File No. 151225 Committee Item No. 5
Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Sub-Committee **Date** April 6, 2016

Board of Supervisors Meeting **Date** April 12, 2016

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Completed by: Linda Wong **Date** April 1, 2016
Completed by: Linda Wong **Date** April 7, 2016

FILE NO. 151225 ORDINANCE NO.

[Taxable and/or Tax Exempt Certificates of Participation - Affordable Housing Projects - Not to Exceed $95,000,000]

Ordinance authorizing the execution and delivery of Certificates of Participation in an aggregate principal amount not to exceed $95,000,000 to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects; approving the form of a Supplemental Trust Agreement between the City and County of San Francisco and the Trustee named therein (including certain indemnities contained therein); approving the form of a Supplemental Property Lease between the City, as lessor, and the Trustee, as lessee; approving the form of a Supplemental Project Lease between the Trustee, as lessor, and the City, as lessee; approving the form of an Official Notice of Sale and Notice of Intention to Sell for the Certificates of Participation, if sold by competitive sale; authorizing certain actions relating to the Certificates of Participation, if sold by negotiated sale, including approving the form of a Purchase Contract between the City and the underwriter(s) selected in accordance City policies; approving the form of an official statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Certificates of Participation; approving modifications to documents; and ratifying previous actions taken in connection therewith.

WHEREAS, The Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors" or the "Board"), desires to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects (collectively, the "Project"), and the City is authorized pursuant to its charter and the laws of the State to enter into lease financings for such purpose; and

WHEREAS, The City and U.S. Bank National Association (the "Trustee") have previously entered into a Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all improvements thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, Pursuant to a Project Lease, dated as of May 1, 2009, by and between the City and the Trustee (the "Original Project Lease"), the Trustee has leased the Leased Property back to the City; and

WHEREAS, In order to provide funds for certain capital improvements of the City, the Trustee executed and delivered certificates of participation captioned "$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement"); and

WHEREAS, The 2009A Certificates were authorized by Resolution No. 351-08, passed by the Board on July 29, 2008, and approved by the Mayor on August 5, 2008; and

WHEREAS, The 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease; and

WHEREAS, The Trust Agreement provides for the issuance of additional Certificates of Participation to provide funds for additional capital projects of the City by the execution and delivery of a supplement to the Trust Agreement, and authorizes the principal and interest with respect to said Certificates of Participation to be secured by a supplement to the Property Lease and to be paid from amounts paid by the City under a supplement to the Project Lease; and

WHEREAS, In order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B

(Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement, dated as of September 1, 2009 (the "First Supplement to Trust Agreement"); and

WHEREAS, In connection with the execution and delivery of the 2009B Certificates, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters; and

WHEREAS, In connection therewith, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of September 1, 2009, by and between the City and the Trustee (the "First Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional base rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters; and

WHEREAS, The 2009B Certificates were authorized by Ordinance No.74-09, passed by the Board on May 5, 2009, and approved by the Mayor on May 11, 2009; and

WHEREAS, The 2009B Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates; and

WHEREAS, In order to provide funds for capital improvements to various City streets, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement, dated as of June 1, 2012 (the "Second Supplement to Trust Agreement"); and

WHEREAS, In connection with the execution and delivery of the 2012A Certificates, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters; and

WHEREAS, In connection with the execution and delivery of the 2012A Certificates, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012 (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional base rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters; and

WHEREAS, The 2012A Certificates were authorized by Ordinance No.264-10, passed by the Board on October 26, 2010, and approved by the Mayor on November 5, 2010; and

WHEREAS, The 2012A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease and the Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates; and

WHEREAS, The Board desires to finance the Project and to cause the execution and delivery of one or more series of additional Certificates of Participation (as further defined herein, the "Certificates") in an aggregate amount not to exceed $95,000,000 therefor; and

WHEREAS, In connection with the execution and delivery of the Certificates, the City and the Trustee will enter into one or more supplemental property leases (each, a "Supplemental Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the Project and certain related matters; and

WHEREAS, In connection therewith, the City and the Trustee will simultaneously enter into one or more supplemental project leases, by and between the City and the Trustee (each, a "Supplemental Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the Project and certain related matters; and

WHEREAS, The Certificates will evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease and one or more Supplemental Project Leases, on a parity basis with the 2009A Certificates, the 2009B Certificates and the 2012A Certificates; and

WHEREAS, Each series of Certificates may be sold by competitive sale pursuant to an official notice of sale and a notice of intention to sell or, in accordance with certain procedures, by negotiated sale; and

WHEREAS, In order to ensure a financially advantageous and orderly sale of the Certificates, the Director of Public Finance of the City or her designee (collectively, the "Director") will be authorized to determine whether to conduct a sale of each series of Certificates one either a competitive or negotiated basis; and

WHEREAS, In order to conduct a negotiated sale, there has been presented to the Board for approval of the form of a purchase contract relating to a negotiated sale of one or more series of Certificates (the "Purchase Contract") with underwriters to be appointed in accordance with City policies, if so determined by the Director; and

