a total of 546,601 square feet of Non-Residential Floor Area. The District currently does not expect to levy the Special Tax on Undeveloped Property, however, the District has the ability to do so under the Rate and Method if necessary to meet the Special Tax A Requirement.

Backup Special Tax A Rates. The Backup Special Tax A on an Assessor's Parcel of Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal \$714,108.12 per Acre. The Backup Special Tax A for an Assessor's Parcel on a Plot of Land with no Airspace Parcels, shall equal \$140,880.36 per Acre. The Backup Special Tax A shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

Pursuant to the Rate and Method, all Assessor's Parcels within the District shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds and Parity Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor's Parcels of Developed Property in the District, results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed Property in the District in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds and Parity Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses, and (ii) all authorized Bonds and Parity Bonds for other than refunding purposes have already been issued or the City has covenanted that it shall not issue any additional Parity Bonds (except to refund Bonds and/or Parity Bonds) to be supported by the Assigned Special Taxes in the District.

Prepayment of Special Taxes. The Maximum Special Tax obligation may be prepaid and permanently satisfied for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued after January 1, 2021, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. The Prepayment amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Section G of the Rate and Method attached as Appendix A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See "THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*"

Estimated Debt Service Coverage. In connection with the issuance of the Bonds, the Special Tax Consultant will certify that the Maximum Special Tax that may be levied in each Fiscal Year on Assessor's Parcels within the District classified as Taxable Property will be at least equal to the sum of: (i) 110% of Maximum Annual Debt Service on the Bonds; plus (ii) the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

Levy, Collection and Application of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District.

The District will covenant in the Indenture that each year it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and Parity Bonds, to replenish the Reserve Account to the Reserve Requirement and to pay Administrative Expenses.

The District will make certain covenants in the Indenture which are intended to ensure that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds, Parity Bonds and Administrative Expenses when due.

First, the District will covenant in the Indenture that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Second, the District will covenant in the Indenture, to the maximum extent that the law permits it to do so, not to initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property not then delinquent in the payment of Special Taxes, in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Third, the District will covenant in the Indenture that, in the event that any initiative is adopted by the qualified electors within the District which purports to reduce the maximum Special Tax below the levels specified in the preceding paragraph or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants. The District can provide no assurance that any such legal action will be successful. See the caption "SPECIAL RISK FACTORS — Proposition 218."

Fourth, the District will covenant in the Indenture that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

See Appendix E under the caption "COVENANTS AND WARRANTY."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See the caption "SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness." There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described under the caption "SPECIAL RISK FACTORS."

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of property within the District resulting from a property owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds and any Parity Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the owners of the Bonds and any Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which such Special Taxes were due, and diligently pursue such foreclosure proceedings to completion or the payment of the delinquent amounts; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as: (i) the total delinquency of Special Taxes for such Fiscal Year is less than 5% of the total Special Taxes levied in such Fiscal Year; and (ii) the amount in the Reserve Account of the Special Tax Fund is at least equal to the Reserve Requirement.

The District will covenant in the Indenture that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds, and to bring the amount on deposit in the Reserve Account up to the Reserve Requirement. See APPENDIX E — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed unless the foreclosure proceedings produce sufficient net foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the net proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS — Property Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Collection of Special Taxes and Flow of Funds. The Special Taxes will be levied and collected by the Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District. When the County apportions Special Taxes to the District, the District will transmit the Special Taxes to the Trustee for deposit in the Special Tax Fund established by the Indenture.

Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates, in the amounts and in the following order of priority, to:

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap.

- Second: To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.
- Third: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2022, is equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.
- Fourth: To the Redemption Account, the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture; and thereafter, to pay the principal and premium, if any, due in connection with an optional redemption of Bonds or Parity Bonds.
- Fifth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.
- Sixth: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap as directed by the City.
- Seventh: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Eighth: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The term "Reserve Requirement" is defined in the Indenture to mean, that amount as of any date of calculation, equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; provided, however, that the Reserve Requirement shall not exceed \$_____ except in connection with the issuance of Parity Bonds.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rate and Method and in the Indenture, the District will covenant in the Indenture to levy Special Taxes in an amount sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied: (i) to pay debt service on the Bonds, or any Parity Bonds, including Sinking Fund Payments, to the extent that other monies are not available therefor; (ii) to redeem Bonds or Parity Bonds in the event of prepayment of Special Taxes, to

optionally redeem Bonds or Parity Bonds or in connection with a partial defeasance of Bonds or Parity Bonds, in accordance with the Indenture; and (iii) to pay any rebate requirements. See Appendix E under the caption “CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund.”

Teeter Plan

General. The District is included in the County’s Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to the District, the District will be paid 100% of the amount of Special Taxes levied regardless of whether the County has actually collected the levies. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, the County’s Teeter Plan may help to protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Section 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. A county benefits from the Teeter Plan by retaining penalties associated with these delinquent taxes when they are paid and the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of the county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors adopted the Teeter Plan in 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the District, on the secured roll.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See “SPECIAL RISK FACTORS — Teeter Plan Termination.” The County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

The District is not aware of any intention on the part of the County, or formal actions taken by the County, to terminate the Teeter Plan, as now in effect in the County. There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full

amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression.

Parity Bonds

At the time the District was formed, the qualified electors within the District authorized the District to incur bonded indebtedness in an amount not to exceed \$105 million. After the issuance of the Bonds, the District may, subject to the provisions of the Indenture, issue Parity Bonds in a principal amount not to exceed \$83,115,000* for purposes other than to refund the Bonds or any Parity Bonds theretofore issued.

The Indenture provides that, upon satisfaction of certain conditions, the District may issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued; provided, however, Parity Bonds may only be issued: (i) for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, or (ii) for other purposes of the District in a principal amount not to exceed \$83,115,000*. Among other conditions, in order to issue Parity Bonds for other than refunding purposes, the District shall have received a Certificate of the Special Tax Administrator certifying (i) the Maximum Special Taxes that may be levied in each Fiscal Year is not less than 110% of the Annual Debt Service in the Bond Year that begins in such Fiscal Year, plus estimated Administrative Expenses; (ii) the Value of District Property is not less than ten (10) times the sum of Direct Debt for District Property plus Overlapping Debt allocable to all property in the District subject to the Special Tax; and (iii) the Value of Undeveloped Property is at least five (5) times the sum of Direct Debt for Undeveloped Property plus Overlapping Debt for Undeveloped Property. For purposes of the foregoing Certificate of Special Tax Administrator, all calculations shall consider the Parity Bonds proposed to be issued to be Outstanding.

Among other conditions, in order to issue Parity Bonds to refund all or a portion of the Bonds or any Parity Bonds, the District shall have received a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds. See Appendix E under the caption "DEFEASANCE AND PARITY BONDS."

OYSTER POINT AND THE DISTRICT

The information about the property in the District contained in this Official Statement has been provided by representatives of the Developer and others, and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained in this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Net Taxes securing the Bonds and any Parity Bonds are personal obligations of the Developer or any affiliate thereof or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See the caption "SPECIAL RISK FACTORS."

Notwithstanding the belief of the Developer that they will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by the Developer in the District will be available when needed. None of the Developer, or any

* Preliminary, subject to change.

other entity or person is under any legal obligation of any kind to expend funds for the development of the property as planned by the Developer in the District. Any contributions by the Developer or any other entity or person to fund the costs of its development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by the Developer within the District, the remaining portions of such development may not be completed. The Developer has no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. See the caption "SPECIAL RISK FACTORS."

Overview of Oyster Point

History. The District consists of approximately 44 acres of the larger 81-acre Oyster Point redevelopment project, located along the western shoreline of San Francisco Bay, approximately five miles north of the San Francisco International Airport.

The Oyster Point redevelopment project includes the areas historically known as the Oyster Point Business Park and the Oyster Point Marina. The Oyster Point Marina area includes a public marina with approximately 600 berths, a ferry terminal for the San Francisco Bay Ferry, providing connectivity via ferry to Oakland, and an approximately 48 acre area immediately adjacent to San Francisco Bay that operated as a City-owned municipal landfill from approximately 1956 to 1970. The City closed the landfill site ("Closed Municipal Landfill") in the late 1980s and declared Oyster Point a redevelopment site in 1989. Prior to its redevelopment as described below, Oyster Point Business Park had been owned by Oyster Point Ventures, LLC ("Predecessor Developer") and used for light industrial purposes, including office and research and development. The Predecessor Developer had also owned the privately-owned marina containing approximately 235 berths located on the west side of the Oyster Point Business Park (the "Private Marina").

A map of Oyster Point appears on the following page.

[INSERT MAP OF OYSTER POINT]

Oyster Point Redevelopment. In 2011, the City Council approved the Oyster Point Specific Plan (the “Specific Plan”) which set forth goals and design guidelines for the redevelopment of Oyster Point with: (1) a new life-science campus; (2) recreation and open space, including a non-vehicular trail along the bayfront; (3) a future hotel site and (4) new public infrastructure to serve the foregoing projects. The life science campus is located within the District and is proposed for development of 10 buildings totaling approximately 2.5 million square feet of office/research and development space and associated courtyards and plazas. The recreation and open space includes improvements of bay trails throughout the marina and continuation of current uses of the Oyster Point Marina with cosmetic landscape improvements. The Specific Plan also includes a future hotel with approximately 350 guest rooms, a conference center and retail/restaurant uses.

In addition to the Specific Plan, the City Council took the following actions to allow for the redevelopment of Oyster Point: (i) certified the final environmental impact report and adopted written findings and a mitigation monitoring and reporting program; (ii) approved a general plan amendment; (iii) approved amendments to the Redevelopment Plan for the Downtown/Central Redevelopment Project; (iv) approved the Disposition and Development Agreement dated March 23, 2011 by and among the Predecessor Developer, the Redevelopment Agency of the City of South San Francisco (“Agency”), and the City (with respect to certain portions) (“DDA”); and (v) approved a Transportation Demand Management Plan for the project (collectively, the “Project Approval Agreements”).

In addition, the City Council approved a Development Agreement by and between the City and the Predecessor Developer (“DA”) which provided the Predecessor Developer with a full and vested right to develop the property it owned within Oyster Point along with approximately 18 acres of property previously owned by the City and conveyed to the Predecessor Developer pursuant to the terms of the DDA (the “Conveyed Property”). The Specific Plan, the DA and the Project Approval Agreements control the overall design, development and construction of the Oyster Point project, infrastructure needs, and mitigation measures to eliminate or mitigate environmental impacts of past uses of the Oyster Point property.

Since 2011, the DDA has been assigned to various Developer-related entities and most recently, is assigned to Kilroy Realty TRS, Inc. After the dissolution in 2012 of all redevelopment agencies in the State, including the Agency, the successor agency to the former South San Francisco Redevelopment Agency (the “Successor Agency”) became the obligated party under the DDA.

In August 2016, the Developer acquired the real property owned by the Predecessor Developer (i.e. the Oyster Point Business Park and the Conveyed Property and the Private Marina), and acquired the Predecessor Developer’s rights, interests and obligations under the DDA and DA and the other Project Approval Agreements.

In October 2021, the City Council approved the sale of the hotel site to Ensemble Investments, LLC, a commercial real estate development company. The hotel site is not within the boundaries of the District. Pursuant to agreement between the City and KR Oyster Point Developer, LLC, the City shall cause the conditions of approval and/or other agreement(s) relating to the development of the hotel site to include a provision requiring the private owner of the hotel site to either: (i) annex the hotel site into the District, or (ii) pay an equivalent level of financial support for Special Tax B (as defined in the Rate and Method).