WHEREAS, The Board has been presented with the form of certain documents referred to herein relating to the Certificates, including a Supplemental Trust Agreement, a Supplemental Property Lease, a Supplemental Project Lease, a Purchase Contract, and a Continuing Disclosure Certificate, and the Board has examined and is approving each document and desires to authorize and direct the execution of such documents and the consummation of such financing; and

WHEREAS, The adoption of this Ordinance shall constitute authorization of the Certificates within the meaning of Section 864 of the California Code of Civil Procedure and any Validation Act that is effective after this Ordinance takes effect; now, therefore, be it

ORDAINED by the People of the City and County of San Francisco, as follows:

Section 1. Recitals. All of the recitals herein are true and correct.

Section 2. File Documents. The documents presented to this Board and on file with the Clerk of the Board or her designee (the "Clerk") are contained in File No. 151225.

Section 3. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in the execution and delivery of the Certificates exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to its Charter and applicable law to enter into the transactions described herein in the manner and form provided in this Ordinance.

Section 4. Approval of Execution and Delivery of Certificates. The Board hereby approves the execution and delivery of the Certificates designated as "City and County of San Francisco Certificates of Participation (Affordable Housing Projects)," with such other designations as to series and year of issuance as deemed appropriate by the Director. The Certificates may be executed and delivered in one or more series and on one or more delivery dates each pursuant to a Supplemental Trust Agreement, as referred to in Section 5 below (the "Supplemental Trust Agreement"), as the same is finally executed and delivered. The Trustee shall be authorized to cause the execution and delivery of Certificates in an aggregate principal amount not greater than $95,000,000, and which shall bear interest rates up to but not exceeding 12 percent per annum. The proceeds of the Certificates will be used to (i) fund the Project; (ii) fund one or more reserve funds or the costs of one or more reserve surety policies, as the Controller or his designee shall determine; (iii) fund capitalized interest, as the Controller or his designee shall determine; and (iv) pay costs of issuance of the Certificates. Each series of the Certificates shall be subject to prepayment as set forth in the applicable Supplemental Trust Agreement. To the extent deemed financially advantageous, the Controller of the City (the "Controller") or the Director of Public Finance (the "Director") is hereby authorized to procure credit enhancement for any of the Certificates, including, but not limited to, municipal bond insurance or debt service reserve fund surety policies. Notwithstanding Section 15 hereof, the documents authorized herein may be modified or amended to permit the procurement of credit enhancement for the Certificates, to the extent deemed necessary by the Controller or the Director, upon consultation with the City Attorney.

Section 5. Form of Supplemental Trust Agreement Approval. The form of Supplemental Trust Agreement between the City and the Trustee, as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The Mayor of the City or his designee (collectively, the "Mayor") or the Controller is hereby authorized to execute one or more Supplemental Trust Agreements, and the Clerk of the Board or her designee (collectively, the "Clerk of the Board"), is hereby authorized to attest to and affix the seal of the City, as applicable, on such Supplemental Trust Agreements, with such changes, additions and modifications as the Mayor or the Controller may make or approve in accordance with Section 15 hereof.

Section 6. Form of Supplemental Property Lease Approval. The form of Supplemental Property Lease providing for the payment of additional rental by the Trustee in connection with the issuance of Certificates, as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The term of any Supplemental Property Lease shall not extend beyond forty-one (41) years from the date of execution and delivery of the applicable Certificates. The Mayor or the Controller is hereby authorized to execute one or more Supplemental Property Leases, and the Clerk of the Board is hereby authorized to attest and to affix the seal, as applicable, of the City on such Supplemental Property Leases with such changes, additions and modifications as the Mayor or the Controller may make or approve in accordance with Section 15 hereof.

Section 7. Form of Supplemental Project Lease Approval. The form of Supplemental Project Lease providing for the financing of all or a portion of the Project, as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The Mayor or the Controller is hereby authorized to execute one or more Supplemental Project Leases, and the Clerk of the Board is hereby authorized to attest and to affix the seal of the City, as applicable, on such Supplemental Project Leases with such changes, additions and modifications as the Mayor or the Controller may make or approve in accordance with Section 15 hereof, provided however, that the maximum Base Rental (as defined in the Project Lease) scheduled to be paid under all Supplemental Project Leases authorized hereunder in any fiscal year shall not exceed $12,350,000 and the term of any Supplemental Project Lease shall not extend beyond forty-one (41) years from the date of execution and delivery of the applicable Certificates.

Section 8. Competitive Sale and Award of Certificates. If the Director determines to sell Certificates by competitive sale, the Director, on behalf of the Controller, is hereby authorized and directed to receive bids for the purchase of such Certificates, and the Controller, the Deputy Controller, and the Director are each hereby authorized and directed to award such Certificates to the bidder whose bid represents the lowest true interest cost to the City, and whose bid otherwise conforms to the terms of the Notice of Sale (as defined herein) for the Certificates .