Overview of the District

The District consists of approximately 44 acres planned for the development of a life sciences campus in four phases, the first of which has been completed. At buildout, the District is expected to include approximately 2.5 million square feet of “Class A” office and research and development space (across ten buildings), three parking garages, with associated courtyards and plazas, and recreation and open space. Class A real estate generally encompasses attractive and efficient buildings of high quality that are attractive to tenants, are well-designed and constructed with above-average material, workmanship and finishes and are well-maintained and managed. In comparison to general office space, buildings that are geared toward the life

science industry generally require special features and considerations such as an evaluation of materials to be stored, specialized HVAC and electrical capacity, higher ceiling heights to accommodate specialized equipment, high floor load capacity designed to reduce/minimize vibrations, among others.

The buildings in the District are expected to range from five to nine stories. Currently, the plans call for three parking facilities to serve the life science campus with an estimated total of 5,600 stalls. The first of these facilities, a four-story shared parking facility with 1,190 stalls was completed as part of the Phase 1 buildings. The two remaining parking facilities are planned to be above-ground, ranging from nine to 10 stories. The office buildings and parking facilities within the District will be connected via a network of bikeways, pedestrian pathways, plazas, parks and the bay trail which run throughout perimeter of the bay and the privately owned marina.

Mapping Process

The District currently consists of five assessor parcels created pursuant to Tract Map No. _____ recorded in 20___. Phase 1 of the project in the District is located within its own Assessor's Parcel (015-010-950). As part of the development of Phases 2 through 4, the Developer has and will continue to apply for lot line adjustments such that, at buildout, each phase of development will be located within its own Assessor's Parcel (each a "Phased Parcel"). The Developer may, but currently has no plans, to subdivide a Phased Parcel within the District in a manner that results in each building being on its own Assessor's Parcel. Because each building does not have a separate parking structure, the DA has been amended to provide that to the extent that the Developer seeks to subdivide parcels within the boundaries of the District in a manner that results in each building being on its own legal parcel and such new parcel does not have sufficient parking for the building thereon, the Developer shall record appropriate reciprocal easements or other similar instruments to provide all affected buildings with approximately proportionate parking and access rights with respect to the newly created Assessor's Parcel.

Completed Infrastructure for Oyster Point and the District

General. The DDA and other Project Approval Agreements require the construction of certain infrastructure improvements, including, without limitation, those necessary to (i) remediate certain environmental concerns, including repair or replacement of the cap of the Closed Municipal Landfill, (ii) remediate an industrial sump site within the Closed Municipal Landfill, and (iii) to raise the level of certain portions of the perimeter of the area to counteract the projected effects of sea level rise on the property and protect the environment from potential release of contents of the Closed Municipal Landfill. The Developer is actively working to construct the following infrastructure, which are referred to in the DDA as "*Phase IC Improvements, Phase IIC Improvements, and Phase ID Improvements*":

Streets and Utilities. The Developer constructed new roadways and sidewalks generally bordering the first phase of development within the District, including reconfiguring certain portions and repaving of Oyster Point Boulevard and Marina Boulevard, extending east through the Oyster Point Marina area. Wet and dry utilities have been installed along such roadways. These roadways provide enhanced site circulation through the first phase of development within the life science campus and the Oyster Point Marina area.

Clay Cap Repair and Raise of Perimeter. As described above, portions of the Oyster Point Marina area was a Closed Municipal Landfill. Pursuant to State regulation, where new development is planned for a closed landfill, layers of soil (i.e. a cap), including a layer which meets certain permeability thresholds, must be placed on the landfill area. Pursuant to the DDA and DA, the Developer repaired a portion of the cap on the Closed Municipal Landfill on both City-owned property and the Conveyed Property and received the requisite approvals as required under California Regional Water Quality Control Board ("RWQCB") Order No. 00-046. Such work involved demolition of surface improvements (i.e. paving), cutting into the existing landfill cap and replacement of the requisite layers of soil meeting State requirements. In addition, due to the

projected effects of sea level rise, the Developer raised the level of certain portions of the Closed Municipal Landfill and its perimeter in accordance with RWQCB Order No. 00-046.

Reconfiguration of Parking Areas at Marina. The Developer demolished and repaved certain parking areas totaling approximately 150,000 square feet in the Oyster Point Marina. Associated work included installation of new drainage, lighting and landscaping.

Future Hotel Site Demolition. The Developer undertook fine grading and soil compaction of a site located in the Oyster Point Marina area that is proposed for a future hotel in the Specific Plan.

Open Space/Recreation Improvements. Located to the north and east of the intersection of Oyster Point Boulevard and Marina Boulevard is approximately three acres of park/beach. The Developer has completed the grading and landscaping of this area. The Developer has also graded and landscaped the recreation fields located directly adjacent to the first phase of development in the District and completed the paving of the bay trail which runs along the Oyster Point Marina and associated landscaping.

Remediation of Area identified as “Sump 1”. The Closed Municipal Landfill included an area identified as “Sump 1” which prior to the landfill closure, was used to collect liquid waste. The Developer has remediated the area and received the requisite approvals as required under RWQCB Order No. 00-046.

Installation of Methane Mitigation System. State regulations require that appropriate action be taken to mitigate and monitor the effects of landfill gas accumulation (primarily methane) in on-site structures. The Developer completed the installation of a methane mitigation system on the Conveyed Property where certain buildings in Phase 1 are located. The methane mitigation system consists of vapor barrier membranes beneath the structural building slabs, a horizontal collection and venting system installed below the membrane, utility trench cutoffs that will seal the locations where utilities enter the buildings, perimeter cutoff trench to mitigate offsite methane migration, and a gas detection and monitoring system.

New Sewer Pump Station. The Developer completed the construction of a new sewer pump station on City-owned property in the Oyster Point Marina.

Funding of Phase IC, Phase IIC, and Phase ID Improvements. As described above, the Developer is nearing completion of the construction of the Phase IC, Phase ID and IIC Improvements. The DDA allocates the funding of the Phase IC and IIC improvements between the Successor Agency and the Developer. The Successor Agency has funded its share of such costs in the approximate amount of \$28 million. The balance of the costs in the amount of \$42 million for the Phase IC and IIC improvements have been funded by the Developer. The Developer has funded the Phase ID improvements in the amount of \$23 million. The Developer is eligible to be reimbursed for a portion of the costs of the Phase IC and ID improvements from proceeds of the Bonds and any Parity Bonds, to the extent available. See “—Financing Plan” below for a description of the Developer’s financing plan for the project in the District.

Future Infrastructure

In addition to the completed infrastructure improvements described above, the DDA describes additional public infrastructure improvements and amenities to be constructed within Oyster Point which, with respect to the property in the District, are primarily the backbone infrastructure necessary to complete Phases 2 through 4 within the District (collectively, the “Phase IID – IVD Improvements”). While the DDA does not impose any obligation on the Developer or the Successor Agency to construct the Phase IID – IVD Improvements, such improvements are necessary to achieve buildout within Oyster Point, including the District. Under the DA, as amended, completion of the infrastructure improvements described above under “— Completed Infrastructure for Oyster Point and the District” allowed the Developer to obtain its required permits to commence construction of Phase 2. In or about June 2021, the Developer commenced construction of Phase 2, including such additional infrastructure that is necessary to serve Phase 2 of the development in the

District. The Developer expects to complete the backbone infrastructure for Phase 3 and 4 commensurate with the timing of development of such phases. Funding for the Phase IID – IVD Improvements is the Developer’s responsibility, however, the Developer is eligible to be reimbursed for such costs from proceeds of the Bonds and Parity Bonds to the extent available.

Acquisition Agreement

In connection with the formation of the District, the City and Kilroy Realty TRS, LLC, a wholly-owned special purpose entity of KRLP are parties to an Amended and Restated Acquisition, Construction and Funding Agreement (the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will purchase from the Developer the infrastructure improvements described under “— Completed Infrastructure for Oyster Point and the District” which are eligible to be financed by the District. The Developer expects to continue to fund such improvements which are not funded from proceeds of the Bonds from other sources as described under “— Financing Plan” below.

Environmental Conditions and Ongoing Monitoring Requirements

The Closed Municipal Landfill was operated between 1956 and 1970, and was used for the disposal of primarily solid wastes. As part of landfill operations, liquid industrial waste was disposed into two sumps, one excavated into the waste fill and the other into native soil. No waste has been disposed of at the site since 1970.

Due to its prior use as a municipal landfill, the Closed Municipal Landfill, including portions of the District, is subject to ongoing monitoring requirements pursuant to RWQCB Order No. 00-046. Order No. 00-046 requires ongoing monitoring of discharge of water leachate and methane release. Under the DDA, the parties thereto agreed that the responsibility for ongoing monitoring and required reporting of water leachate and methane release, as well as the maintenance of equipment relating thereto, are the responsibility of either the City and not the Developer. However, under the DDA, the Developer was only required to fund the initial installation of water leachate and methane release monitoring systems on the portion of the District that is part of the Closed Municipal Landfill (i.e. the Conveyed Property made a part of Phase 1). As described above under “— Completed Infrastructure for Oyster Point and the District — *Installation of Methane Mitigation System,*” the Developer has completed the installation of the Methane Mitigation System. See “SPECIAL RISK FACTORS — Hazardous Substances.”

Phases of Development within the District

Pursuant to the DA, each phase of the four planned development phases within the District will have its own “Precise Plan” which guides the development within each phase with respect to building size, design, parking space count, and other items. The Phase 1 Precise Plan was approved in 2011. The Precise Plans for Phases 2-4 were approved by the City Council in March 2020.

Phase 1. Phase 1 of the development in the District is located on approximately 10 acres at the southeastern intersection of Oyster Point Boulevard and Marina Boulevard. Phase 1 is complete with three buildings totaling approximately 550,000 gross square feet built over a shared four-level 1,190 stalls parking facility and shared outdoor meeting space. As described in more detail below, two of the buildings have been leased to Stripe, Inc. and the other building has been leased to Cytokinetics Incorporated. With all three buildings fully leased and occupied, as described below, the Developer considers Phase 1 as part of its stabilized portfolio. Excluding backbone infrastructure and land acquisition costs, the Developer spent approximately \$570 million on direct hard and soft costs to complete Phase 1.

Below are descriptions of the three buildings in Phase 1:

Building A: This building has a street address of 350 Oyster Point Boulevard and is a seven-story steel frame structure with 234,892 rentable square feet and 220,007 gross square feet. Building A has been leased to and is currently occupied by Cytokinetics. The ground floor includes a restaurant that is open to the public, a fitness center and auditorium.

Building B: This building has a street address of 352 Oyster Point Boulevard and is a six-story steel frame structure with 232,215 rentable square feet and 179,524 gross square feet. Building B has been leased to and is currently occupied by Stripe.

Building C: This building has a street address of 354 Oyster Point Boulevard and is a five-story steel frame structure with 193,472 rentable square feet and 147,070 gross square feet. Building C has been leased to and is currently occupied by Stripe.

Leasing Status

Cytokinetics. The Developer has entered into a lease dated July 24, 2019 with Cytokinetics Incorporated (the “Cytokinetics Lease”) for all of the rentable square feet in Building A. Cytokinetics is a publicly traded pharmaceutical company based in the City that develops potential medicines for diseases which impair muscle function. The Cytokinetics Lease is for a term of 12 years commencing in the third quarter of 2021 with two five-year options to renew. The Cytokinetics Lease is a “triple net” lease and under such arrangement, the obligation to pay property taxes, including the Special Taxes, is passed through to the tenant. Failure to pay the rent (which would include the payment of property taxes and the Special Taxes) is a default under the Cytokinetics Lease.

Stripe. The Developer has entered into a lease dated October 23, 2019 with Stripe, Inc. (the “Stripe Lease”) for all of the rentable square feet in Buildings B and C. Stripe is an Irish-American financial services and “software as a service” company dually headquartered in the City and Dublin, Ireland. The Stripe Lease is for a term of 12.5 years, commencing in the fourth quarter of 2021 with two ten-year options to renew. The Stripe Lease is a “triple net” lease and under such arrangement, the obligation to pay property taxes, including the Special Taxes, is passed through to the tenant. Failure to pay the rent (which would include the payment of property taxes and the Special Taxes) is a default under the Stripe Lease.

The following table summarizes certain information relating to the leases within Phase 1.

SUMMARY OF PHASE BUILDINGS

<i>Building Details</i>	<i>Street Address</i>	<i>Tenant Name</i>	<i>Rentable Square Footage</i>	<i>Non-Residential Square Footage⁽¹⁾</i>	<i>Type of Lease</i>	<i>Term of Lease</i>
Building A	350 Oyster Point Blvd	Cytokinetics	234,892	220,007	Triple Net	2034
Building B	352 Oyster Point Blvd	Stripe	232,215	179,524	Triple Net	2034
Building C	354 Oyster Point Blvd	Stripe	<u>193,472</u>	<u>147,070</u>	Triple Net	2034
Phase 1 Total			660,579	546,601		

⁽¹⁾ The Special Tax is levied on per-square foot basis based on “Non-Residential Square Footage” (as defined in the Rate and Method) which, in turn is based on gross square footage. Rentable square footage differs from gross footage because it includes: (1) certain outdoor common area square feet, (2) significant mechanical equipment areas provided for buildings that are tailored to the life science industry.

Source: DTA, Developer.

Phase 2. Phase 2 of the development in the District is located on approximately 9.8 acres at the northeastern intersection of Oyster Point Boulevard and Marina Boulevard, directly north of Phase 1. Phase 2 is planned for three buildings totaling approximately 865,000 rentable square feet and 776,982 gross square feet and a ten-level stand-alone parking facility with approximately 2,016 stalls. Two of the buildings are

planned to be seven stories and the third is planned to be eight stories. Planned amenities for the Phase 2 buildings include outdoor meeting spaces, a fitness center, retail uses, a conference area and an amphitheater.

All discretionary entitlements for the development of Phase 2 have been obtained. In June 2021, the Developer commenced construction of site improvements for Phase 2 and expects to complete construction of Phase 2 in the first half of 2024, with occupancy of the buildings to occur shortly thereafter. The Developer is currently marketing the space within Phase 2, however, no leases have yet been signed. Excluding backbone infrastructure and land acquisition costs, the Developer estimates that direct hard and soft costs to complete Phase 2 will be approximately \$820 million. Through June 30, 2021, the Developer has spent approximately \$35 million on direct hard and soft costs on Phase 2.

Phase 3. Phase 3 of the development in the District is located on approximately 10 acres located directly north of Phase 2. Phase 3 is planned for two six-story buildings totaling approximately 500,000 rentable square feet and 427,883 gross square feet and a nine-level stand-alone parking facility with approximately 2,356 stalls. The Developer currently estimates that Phase 3 will be complete in 2025/2026, however, commencement of Phase 3 will depend on the Developer’s perception of market demand. The Developer does not expect construction commencement of Phase 3 to be contingent on securing tenants for the buildings. The Developer currently estimates direct soft and hard costs to complete Phase 3 to be approximately \$495 million.

Phase 4. Phase 4 of the development in the District is located on approximately 10 acres located directly north of Phase 3. Phase 4 is planned for two buildings totaling approximately 500,000 rentable square feet and 455,224 gross square feet. The Developer currently estimates that Phase 4 will be complete in 2025/2026, however, commencement of Phase 4 will depend on the Developer’s perception of market demand. The Developer does not expect construction commencement of Phase 4 to be contingent on securing tenants for the buildings. The Developer currently estimates direct soft and hard costs to complete Phase 4 to be approximately \$527 million.

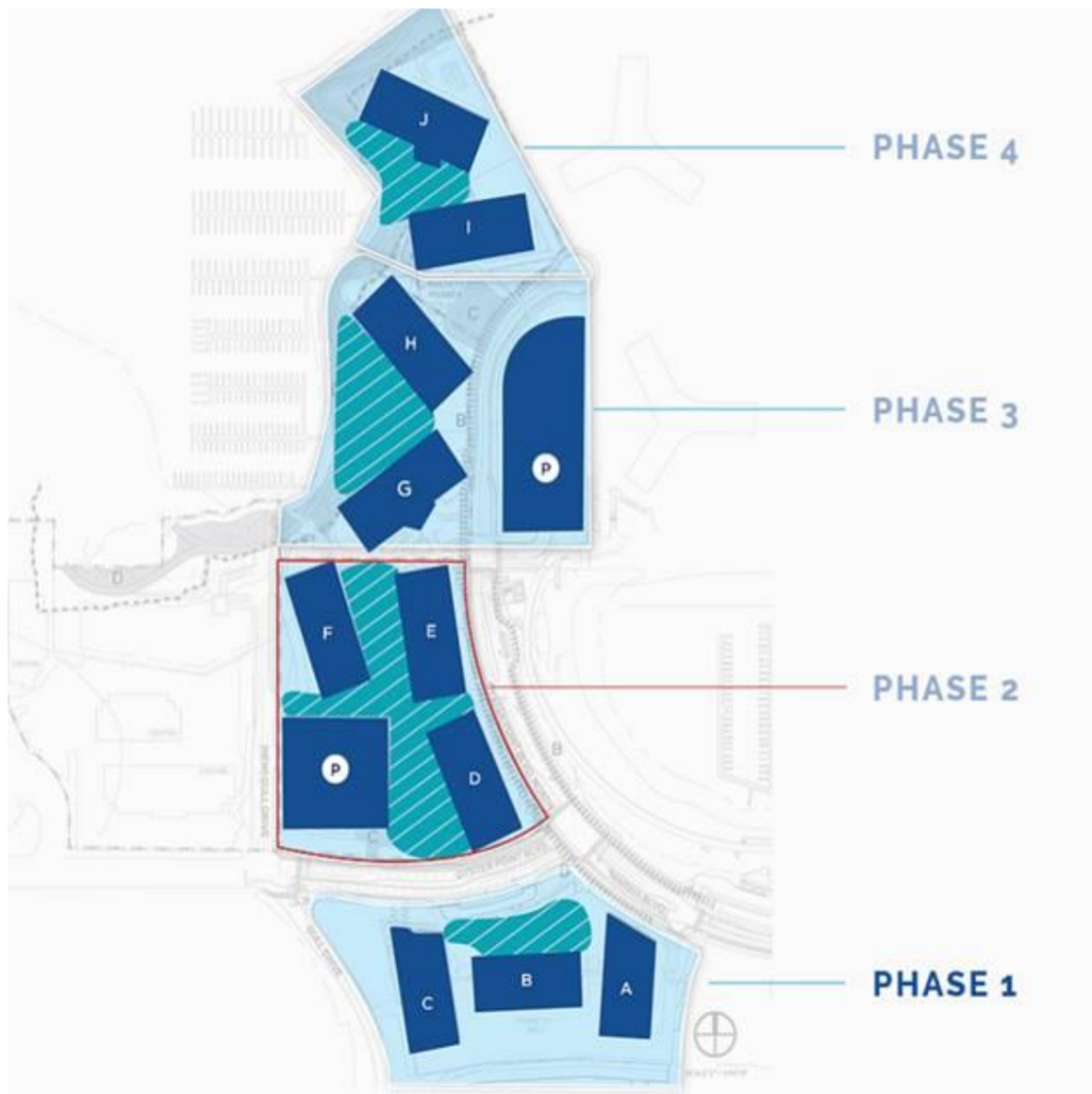
The following table summarizes certain aspects of the buildings planned for Phases 2 through 4:

<i>Building</i>	<i>Rentable Square Footage⁽¹⁾</i>	<i>Gross Square Footage⁽¹⁾</i>	<i>Stories</i>
Phase 2			
D	315,000	282,164	8
E	275,000	247,409	7
F	275,000	247,409	7
Phase 3			
G	250,000	215,229	6
H	250,000	212,654	6
Phase 4			
I	250,000	205,762	6
J	250,000	249,462	7

⁽¹⁾ Rentable square footage differs from gross square footage because it includes: (1) certain outdoor common area square feet, (2) significant mechanical equipment areas provided for buildings that are tailored to the life science industry. The Special Tax is levied on per-square foot basis based on “Non-Residential Square Footage” (as defined in the Rate and Method) which, in turn, is based on gross square footage.

Source: the Developer.

The following map depicts the four planned phases of development in the District.



The Developer Entities

Overview. As set forth in the chart below, the Developer entities which currently own property in the District are KR Oyster Point I, Kilroy Oyster Point III, LLC, KR Crescent Beach, LLC and KR Oyster Point II, LLC, which are wholly-owned special purpose entities of KRLP. As described earlier and further below, Kilroy is the general partner of and owns approximately 99% common general partnership interest in KRLP.

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Kilroy Oyster Point – Property Ownership

<i>Assessor Parcel</i>	<i>Phase of Development⁽¹⁾</i>	<i>Owner</i>
015-010-950	1	KR Oyster Point I
015-010-910	2-4	Kilroy Oyster Point III, LLC
015-010-940	2-4	KR Oyster Point II, LLC
015-010-240	2-4	Kilroy Oyster Point III, LLC
015-010-930 ⁽²⁾	N/A	KR Crescent Beach, LLC

⁽¹⁾ The Developer has and will continue to apply for lot line adjustments for the parcels in Phases 2 through 4 such that each phase will have its own assessor parcel number.

⁽²⁾ Parcel is the Crescent Park/Beach property located along the shoreline which is expected to be a public park.

Source: the Developer.

Kilroy and KRLP. Kilroy is a self-administered real estate investment trust (“REIT”) active in premier office and mixed-use submarkets along the west coast of the United States. Kilroy is a publicly traded company listed on the New York Stock Exchange under the symbol “KRC.” Kilroy owns, develops, acquires and manages real estate assets, consisting primarily of Class A properties in the coastal regions of greater Los Angeles, San Diego County, the San Francisco Bay Area and greater Seattle. Kilroy is a REIT under the Internal Revenue Code of 1986, as amended (the “Code”). Kilroy currently owns its interests in all of its real estate assets through KRLP (the “Operating Partnership”) and conducts substantially all of its operations through the Operating Partnership.

As of December 31, 2021, Kilroy owned an approximately 99.0% common general partnership interest in the Operating Partnership. The remaining approximate 1.0% common limited partnership interests are owned by non-affiliated investors and certain directors and officers of Kilroy. As the sole general partner of the Operating Partnership, Kilroy exercises exclusive and complete discretion over the Operating Partnership’s day-to-day management and control and can cause it to enter into certain major transactions, including acquisitions, dispositions, and refinancings and cause changes in its line of business, capital structure and distribution policies.

The only material asset of Kilroy is the partnership interests that it holds in the Operating Partnership. As a result, Kilroy generally does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing certain debt of the Operating Partnership. Kilroy itself is not directly obligated under any indebtedness, but generally guarantees all of the debt of the Operating Partnership. The Operating Partnership owns substantially all of the assets of Kilroy either directly or through its subsidiaries, conducts the operations of Kilroy’s business and is structured as a limited partnership with no publicly traded equity. Except for net proceeds from equity issuances by Kilroy, which Kilroy generally contributes to the Operating Partnership in exchange for units of partnership interest, the Operating Partnership generates the capital required by Kilroy’s business through the Operating Partnership’s operations, by the Operating Partnership’s incurrence of indebtedness or through the issuance of units of partnership interest.

As of December 31, 2021, Kilroy’s stabilized portfolio was comprised of 120 office properties encompassing an aggregate of approximately 15.5 million rentable square feet and 1,001 residential units. Kilroy’s portfolio spans the major west coast markets of Seattle, the Bay Area, Los Angeles and San Diego. Kilroy has also recently completed their two acquisitions outside of the west coast, in Austin, Texas.

Kilroy is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the “SEC”). Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, set forth, among other

things, certain data relative to the consolidated results of operations and financial position of Kilroy and its consolidated subsidiaries as of such dates. The SEC maintains a website that contains reports, proxy and other information statements and other information regarding registrants that file electronically with the SEC, including Kilroy. The address of such website is www.sec.gov.

KR Oyster Point I, KR Oyster Point II, KR Oyster Point III and KR Crescent Beach, LLC. KR Oyster Point I, KR Oyster Point II, LLC, KR Oyster Point III, LLC and KR Crescent Beach, LLC are wholly-owned single purpose entities of KRLP and KRLP acts as the manager of each entity. Capital and other contributions to such single purpose entities are made by KRLP and all profits and losses of each entity are allocated to KRLP.

Financing Plan

Through December 31, 2021, the Developer has spent approximately \$928 million (including land acquisition) on the development within Oyster Point, including \$35.3 million on infrastructure costs and \$530 million on direct soft and hard costs on the vertical developments in Phase 1 within the District. Funding for the projects within Oyster Point, including the District, is through contributions made by Kilroy. As described above, funding for Kilroy's projects is generated through various means including equity issuances, which Kilroy generally contributes to the Operating Partnership in exchange for units of partnership interest, capital generated through the Operating Partnership's operations, incurrence of indebtedness or through the issuance of units of partnership interest. The Developer expects to continue to use such sources of funding and proceeds of the Bonds to complete the development within Oyster Point, including the District.

The following table shows the estimated sources and uses of funds for the backbone infrastructure and for all four phases of planned development within the District.

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DEVELOPER INFRASTRUCTURE BUDGET

	<i>Total Budgeted Costs</i>	<i>Through December 31, 2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Phase 1					
Grading	\$ 10,808,796	\$ 10,542,494	\$ 266,302	--	--
Erosion Control	66,489	61,774	4,715	--	--
Wet Utilities	1,982,693	1,783,380	199,313	--	--
Storm Drainage	631,271	587,808	43,463	--	--
Roadway and Traffic	3,958,402	3,423,018	535,383	--	--
Dry Utilities	5,371,979	4,405,014	933,966	--	--
Landscaping and Irrigation	4,353,975	3,128,436	1,225,539	--	--
Mitigation Fees	90,168	98,542	(8,373)	--	--
Site Structures	1,613,600	1,039,802	573,798	--	--
Soft Costs	8,642,932	7,170,983	1,471,979	--	--
Indirect Costs	2,724,175	2,656,757	67,418	--	--
Refuse	436,705	368,183	68,522	--	--
Phase 1 Subtotal	\$ 40,681,185	\$35,266,160	\$5,415,025	--	--
Phase 2					
Sewer Pump Station (Marina)	839,490	--	--	\$ 839,490	--
Sewer Pump Station No. 1 Relocation	4,165,342	4,165,342	--	--	--
Phase 3 & 4					
Streets & Utilities	22,220,743	--	--	11,110,372	11,110,372
Landscaping and Irrigation	17,029,053	--	--	8,514,527	8,514,527
Phases 2-4 Subtotal	\$ 44,254,628	\$4,165,342	--	\$20,464,388	\$19,624,898
Total	<u>\$ 84,935,813</u>	<u>\$ 39,431,502</u>	<u>\$ 5,415,025</u>	<u>\$ 20,464,388</u>	<u>\$19,624,898</u>

Source: The Developer.

Notwithstanding the belief of the Developer that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by the Developer in the District will be available when needed. None of the Developer or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by the Developer in the District. Any contributions by the Developer or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by the Developer within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.

COVID-19 (Coronavirus) Pandemic Impact

Impact on Kilroy. As a public company, Kilroy has made numerous disclosures on the impact of the COVID-19 pandemic on company operations of the past two years. Throughout the pandemic, Kilroy has continued to collect the vast majority of office/life science rents and does not expect any material adverse impacts to its financial condition or the Oyster Point project. For Kilroy's most recent disclosure with respect to the impacts of the COVID-19 pandemic on company operations and Kilroy's actions taken in response thereto, see Kilroy's public filings on the SEC's website at www.sec.gov.

Impact on Development in the District. During the COVID-19 pandemic to date, the Developer has continued, its construction activities in the District with certain modifications. The Developer cannot predict the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders

and actions, on their ability to continue to complete the development in the District or the demand for life science office/research and development space. Such effects, if and as they arise, could have a material adverse effect on the ability of the Developer to complete future phases of its project in the District as planned, and no assurance can be provided that the Developer will be able to (a) complete in whole or in any part, or within any particular time, its planned development within the District; or (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals, due to in each case public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise. See “SPECIAL RISK FACTORS — COVID-19 (Coronavirus) Pandemic” herein.

Appraisal Report and Appraisal Supplement

General. The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2021-22 is approximately \$401,896,701 reflecting land values and construction in progress as of the January 1, 2021 lien date. A property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the taxable property within the District, the City engaged the Appraiser to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as Appendix D — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the market value of the property within the District subject to the lien of the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the remaining costs to develop each of the projects within the District provided to the Appraiser by the Developer are correct. As a result, the value conclusions are based upon a hypothetical condition that all improvements and benefits to the District, which are to be funded with the proceeds of the Bonds, are completed and in place. Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of November 2, 2021, the market value of the Taxable Property within the District was \$1,248,200,000. The following table summarizes the appraised value of each phase of development in the District as set forth in the Appraisal Report.

Kilroy Oyster Point – Summary of Appraised Values

<i>Phases of Development⁽¹⁾</i>	<i>Appraised Values</i>
1	\$869,800,000
2-4	<u>378,400,000</u>
Total	\$1,248,200,000

Source: the Appraiser.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The City, the Underwriter and the District make no representation as to the accuracy of the Appraisal Report. There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “SPECIAL RISK FACTORS — Property Values,” Appendix D — “APPRAISAL REPORT.”

San Francisco Region Life Sciences Market. The Appraisal Report observes that the San Francisco Bay Area is a prominent life science cluster, second to only the Cambridge/Boston market and above the San Diego cluster (ranked third in the United States). Market activity declined, particularly for office product, following the onset of the pandemic as employers implemented remote working solutions and companies put growth plans on hold. However, demand for research and development product has been less impacted than office product, sustained by the thriving life science industry. The Appraisal Report observes that the San Francisco Bay Area life sciences market has been strengthening since the onset of the COVID-19 pandemic, as the public health crisis spurred additional interest in the biotechnology and health sciences sectors. Supply in the San Francisco Bay Area remains constrained, particularly in the desirable South San Francisco submarket, and there are multiple new construction and conversion proposal in the development pipeline over the next several years. Rents have also been increasing in the South San Francisco submarket, and the majority of new construction is preleased prior to delivery. The Appraiser expects these trends to continue in the near future, and the long term outlook for the life sciences industry remains positive.

Valuation Method. In valuing the Taxable Property in the District, the Appraiser first applied an income capitalization approach to determine the market value of the four phases of planned development as if complete and stabilized. The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The Appraiser used a direct capitalization method under which a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication.

The Appraiser then applied an extraction analysis to determine the market value of Phase I and of the land associated with Phases 2 through 4. An extraction analysis takes into account revenue, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of land value. The Appraiser applied the extraction analysis for each of the four planned phases of development in the District.

Finally, in order to estimate the market value of Phases 2 through 4 of the development in the District, in bulk, the Appraiser applied the subdivision development method. The subdivision development method is a discounted cash flow analysis in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. This method takes into account the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the holdings.

Based on the foregoing methods and the definitions, assumptions, and limiting conditions in the Appraisal Report, the Appraiser concluded that the market value of all of the parcels within the District subject to the Special Tax was \$1,248,200,000 as of the Date of Value.

Appraisal Supplement. The Appraiser has also prepared the Appraisal Supplement, in which the Appraiser concludes that the estimated minimum market value of the property within the District subject to the levy of Special Taxes as of March 9, 2022, was not less than the concluded value of \$1,248,200,000 set forth in the Appraisal Report. In the Appraisal Supplement, the Appraiser states that subsequent to the Date of Value, within the District, construction within Phase 2 had progressed. In connection with the preparation of the Appraisal Supplement, the Appraiser inspected the property within the District and was provided information with respect to the additional construction activity by the Developer within the District.

Estimated Appraised Value-to-Lien Ratios

The aggregate appraised value of property within the District is \$1,248,200,000. Dividing the aggregate estimate of value by the principal amount of the Bonds results in value to lien ratio of 58.53-to-1* for the District. The appraised value of Phase 1, alone, divided by the principal amount of the Bonds results in a value-to-lien ratio of 39.7-to-1*. Table 1 below sets forth the appraised value-to-lien ratio of the Taxable

* Preliminary, subject to change.

Property within the District based on the appraised values set forth in the Appraisal report and the principal amount of the Bonds. See “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

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TABLE 1
CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01 (PUBLIC FACILITIES AND SERVICES)
ESTIMATED APPRAISED VALUE-TO-LIEN RATIOS

<i>Existing and Planned Buildings within the District</i>	<i>Acreage</i>	<i>Buildings Planned</i>	<i>Non- Residential Square Footage⁽²⁾</i>	<i>Estimated Fiscal Year 2022-23 Maximum Special Tax A Levy^{(3)*}</i>	<i>Estimated Fiscal Year 2022-23 Special Tax A Levy^{(3)*}</i>	<i>CFD 2021-01 Series 2022 Bonds^{(4)*}</i>	<i>Appraised Value⁽¹⁾</i>	<i>Appraised Value to Lien Ratio[*]</i>
Developed Property⁽³⁾								
<i>Phase 1</i>								
Building A (350 Oyster Point Blvd)	--	1	220,007	\$ 448,814	\$ 448,814	--	--	--
Building B (352 Oyster Point Blvd)	--	1	179,524	366,229	366,229	--	--	--
Building C (354 Oyster Point Blvd)	--	<u>1</u>	<u>147,070</u>	<u>300,023</u>	<u>300,023</u>	--	--	--
Total Phase 1	10.07	3	546,601	\$1,115,066	\$1,115,066	\$21,325,000	\$869,800,000	40.79:1
Undeveloped Property⁽³⁾								
Phase 2	9.00	3	--	\$1,267,923	--	--	--	--
Phase 3	10.05	2	--	1,415,848	--	--	--	--
Phase 4	<u>10.05</u>	<u>2</u>	--	<u>1,415,848</u>	--	--	--	--
Total Phases 2-4	29.10	7	--	\$4,099,619	--	--	\$378,400,000	--
Totals	39.17	10	546,601	\$	\$1,115,066	\$21,325,000	\$1,248,200,000	58.53:1

* Preliminary, subject to change.

(1) Based on the Appraisal Report as the of the Date of Value. The Appraisal Report presents the appraised value of the property relating to Phases 2 through 4 in bulk.

(2) The Special Tax is levied on per-square foot basis based on "Non-Residential Square Footage" (as defined in the Rate and Method).

(3) Based on development status as of the date of this Official Statement, only the Assessor Parcel for Phase 1 is expected to be classified as Developed Property for the Fiscal Year 2022-23 Special Tax levy. The District does not currently expect to levy Special Taxes on Undeveloped Property.

(4) Allocated based on the estimated Fiscal Year 2022-23 Special Tax levy.

Source: DTA, Developer, Appraisal Report.

Delinquency History

Fiscal Year 2022-23 will be the first year in which the Special Tax will be levied. As a result, no historical delinquency information with respect to the Special Tax levy exists. If unpaid, the first and second installments of the Special Tax levy become delinquent on December 10 and April 10, respectively, each year.

SPECIAL RISK FACTORS

The Bonds have not been rated by any rating agency, and the purchase of the Bonds involves significant risks that are not appropriate for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Property Values” below.

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased property tax delinquencies.

No assurance can be given that the property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Enforcement Delays — Bankruptcy” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

As discussed above under the headings “OYSTER POINT AND THE DISTRICT,” the Developer owns a fee interest in all of the Taxable Property within the District. The Developer’s current expectation with respect to the District after completion of each phase of the project therein is to hold such assets as part of the Developer’s portfolio. There is no expectation for ownership of property within the District to be further diversified. As described herein, the Cytokinetics Lease and the Stripe Lease are “triple net” leases and provides that the *ad valorem* taxes and special taxes, including the Special Taxes, are a part the tenant’s rental obligation. However, if and to the extent tenants do not make these payments, the *ad valorem* and special taxes remain an obligation of the property owners. Leases with tenants of the buildings to be constructed in the future phases of the project in the District may be a combination of single, double or triple net leases.

The receipt of the Special Taxes is dependent on the owners of the property in the District paying the Special Taxes when due, and could be adversely affected by the inability to lease property within the District due to commercial downturns or high vacancy rates. Accordingly, the willingness of the property owners to pay the Special Taxes may be dependent, in part, on the success of the proposed projects in the District. Failure of the property owners within the District to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of,

and interest on, the Bonds, when due. No assurance can be given that the current property owners or their successors will complete the remaining intended construction and development in the District. See “— Failure to Develop Properties.”

While the District does not expect to levy Special Taxes on Undeveloped Property in Fiscal Year 2022-23, the District could levy Special Taxes on Undeveloped Property in fiscal years thereafter to meet the Special Tax A Requirement. Undeveloped Property is defined in the Rate and Method as, in general, Taxable Property that is not “Developed Property,” “Taxable Property Owner Association Property” or “Taxable Public Property.” No assurance can be given that the Developer or any successors will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Insufficiency of Special Tax Revenues

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the District becomes exempt from taxation due to the transfer of title to a public agency.

In order to pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Account under the Indenture to be maintained in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.” The District will covenant in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Net Taxes in amounts sufficient to do so and to the limitation that the District may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. See Appendix A and Appendix E hereto. As a result, if a significant number of Special Tax delinquencies occurs within the District, the District could be unable to replenish the Reserve Account to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Account could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable parcels within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the District became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The District will covenant in the Indenture that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security

interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to limitations described above under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Rate and Method of Apportionment of Special Tax,” to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement, and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See “— Enforcement Delays — Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.)

Cybersecurity

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurance can be given that the efforts of the City to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Impacts of Coronavirus on City

Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City, the County and other public agencies within the County have undergone varying degrees of closure and limited reopening of public buildings and businesses in an effort to minimize the spread of strains of coronavirus that cause a disease commonly referred to as COVID-19 (“COVID-19”).

Additional actions that may be taken by governmental authorities to contain future outbreaks of COVID-19 or to treat its impacts are uncertain. While development activity within the District has continued without material delays since the onset of the COVID-19 outbreak, the impact of the COVID-19 outbreak could adversely impact development within the District in the future, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions; (vii) the failure of government measures to counteract the economic impact of the pandemic; and (viii) decrease in demand for office space. Any adverse impact of COVID-19 on the District, and the operations, finances and ability of the Developer to complete its development within the District as planned and the real estate market in general cannot be predicted.

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the property owners to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

Phase 1 is complete and construction of Phase 2 is underway. Phases 3 and 4 have not yet commenced. For purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development in the District as planned, or substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the lease up rate of the projects planned therein could adversely affect land values and reduce the ability or desire of the property

owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

The District will not levy Special Taxes on Undeveloped Property in Fiscal Year 2022-23. The District could levy Special Taxes on Undeveloped Property in future fiscal years if necessary to fund the Special Tax A Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the current property owners, or any successors, to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “— Land Values.”

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “OYSTER POINT AND THE DISTRICT — Appraisal Report and Appraisal Supplement” and Appendix D — “APPRAISAL REPORT.”

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of the Date of Value, the market value of the land and improvements within the District was approximately \$1,248,200,000. See “OYSTER POINT AND THE DISTRICT — Appraisal Report and Appraisal Supplement.” The Appraisal Report indicates the Appraiser’s opinion as to the market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount or for the assessed values at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the property in the District, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix D for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the taxable land and improvements within the District from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Taxes. See "SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan."

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, windstorm, drought, earthquake, landslide, mudslide, flood or a rise in sea levels as result of climate change, could have an adverse material impact on the District.

All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones. Portions of the City are located above active earthquake faults, heightening the risks associated with seismic events. The peninsula portion of the San Andreas Fault as well as the Northern San Gregorio Fault passes through the County. An earthquake along one of the faults in the vicinity, either known or unknown, could cause extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides and liquefaction.

In the event of a severe earthquake, fire, flood or other natural disaster or impacts of climate change, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Climate Change and Sea Level Rise

Climate change caused by human activities may have adverse effects on the City, including the District. Climate change can also result in more variable weather patterns, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels.

The Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 ("NCA4"), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of material cost.

Sea levels are expected to continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean.

Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resources Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline.

In March 2020, a consortium of State and local agencies, led by the Bay Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The District is bordered to the east by the San Francisco Bay and as a result, portions of the District could be directly impacted by sea level rise. In 2014, the City adopted a climate action plan which outlines the options and strategies available to the City to reduce its greenhouse gas emissions and to adapt to challenges posed by increased likelihood of flood events and sea level rise. The City is in the process of updating its Climate Action Plan with more progressive Greenhouse Gas reduction strategies. The City participates in a number of regional collaborations including the San Mateo County Flood and Sea Level Rise Resiliency District (known as One Shoreline) and Sea Change San Mateo County ("Sea Change SMC"). These collaborative efforts are led by the County, with participation by cities within the County and other local stakeholders to educate and assess the risks posed by sea level rise and provide recommendations for adaptation strategies. One result of the Sea Change SMC initiative was the finalization of a San Bruno Creek/Colma Creek Resiliency Study Final Report, which assessed the vulnerability of assets within the lower reaches of the San Bruno Creek and Colma Creek (which runs through the southern portion of the City) to flooding. The resiliency study identified areas within the Colma Creek and San Bruno Creek watersheds which are prone to flooding and provided certain recommendations, including, among others, new floodwalls, tide gates, channel deepening, increased surface detention basins and regional tidal-barrier structures. The District is at an elevation range above special flood hazard areas, typical tidal elevations and the 100-year extreme water level in the San Francisco Bay as identified by the Federal Emergency Management Agency. The City also consults with the U.S. Army Corps of Engineers on two feasibility studies, one studying regional assets along Colma Creek and second, the South San Francisco Shoreline Feasibility Study to provide mitigation strategies against flooding and inundation related to Sea Level Rise along the entirety of the City's shoreline. Development of Phase 1 and planned for Phase 2 within the District have been designed to satisfy at least 200-year flood protection and expected sea level rise through 2100.

Projections of the impacts of global climate change on the District and the City are complex and depend on many factors that are outside the City's and the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, neither the City nor the District is able to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. The City has implemented certain adaptation strategies to reduce the risk of flooding including construction of additional facilities and open space for the capture of stormwater flows. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, neither the City nor the District can give any assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

Hazardous Substances

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super Fund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

As described under "OYSTER POINT AND THE DISTRICT — Environmental Conditions and Ongoing Monitoring Requirements," as a result of the former use of a portion of the District (primarily within Phase 1) as a municipal landfill, certain remediation work was required in order to develop the property for its current planned use. In addition, ongoing monitoring is required for water leachate and methane release as a result of such former use of the property.

The Developer has represented to the City that it is not aware of any hazardous substance condition of the property within the District that has not been remediated in order to allow for development in the District to proceed as currently proposed. The District is not aware of the presence of any federally or state classified hazardous substances in violation of any environmental laws, located on the property within the District. However, it is possible that such materials do currently exist and that the District is not aware of them.

It is also possible that property in the District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could have the effect of reducing the value of the applicable property.

Enforcement Delays – Bankruptcy

In the event of a delinquency in the payment of the Special Taxes, the District is required to commence enforcement proceedings under the circumstances described under the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*" However, prosecution of such proceedings could be delayed due to crowded local court calendars or by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by

the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a person or entity with an interest in the applicable property could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the applicable Bonds. The various legal opinions to be delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds and the Indenture by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public entities such as the District.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular ad valorem property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments.

See APPENDIX E — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “— FDIC/Federal Government Interests in Parcels” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Parcels

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution “this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “—Insufficiency of Special Tax Revenues.”

The District’s remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Direct and Overlapping Indebtedness

The ability of an owner of property within the District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. The City and other public agencies whose boundaries overlap those of the District could impose additional taxes or assessment liens on the property within the District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes may be on a parity with the lien of the Special Taxes applicable to the property within the District.

The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of property owners to pay the Special Taxes and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

Payment of Special Taxes is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay Special Taxes. Rather, Special Taxes are an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully Special Taxes, the District has no recourse against the property owner.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Net Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Indenture, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's or the District's property or upon any of the City's or the District's income, receipts or revenues, except the Net Taxes and other amounts pledged under the Indenture.

The District's legal obligations with respect to any delinquent Special Taxes are limited to: (i) payments from the Reserve Account to the extent of funds on deposit therein; and (ii) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*" The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. See the caption "— Payment of the Special Tax is Not a Personal Obligation of the Property Owners." Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Superior Court of California, County of San Mateo. There is no assurance that any current or subsequent owner of a parcel subject to the Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

Failure by owners of the parcels to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels that have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the Bonds, which may in turn result in the depletion of the Reserve Account. See the caption "— Enforcement Delays — Bankruptcy."

Ballot Initiatives

Articles XIII A, XIII B, XIII C, and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or other local agencies to increase revenues or to increase appropriations.

Proposition 218

An initiative measure entitled "The Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax

pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the future levy of Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and Annual Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. The District also will covenant that, in the event an initiative is adopted which purports to reduce or otherwise alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

Horizon. The Sacramento County Superior Court had issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661). That ruling subsequently became the court’s final order. As described below, this case involved an election to approve the levy of a special tax within a community facilities district (“CFD”) formed under the Act.

In 2017, the City of Sacramento initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the

territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...”) the phrase “qualified electors” means the registered voters of the entire City of Sacramento and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase “qualified electors of the district” refers to the registered voters of the entity imposing the special tax, which in this case was the City of Sacramento. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City of Sacramento, the final ruling states that the special tax is invalid.

The superior court’s final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Taxes, or the Bonds. The City of Sacramento did not appeal the superior court’s ruling.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Taxes. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court’s holding in the San Diego Decision does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Voters in the District approved Special Tax on March 10, 2021. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the District believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix C.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District or the City. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

No Ratings – Limited Secondary Market

The District has not applied to have the Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future.

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain financial and operating information, there can be no assurance that such information will be

available to Bond owners on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds

Subject to the requirements in the Rate and Method, property owners within the District are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*"

CONTINUING DISCLOSURE

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate, dated as of April 1, 2022 (the "Disclosure Certificate"), to be executed and delivered by the District at the time of issuance of the Bonds, the District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by March 31 following the end of the District's Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ending June 30, 2022, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix F — "FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12.

Developer Continuing Disclosure

The Underwriter does not consider any of the entities owning property in the District to be an "obligated person" with respect to the Bonds for purposes of the Rule. Notwithstanding the foregoing, to provide updated information with respect to the development within the District, KRLP will execute a Continuing Disclosure Certificate of the Developer (the "Developer Continuing Disclosure Certificate")

pursuant to which it will covenant to provide semiannual reports until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Certificate. The semiannual reports to be provided by KRLP will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Certificate attached as APPENDIX G. In addition to its semiannual reports, KRLP will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Certificate. KRLP's obligations under the Developer Continuing Disclosure Certificate will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all of the Bonds; (b) the Developer provides a certificate to the District that no additional bonds or obligations secured by Special Taxes in the District will be issued to finance additional public improvements and 85% or more of the Non-Residential Floor Area (as defined in the Rate and Method) of the buildings for which certificates of occupancy have been issued are subject to executed leases with tenants; or (c) 85% or more of the Non-Residential Floor Area of the planned buildings within the District are subject to executed leases with tenants.

KRLP has not been subject to any continuing obligations undertakings in connection with the offering of municipal securities within the last five years.

TAX EXEMPTION

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner will increase the Beneficial Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the City and others and is subject to the condition that the District, the City and others making such representations comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the

original cost of the Bond to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the City continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

LEGAL OPINION

The legal opinion of Bond Counsel approving the validity of the Bonds, in substantially the form set forth as Appendix C hereto, will be made available to purchasers of the Bonds at the time of original delivery

of the Bonds. Certain legal matters will be passed upon for the City and the District by the City Attorney of the City, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Quint & Thimmig, Larkspur, California, and for the Trustee by its counsel. Bond Counsel undertakes no responsibility to the purchasers of the Bonds for the accuracy, completeness or fairness of this Official Statement.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the City Attorney will deliver an opinion to the effect that, to their actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the District, which would adversely impact the District's ability to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, restrain or enjoin the collection of the Special Taxes, or in any way contest or affect the validity of the Bonds, the Indenture, the Special Taxes, or the transactions described herein.

NO RATING

The District has not made, and does not contemplate making, an application to any rating organization for the assignment of a rating on the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (being the \$_____ aggregate principal amount of the Bonds, less an Underwriter's discount of \$_____ and plus net original issue premium of \$_____). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter's compensation is contingent upon the successful issuance of the Bonds.

Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter and its counsel, Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the issuance and delivery of the Bonds. From time to time, Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter on matters unrelated to the Bonds.

MUNICIPAL ADVISOR

The District has retained KNN Public Finance, Berkeley, California, as Municipal Advisor for the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

KNN Public Finance, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The execution and delivery of this Official Statement by the City Manager of the City has been duly authorized by the City Council of the City acting in its capacity as the legislative body of the District.

CITY OF SOUTH SAN FRANCISCO COMMUNITY
FACILITIES DISTRICT NO. 2021-01 (PUBLIC
FACILITIES AND SERVICES)

By: _____
City Manager of the City of South San Francisco

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

**CITY OF SOUTH SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2021-01
(PUBLIC FACILITIES AND SERVICES)
CITY OF SOUTH SAN FRANCISCO, COUNTY OF SAN MATEO
STATE OF CALIFORNIA**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in the City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California ("CFD No. 2021-01") and collected each Fiscal Year commencing in Fiscal Year 2021-2022, in an amount determined by the City Council through the application of the appropriate Special Tax, as described below. All of the real property in CFD No. 2021-01, unless exempted by law or by the provisions hereof, shall be taxed for these purposes, to the extent and in the manner herein provided.

A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area within a Plot of Land as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area within a Plot of Land shown on the applicable final subdivision map, parcel map, record of survey, or other recorded County parcel map. An Acre equals 43,560 square feet of land area.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2021-01, including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or any designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2021-01, or any designee thereof of complying with arbitrage rebate requirements, or responding to questions, or investigations, from the Securities and Exchange Commission ("SEC") or the Internal Revenue Service ("IRS") pertaining to any CFD No. 2021-01 Bonds or any audit of any CFD No. 2021-01 Bonds by the SEC or IRS; the costs to the City, CFD No. 2021-01, the Trustee, or any designee thereof of complying with the City, CFD No. 2021-01, or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2021-01, or any designee thereof related to an appeal of the levy of application of the Special Tax; the costs associated with the release of funds from an escrow account; and City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2021-01 for any other administrative purposes of CFD No. 2021-01, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Airspace Parcel" means a parcel with an assigned Assessor's Parcel number that constitutes vertical space on a Plot of Land.

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax A” or **“Assigned Special Taxes”** means the Special Tax A for Developed Property, as determined in accordance with Section C.1.a.ii below.

“Authorized Facilities” means those facilities eligible to be funded by CFD No. 2021-01, as defined in the Resolution of Formation.

“Authorized Services” means those services eligible to be funded by CFD No. 2021-01, as defined in the Resolution of Formation and authorized to be financed by CFD No. 2021-01 pursuant to Section 53313 and Section 53313.5 of the Act. CFD No. 2021-01 shall finance Authorized Services only to the extent that they are in addition to those already being provided in the territory of CFD No. 2021-01 before the CFD was created and such Authorized Services may not supplant services already available within the territory of CFD No. 2021-01 when the CFD was created.

“Backup Special Tax A” means the Backup Special Tax A applicable to an Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.a.iii below.

“Building Permit” means a permit issued by the City or other governmental agency for the vertical construction of a non-residential building or buildings on an Assessor’s Parcel, which shall not include a separate permit issued for construction of the foundation.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Outstanding Bonds.

“Certificate of Occupancy” means a certificate of occupancy issued by the City permitting the use of a non-residential building or buildings on an Assessor’s Parcel.

“CFD Administrator” means an official of CFD No. 2021-01, or any designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2021-01” means City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services), City of South San Francisco, County of San Mateo, State of California.

“CFD No. 2021-01 Bonds” means any bonds or other debt as defined in Section 53317(d) of the Act, whether in one or more series, issued by CFD No. 2021-01 under the Act.

“City” means the City of South San Francisco, California.

“City Council” means the City Council of the City.

“County” means the County of San Mateo.

“Developed Property” means, all Assessor’s Parcels of Taxable Property for which a Certificate of Occupancy was issued after January 1, 2021 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

“Developer” means KR Oyster Point III, LLC, a Delaware limited liability company and its successors and assigns.

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

“Indenture” means the indenture, trust agreement, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2021-01 Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Maximum Special Tax” means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

“Maximum Special Tax A” means, for each Fiscal Year, the maximum Special Tax A, determined in accordance with Section C, below, that can be levied on any Assessor’s Parcel.

“Maximum Special Tax B” means, for each Fiscal Year, the maximum Special Tax B, determined in accordance with Section C, below, that can be levied on any Assessor’s Parcel.

“Non-Residential Floor Area” means the total building square footage of the non-residential building(s) located on an Assessor’s Parcel of Developed Property, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or to the appropriate records kept by the City’s Building Division, as reasonably determined by the CFD Administrator.

“Outstanding Bonds” means all CFD No. 2021-01 Bonds which remain outstanding under the Indenture.

“Plot of Land” means with respect to an Assessor’s Parcel, the entire physical land area described on the Assessor’s Parcel Map on which such Assessor’s Parcel is identified.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel, or part thereof, within the boundaries of CFD No. 2021-01 that is owned by or irrevocably offered for dedication to a property owner association, including any such property used as a garage located directly under a non-residential structure.

“Proportionately” means that the ratio of the actual Special Tax levy to the Assigned Special Tax or the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For each of the Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property categories, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre within each of these Taxable Property categories is equal for all Assessor’s Parcels in that specific Taxable Property category.

“Public Property” means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2021-01 that is owned by or irrevocably offered for dedication to the Federal government, the State, the City, or any other public agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act, as such section may be amended or replaced, shall be taxed and classified as Developed or Undeveloped Property; or (ii) any property within the boundaries of CFD No. 2021-01, that is encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Rate and Method of Apportionment” or **“RMA”** means this Rate and Method of Apportionment of Special Tax.

“Resolution of Formation” means the resolution forming CFD No. 2021-01.

“Special Tax” or **“Special Taxes”** means the special tax or special taxes to be levied in each Fiscal Year on each Assessor’s Parcel to fund the Special Tax Requirement.

“Special Tax A” means the special tax to be levied in each Fiscal Year to fund the Special Tax Requirement for Facilities.

“Special Tax B” means the special tax to be levied in each Fiscal Year to fund the Special Tax Requirement for Services.

“Special Tax Levy” or **“Special Tax Levies”** means the total Special Tax, net of any applicable debits or credits for other existing and related Community Facilities Districts as per agreement between the City and Developer, to be listed on the property tax rolls and levied for each Assessor’s Parcel of Taxable Property in a given Fiscal Year to fund the Special Tax Requirement for Facilities and the Special Tax Requirement for Services.

“Special Tax Requirement for Facilities” or **“Special Tax A Requirement”** means that amount of Special Taxes required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2021-01 Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement for Facilities in a previous Fiscal Year, (iii) pay for Administrative Expenses, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax A to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Taxes for Facilities levied in the previous Fiscal Year, (v) pay for previous Fiscal Year’s delinquent Special Tax A in excess of the amount included in the previous Fiscal Year’s computation under subsection (iv), (vi) at discretion of the City after consultation and agreement of the Developer, to pay directly for construction of Authorized Facilities to the extent that inclusion of this amount does not result in a Special Tax Levy on Undeveloped Property or Taxable Property Owner Association Property, less, (vii) a credit for funds available to reduce the Special Tax A, including, without limitation, Capitalized Interest, as determined by the CFD Administrator, so long as the Special Tax A Requirement is not less than zero.

“Special Tax Requirement for Services” or **“Special Tax B Requirement”** means that amount required in any Fiscal Year for CFD No. 2021-01 to: (i) pay directly for all Authorized Services, including maintenance and reserves for maintenance of any Authorized Facilities; (ii) pay Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator; (iii) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax B to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Tax B levied in the previous Fiscal Year; (iv) pay for previous Fiscal Year’s delinquent Special Tax B in excess of the amount included in the previous Fiscal Year’s computation under subsection (iii); less (v) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator after consultation with the City.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2021-01 which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E herein.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E herein.

“Undeveloped Property” means, for each Fiscal Year, all Assessor’s Parcels of Taxable Property which are not Developed Property, Taxable Property Owner Association Property, or Taxable Public Property.

B ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor’s Parcels within CFD No. 2021-01 shall be classified by the CFD Administrator as Developed Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, and shall be subject to annual Special Taxes in accordance with this Rate and Method of Apportionment as determined by the CFD Administrator pursuant to Sections C and D below. The CFD Administrator’s allocation of property to each type of land use class identified above shall be conclusive and binding.

C MAXIMUM SPECIAL TAX RATE

Prior to sixty (60) days before the issuance of a first series of CFD No. 2021-01 Bonds, the Maximum Special Tax A on Developed Property and Undeveloped Property (set forth in Section C.1 below) may be reduced in accordance with, and subject to the conditions set forth in this Section C without the need for any proceedings to make changes as permitted under the Act. At that time, if it is reasonably determined by the City and CFD Administrator that the current Maximum Special Tax A on Developed Property is greater than required to provide 110% debt service coverage on expected future CFD No. 2021-01 Bonds plus Administrative Expenses, the Maximum Special Tax A on Developed Property may be reduced to the minimum amount necessary to provide 110% debt service coverage on expected future CFD No. 2021-01 Bonds plus Administrative Expenses without need for any additional proceedings. Furthermore, if appropriate, the City and CFD Administrator may reduce the Maximum Special Tax A for Undeveloped Property to the minimum amount necessary to allow CFD No. 2021-01 to collect the Maximum Special Tax A equal to 110% debt service coverage on expected future CFD No. 2021-01 Bonds plus Administrative Expenses.

The reductions permitted pursuant to the preceding paragraph shall be reflected in an amended notice of Special Tax lien which the City and CFD Administrator shall cause to be recorded after executing a certificate in substantially the form attached herein as Exhibit “A.”

C.1 Special Tax A

C.1.a Developed Property

C.1.a.i Maximum Special Tax A

The Maximum Special Tax A for each Assessor’s Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A.

C.1.a.ii Assigned Special Tax A

The Assigned Special Tax A in Fiscal Year 2021-2022 for each Assessor’s Parcel classified as Developed Property is shown in Table 1 below.

Table 1: Assigned Special Tax A for Developed Property for Fiscal Year 2021-2022

Description	Assigned Special Tax
Developed Property	\$2.00 per square foot of Non-Residential Floor Area

C.1.a.iii Backup Special Tax A

The Backup Special Tax A on an Assessor’s Parcel or Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal \$700,106 per Acre. The Backup Special Tax A for an Assessor’s Parcel on a Plot of Land with no Airspace Parcels, shall equal \$138,118 per Acre.

Furthermore, all Assessor’s Parcels within CFD No. 2021-01 shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor’s Parcels of Developed Property in CFD No. 2021-01, results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed Property in CFD No. 2021-01 in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses as defined in Section A herein), and (ii) all authorized CFD No. 2021-01 Bonds have already been issued or the City has covenanted that it shall not issue any additional CFD No. 2021-01 Bonds (except refunding bonds) to be supported by the Assigned Special Taxes in CFD No. 2021-01.

C.1.a.iv Increase in the Assigned Special Tax A and Backup Special Tax A

On each July 1, commencing on July 1, 2022, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

C.1.b Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

The Fiscal Year 2021-2022 Maximum Special Tax A for each Assessor’s Parcel of Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property for CFD No. 2021-01 shall be \$138,118 per Acre, and shall increase annually thereafter, commencing on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

C.2 Special Tax B

C.2.a Developed Property

C.2.a.i Maximum Special Tax B

The Maximum Special Tax B in Fiscal Year 2021-2022 for each Assessor’s Parcel classified as Developed Property is shown in Table 2 below.

Table 2: Maximum Special Tax B for Developed Property for Fiscal Year 2021-2022

Description	Maximum Special Tax B
Developed Property	\$0.35 per square foot of Non-Residential Floor Area

C.2.a.ii Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2022, the Maximum Special Tax B for Developed Property shall be increased annually by two (2.00%) percent per Fiscal Year.

C.2.b Undeveloped Property

No Special Tax B shall be levied on Undeveloped Property.

D METHOD OF APPORTIONMENT OF THE SPECIAL TAX

D.1 Special Tax A

Commencing with Fiscal Year 2021-2022 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax A Levy as follows:

First: Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount necessary to equal (i) the Special Tax A Requirement, or (ii) 100% of the applicable Assigned Special Tax A, whichever occurs first.

Second: If additional monies are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until (i) the total Special Taxes levied under the first two steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A for Undeveloped Property, whichever occurs first.

Third: If additional monies are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel of Developed Property until (i) the total Special Taxes levied under the first three steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Fourth: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first four steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Taxable Property Owner Association Property, whichever occurs first.

Fifth: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first five steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all

Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

Notwithstanding the above, the CFD Administrator or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in the first step (above), when (i) the City is no longer required to levy the Special Tax A beyond the first step (above) in order to meet the Special Tax A Requirement; and (ii) all authorized CFD No. 2021-01 Bonds have already been issued or the City has covenanted that it will not issue any additional CFD No. 2021-01 Bonds (except refunding bonds), to be supported by the Special Tax A.

D.2 Special Tax B

Commencing with Fiscal Year 2021-2022 and for each following Fiscal Year, the CFD Administrator shall Proportionately levy the annual Special Tax B on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B, until the amount of Special Taxes equals the Special Tax B Requirement.

E EXEMPTIONS

E.1 Special Tax A

No Special Tax A shall be levied on Public Property and Property Owner Association Property in CFD No. 2021-01 provided that no such exemption shall reduce the total Acreage of Taxable Property to less than 40 Acres. Tax-exempt status shall be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2021-01 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel of Public Property or Property Owner Association Property no longer be classified as tax-exempt, it will, from that point forward, be subject to the Special Tax A. Furthermore, any Assessor's Parcel designated as Public Property or Property Owner Association that cannot be exempt from Special Tax A because such exemption would reduce the Acreage of all Taxable Property within CFD No. 2021-01 to less than 40 Acres shall be designated as Taxable Public Property or Taxable Property Owner Association Property.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2021-01 Bonds, the CFD Administrator may increase or decrease the final number of minimum taxable Acres in CFD No. 2021-01 to better reflect the actual tax-exempt acreage within CFD No. 2021-01. However, notwithstanding the above, the final number of taxable Acres in CFD No. 2021-01 shall not be decreased if it causes an increase in the Special Tax A levied on any existing Assessor's Parcel of Developed Property or Undeveloped Property.

E.2 Special Tax B

No Special Tax B shall be levied on Public Property or Property Owner Association. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, such Assessor's Parcel shall, upon each reclassification, no longer be exempt from Special Tax B.

F REVIEW/APPEAL PROCESS

Any taxpayer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and

advise the appellant of its determination. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the City by filing a written notice of appeal with the clerk of the City, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator may charge the appellant a reasonable fee for processing the appeal.

Interpretations may be made by the CFD Administrator, without Resolution or Ordinance of the City, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Taxes, the Rate and Method of Apportionment, or any other definition applicable to CFD No. 2021-01.

Without City Council approval, the CFD Administrator may make minor, non-substantive administrative and technical changes to the provisions of this document that do not materially affect the rate, method of apportionment, and manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law. Any decision of the City will be final and binding as to all persons.

G MANNER OF COLLECTION

The Special Tax Levy shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary or otherwise advisable to meet its financial obligations for CFD No. 2021-01, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H PREPAYMENT OF SPECIAL TAX A

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2021-01 is permitted to prepay the Special Tax A. The obligation of the owner of an Assessor's Parcel to pay the Special Tax A may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued after January 1, 2021, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CFD Administrator shall notify such owner of the Special Tax Prepayment Amount (defined below) for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds, prepayment must be made not less than thirty (30) days prior to a date that notice of redemption of CFD No. 2021-01 Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax B may not be prepaid.

The following additional definitions apply to this Section H:

“CFD Public Facilities Costs” means either \$69,015,976 in 2021 dollars, which shall increase by the Construction Inflation Index on July 1, 2022, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator in consultation with the Developer as sufficient to provide funding for the Authorized Facilities under the authorized bonding program for CFD No. 2021-01, or (ii) shall be determined by the CFD Administrator concurrently, after consultation with the Developer, with a covenant that it shall not issue any more CFD No. 2021-01 Bonds (except refunding bonds) to be supported by the Special Tax A levy under this Rate and Method of Apportionment.

“Construction Inflation Index” means the annual percentage change in the Engineering News Record Building Cost Index for the City of San Francisco, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News Record Building Cost Index for the City of San Francisco.

“Future Facilities Costs” means the CFD Public Facilities Costs minus (i) costs of Authorized Facilities previously paid from the Improvement Fund, (ii) monies currently on deposit in the Improvement Fund available to pay costs of Authorized Facilities, (iii) monies currently on deposit in an escrow fund established pursuant to the Indenture and expected to be available to fund Authorized Facilities, and (iv) the amount the CFD Administrator reasonably expects to derive from the reinvestment of these funds.

“Improvement Fund” means a fund or account specifically identified in the Indenture to hold funds, including pay-as-you-go funds, which are currently available for expenditure to acquire or construct Authorized Facilities.

“Previously Issued Bonds” means, for any Fiscal Year, all Outstanding Bonds that are outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

H.1 Prepayment in Full

The Special Tax A Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

Bond Redemption Amount	
Plus	Redemption Premium
Plus	Future Facilities Amount
Plus	Defeasance Amount
Plus	Administrative Fees and Expenses
Less	Reserve Fund Credit
Less	Capitalized Interest Credit
Equals	Special Tax A Prepayment Amount

As of the proposed date of prepayment, the Special Tax A Prepayment Amount shall be calculated according to the following paragraphs:

1. Confirm that no Special Tax A delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Undeveloped Property for which a Building Permit has been issued after January 1, 2021, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for such Assessor’s Parcel.
3. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 2 by the total estimated Assigned Special Tax A levy for CFD No. 2021-01 based on the Assigned Special Tax A for Developed Property which could be levied, excluding any Assessor’s Parcels which have been prepaid.

(b) Divide the Backup Special Tax A computed pursuant to paragraph 2 by the total estimated Backup Special Tax A for the entire CFD No. 2021-01, excluding any Assessor's Parcels which have been prepaid.

4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be redeemed (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds specified in the report of the Special Tax A Prepayment Amount.
9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax A Prepayment Amount, less any interest earnings attributed to the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. The administrative fees and expenses of CFD No. 2021-01 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2021-01 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).
14. If any Capitalized Interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient

computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment date (the “Capitalized Interest Credit”).

15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11, and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “Special Tax A Prepayment Amount”).

H.2 Prepayment in Part

The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

PP	=	The partial prepayment;
PE	=	The Special Tax A Prepayment Amount calculated according to Section H.1;
F	=	The percentage by which the owner of the Assessor’s Parcel(s) is partially prepaying the Special Tax A; and
A	=	The Administrative Fees and Expenses from Section H.1.

The owner of any Assessor’s Parcel who desires such prepayment shall notify the CFD Administrator of such owner’s intent to partially prepay the Special Tax A and the percentage by which the Special Tax A shall be prepaid.

With respect to any Assessor’s Parcel that is partially prepaid, CFD Administrator shall (i) distribute the funds remitted to it according to Section H.3, and (ii) indicate in the records of CFD No. 2021-01 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor’s Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor’s Parcel pursuant to Section D.

H.3 General Provisions Applicable to the Prepayment of Special Tax

H.3.a Use of the Special Tax A Prepayment Amount

The Special Tax A Prepayment Amount, less the Administrative Fees and Expenses calculated according to Sections H.1 and H.2 which shall be retained by CFD No. 2021-01, and less the Future Facilities Amount calculated according to Section H.1 which shall be deposited into the Improvement Fund, shall be deposited into specific funds established under the Indenture, to fully or partially redeem as many Outstanding Bonds as possible, and, if amounts are less than \$5,000, to make debt service payments on the Outstanding Bonds (collectively designated as the “Bond Retirement Funds”).

H.3.b Full Prepayment of Special Tax A

Upon confirmation of the payment of the current Fiscal Year’s entire Special Tax A obligation, the CFD Administrator may remove the current Fiscal Year’s Special Tax A levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid in accordance

with Section H.1, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax A and the release of the Special Tax A lien on such Assessor's Parcel, and the obligation to pay the Special Tax A for such Assessor's Parcel shall cease.

H.3.c Debt Service Coverage

Notwithstanding the foregoing, no prepayment of the Special Tax A shall be allowed unless the amount of Special Tax A that may be levied on Taxable Property within CFD No. 2021-01 in each future Fiscal Year (after excluding Taxable Public Property and Taxable Property Owner Association Property as set forth in Section E herein), after the proposed prepayment, is at least equal to the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (ii) the Administrative Expenses as defined in Section A herein.

I TERM OF SPECIAL TAX

Special Tax A shall be levied until the final series of CFD No. 2021-01 Bonds have matured, provided that the Special Tax A shall not be levied after Fiscal Year 2070-2071. The Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on the CFD No. 2021-01 Bonds have been paid and the City has covenanted that it will not issue any more CFD No. 2021-01 Bonds (other than refunding bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

Special Tax B shall be levied in perpetuity.

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CFD 2021-01 TAX REDUCTION CERTIFICATE

1. Pursuant to Sections C and D of the Rate and Method of Apportionment, as attached to the Notice of Special Tax Lien, recorded in the Official Records of the County of San Mateo as Instrument No. XXXXXX on MM/DD/YYYY, the City of South San Francisco (the "City") hereby reduces the Assigned Special Taxes for Developed Property within CFD No. 2021-01 set forth in Table 1 of the Rate and Method of Apportionment for CFD No. 2021-01.

The information in Table 1 relating to the Assigned Special Tax A for Developed Property within CFD No. 2021-01 shall be amended and restated in full as follows:

**Table 1: Assigned Special Tax A for Developed Property
CFD No. 2021-01
Fiscal Year 20XX-20XX**

Description	Assigned Special Tax
Developed Property	[\$] per square foot of Non-Residential Floor Area

2. The Backup Special Tax A on an Assessor's Parcel of Developed Property, for a Plot of Land that includes one or more Airspace Parcels, shall equal \$[] per Acre. The Backup Special Tax A for an Assessor's Parcel on a Plot of Land with no Airspace Parcels, shall equal \$[] per Acre.
3. Upon execution of the certificate by the City and CFD No. 2021-01, the City shall cause an amended notice of special tax lien for CFD No. 2021-01 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2021-01, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

City of South San Francisco

By: _____

Date: _____

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF SOUTH SAN FRANCISCO

The following information relating to the City of South San Francisco (the “City”) and the County of San Mateo, California (the “County”), California (the “State”) is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

Population

The City’s population as of January 1, 2020 was approximately 67,879. This represents an increase of approximately 1.0 percent from January 1, 2019. The following table shows the population for the City, the County and the State of California from 2016 through 2020.

POPULATION For Years 2016 through 2020

<i>Year (January 1)</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>State of California</i>
2016	67,220	767,921	39,214,803
2017	67,232	770,785	39,398,702
2018	67,268	772,984	39,586,646
2019	67,221	774,231	39,695,376
2020	67,879	773,244	39,782,870

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark*, Sacramento, California, May 2020.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors’ income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

The following table summarizes per capita personal income for the City, the County, the State of California and the United States for the years 2010 through 2020. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME⁽¹⁾
City of South San Francisco, County of San Mateo, State of California, and United States
2010-2020

<i>Year</i>	<i>City of South San Francisco</i>	<i>County of San Mateo</i>	<i>California</i>	<i>United States</i>
2010	\$29,118	\$73,327	\$43,249	\$40,690
2011	30,053	79,025	45,574	42,783
2012	30,446	87,241	48,154	44,614
2013	30,523	86,833	48,549	44,894
2014	30,923	92,531	51,332	47,017
2015	32,744	101,261	54,632	48,897
2016	33,120	106,115	56,667	49,812
2017	35,193	116,077	58,942	51,811
2018	36,092	125,332	61,663	54,098
2019	39,547	132,133	64,513	56,047
2020	--	141,841	70,192	59,510

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis and the City of South San Francisco.

Employment

The civilian labor force in the City totaled 38,600 in 2020, a 3.5 percent decrease from 2019. For the past five years the unemployment rate in the City and the County has been below the State of California’s rate. The following table summarizes the labor force, employment and unemployment figures from 2016 to 2020 for the City, the County, the State of California and the nation as a whole.

The San Francisco-Oakland-Hayward Metropolitan Statistical Area unemployment rate increased from 2.8% in June 2019 to 12.6% in June 2020 According to a report released by State Employment Development Department, the City’s unemployment rate was 6.0% as of March 2021. See “—Impacts of COVID-19” above.

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LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Years 2016 through 2020

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
<u>2016</u>				
City of South San Francisco	38,200	37,000	1,200	3.2%
San Mateo County	442,100	428,700	13,500	3.0
State of California	19,093,700	18,048,800	1,044,800	5.5
United States ⁽⁴⁾	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
City of South San Francisco	38,500	37,400	1,100	2.9%
San Mateo County	446,100	433,900	12,100	2.7
State of California	19,312,000	18,393,100	918,900	4.8
United States ⁽⁴⁾	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of South San Francisco	39,200	38,300	900	2.3%
San Mateo County	454,900	444,900	10,000	2.2
State of California	19,398,200	18,582,800	815,400	4.2
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of South San Francisco	40,000	39,100	900	2.3%
San Mateo County	460,000	450,600	9,400	2.0
State of California	19,411,600	18,627,400	784,200	4.0
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of South San Francisco	38,600	35,200	3,400	8.9%
San Mateo County	433,900	404,100	29,700	6.9
State of California	18,821,200	16,913,100	1,908,100	10.1
United States ⁽⁴⁾	160,742,000	147,798,000	12,947,000	8.1

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Note: Data is not seasonally adjusted.

Source: California Employment Development Department, based on March 2020 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

The table below summarizes employment by industry in San Mateo County from 2016 to 2020. Service Providing, Professional and Business Services and Trade, Transportation and Utilities are the largest employment sectors in the County.

AVERAGE ANNUAL INDUSTRY EMPLOYMENT 2016-2020
San Mateo County

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Total Farm	1,900	1,900	1,700	1,700	1,600
Total Nonfarm	1,080,200	1,104,400	1,136,900	1,177,700	1,073,700
Total, All Industries	1,082,200	1,106,300	1,138,700	1,179,400	1,075,300
Goods Producing	76,900	79,300	81,500	83,900	79,300
Natural Resources, Mining and Construction	38,700	39,900	42,500	44,500	42,700
Manufacturing	38,200	39,400	39,000	39,400	36,600
Service Providing	1,003,300	1,025,100	1,055,900	1,093,800	994,400
Trade, Transportation and Utilities	147,600	151,300	154,200	154,900	134,800
Wholesale Trade	25,900	26,100	26,500	26,000	22,500
Retail Trade	81,200	81,200	80,400	78,400	67,900
Transportation, Warehousing and Utilities	40,500	43,900	47,300	50,600	44,300
Information	70,300	76,600	85,400	97,900	105,400
Financial Activities	80,400	80,900	83,200	85,900	83,100
Professional and Business Services	262,000	267,000	277,400	288,400	280,200
Educational and Health Services	133,400	136,000	138,900	146,100	141,800
Leisure and Hospitality	141,400	142,400	143,600	147,500	89,400
Other Services	40,700	41,100	41,400	41,500	32,400
Government	147,700	129,900	131,400	131,500	127,300

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, San Mateo County Annual Average Labor Force and Industry Employment, March 2020 Benchmark.

Industry

The following tables list the largest private and public employers in the City:

MAJOR EMPLOYERS
City of South San Francisco
2020

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	Genentech Inc.	8,632	Pharmaceutical
2.	Costco Wholesale (3 stores)	834	Retail
3.	Life Technologies Corporation	622	Biotechnology
4.	Goodwill Industries of SF, SA	607	Non-Profit Entity
5.	Amgen San Francisco LLC	500	Biotechnology/ Pharmaceutical
6.	MRL San Francisco LLC (2 locations)	317	Biotechnology
7.	ZS Associates, Inc.	317	Consultant Management
8.	Amazon.com Services, Inc.	291	Online Retailer
9.	BIT SSF Miller Cypress LLC DBA Cadence	260	Residential Developer
10.	Alvah Contractors	250	Construction Contractor

Source: City of South San Francisco, Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2020.

Building Activity

Residential and nonresidential building activity for 2016 through 2020 for the City is shown in the following tables.

NEW HOUSING UNITS BUILDING PERMITS City of South San Francisco For Years 2016 through 2020

	2016	2017	2018	2019	2020
Single Family Units	4	7	13	51	23
Multifamily Units	<u>95</u>	<u>352</u>	<u>161</u>	<u>269</u>	<u>0</u>
Total Units	<u>99</u>	<u>359</u>	<u>174</u>	<u>320</u>	<u>23</u>

Source: Construction Industry Research Board and California Homebuilding Foundation.

BUILDING PERMIT VALUATIONS City of South San Francisco (Dollars in Thousands)

	2016	2017	2018	2019	2020
Residential					
New Single Family	\$ 1,017	\$ 2,702	\$ 1,396	\$ 168,366	\$ 2,835
New Multifamily	13,539	78,722	3,398	94,791	0
Res. Alt. & Adds	<u>10,320</u>	<u>17,287</u>	<u>15,363</u>	<u>\$ 13,289</u>	<u>\$ 17,099</u>
Total Residential	\$ 24,876	\$ 98,711	\$ 20,157	\$ 276,446	\$ 19,934
Nonresidential					
New Commercial	169,425	\$ 450,445	\$ 262,381	\$ 453,045	\$ 304,733
New Industrial	0	0	0	0	0
New Other ⁽¹⁾	2,101	64,666	6,096	13,175	0
Alters. & Adds.	<u>185,436</u>	<u>138,482</u>	<u>243,227</u>	<u>207,682</u>	<u>439,562</u>
Total Non-Residential	\$ 356,962	\$ 653,592	\$ 511,704	\$ 673,902	\$ 744,295
Total All Building	<u>\$ 381,838</u>	<u>\$ 752,303</u>	<u>\$ 531,861</u>	<u>\$ 950,348</u>	<u>\$ 764,229</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings.

Note: "Total All Building" is the sum of Residential and Nonresidential Building Permit Valuations. Totals may not add to sum because of independent rounding.

Source: Construction Industry Research Board and California Homebuilding Foundation.

Transportation

The City is accessible via various modes of transportation. Several Bay Area Rapid Transit (BART) stations are located in the City, providing rapid transit service to other cities in the San Francisco Bay area. The City is linked by Caltrain, a commuter rail, which runs from the San Jose area through the City and to the City of San Francisco. A ferry service runs from the Oyster Point Marina in the City to the east San Francisco Bay (cities of Oakland and Alameda). The City is intersected by two major freeways – U.S. Route 101 and Interstate 280. The City is located directly to the north of the San Francisco International Airport (SFO).

Education

K-12 public instruction in the City is provided by South San Francisco Unified School District, which encompasses the City and parts of Daly City and San Bruno. The City is also served by the San Mateo Community College District.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

City of South San Francisco
Community Facilities District No. 2021-01 (Public Facilities and Services)
South San Francisco, California

Re: \$_____ *City of South San Francisco Community Facilities District No. 2021-01
(Public Facilities and Services) Special Tax Bonds (Oyster Point), Series 2022*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of South San Francisco (the “City”) taken in connection with the formation of City of South San Francisco Community Facilities District No. 2021-01 (Public Facilities and Services) (the “District”) and the authorization and issuance of the District’s Special Tax Bonds, Series 2022 in the aggregate principal amount of \$_____ (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the “City Council”) on March 23, 2022 (the “Resolution”), and a Bond Indenture (the “Indenture”) dated as of April 1, 2022, by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture. The Bonds are limited obligations of the District but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Net Taxes, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The Indenture has been duly authorized, executed and delivered by the District. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Taxes and the amounts on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment

of Administrative Expenses or as to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues for the Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above) and is exempt from State of California personal income tax.

(6) The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner.

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is subject to the condition that the District and the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City have covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the District and the City and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement or other offering material.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

APPENDIX D-1
APPRAISAL REPORT

APPENDIX D-2
SUPPLEMENT TO APPRAISAL REPORT

APPENDIX E

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts

such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District 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.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.