Section 9. Form of Official Notice of Sale Approval. The form of an official notice of sale relating to the Certificates (the "Official Notice of Sale"), as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The Controller or the Director is hereby authorized to approve the distribution of one or more Official Notices of Sale for any Certificates determined to be sold by competitive sale, with such changes, additions, modifications or deletions as the Controller or the Director may approve upon consultation with the City Attorney; such approval to be conclusively evidenced by the distribution of the applicable Official Notice of Sale to potential bidders for or purchasers of such Certificates.

Section 10. Notice of Intention to Sell Approval. The form of a notice of intention to sell relating to the Certificates (the "Notice of intention to Sell"), as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The Controller or the Director is hereby authorized to approve the publication of the Notice of Intention to Sell relating to any Certificates determined to be sold by competitive sale, with such changes, additions, modifications or deletions as the Controller or the Director may approve upon consultation with the City Attorney; such approval to be conclusively evidenced by the publication of the applicable Notice of Intention to Sell relating to such Certificates.

Section 11. Authorization for Sale of Certificates – Negotiated Sale; Authorization to Select Underwriters; Form of Purchase Contract Approval. The Controller, in consultation with the Director, is hereby authorized to conduct the dale of any Certificates by negotiated sale pursuant to one or more Purchase Contracts, each by and between the City and the underwriter(s) named therein (the "Underwriters"), if the Controller determines that such manner of sale is in the best financial interest of the City, each such determination to be conclusively evidenced by the execution and delivery of the applicable Purchase Contract as hereinafter approved. The form of such Purchase Contract as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The Controller or the

Director is hereby authorized to execute each such Purchase Contract with such changes, additions and modifications as the Controller or the Director may make or approve in accordance with Section 15 hereof; provided however, that the Underwriters' discount under any such Purchase Contract shall not exceed 2.00% [why 2 here and 1 under other DF Ordinance? of the principal amount of the applicable Certificates. In order to facilitate the sale of any Certificates by negotiated sale, the Controller or the Directors hereby authorized and directed to appoint one or more financial institutions to act as underwriter for such Certificates in accordance with City policies and procedures, including, but not limited to, the City's policy to provide locally disadvantaged minority business enterprises and women enterprises an equal opportunity to participate in the performance of all City contracts.

Section 12. <u>Official Statement Approval in Preliminary and Final Form</u>. The form of an official statement relating to the first sale of Certificates (the "Official Statement"), as presented to this Board, a copy of which is on file in preliminary form with the Clerk, is hereby approved. The Controller or the Director is hereby authorized to approve the distribution of such preliminary Official Statement in substantially said form, with such changes, additions, modifications or deletions as the Director may approve upon consultation with the City Attorney; such approval to be conclusively evidenced by the distribution of such preliminary Official Statement to potential bidders for or purchasers in the first sale of Certificates. The Controller or the Director is hereby authorized to cause the distribution of such Preliminary Official Statement, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to execute a certificate to that effect. The Controller or the Director is hereby further authorized and directed to sign the Official Statement for the first sale of Certificates in final form. The Controller or the Director are hereby authorized to direct the Co-Financial Advisors to cause to be printed and mailed, or distributed electronically, to prospective bidders, copies of the Preliminary Official Statement and the final Official

Statement for the first sale of Certificates. The preliminary official statement for any future sale of Certificates authorized hereunder shall be approved by resolution or ordinance of this Board prior to such sale.

Section 13. Continuing Disclosure Certificate Approval. The form of a Continuing Disclosure Certificate of the City, as presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The Controller or the Director is hereby authorized to execute a Continuing Disclosure Certificate for each sale of Certificates, with such changes, additions, modifications or deletions as the Controller or the Director may approve upon consultation with the City Attorney; such approval to be conclusively evidenced by the execution and delivery of the applicable Continuing Disclosure Certificate.

Section 14. General Authority. The Mayor, the City Attorney, the Controller, the City Administrator, the Director, the Clerk of the Board and other officers of the City and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents as they may deem necessary or desirable to accomplish the proposed financing through the execution and delivery of the Certificates, and one or more Official Statements, Continuing Disclosure Certificates, Supplemental Trust Agreements, Supplemental Property Leases, Supplemental Project Leases and Purchase Contracts, to facilitate the execution and delivery of the Certificates, to obtain bond insurance or other credit enhancements with respect to the financing of the Project, to obtain title insurance, clear any encumbrances to title, survey property and carry out other title work and otherwise to carry out the provisions of this Ordinance. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk of the

Board of Supervisors for inclusion in the official file within 30 days of execution (or as soon thereafter as final documents are available) by all parties.

Section 15. Modifications, Changes and Additions. The Mayor and Controller is each hereby authorized to approve and make such modifications, changes or additions to the forms of Supplemental Trust Agreement, Supplemental Property Lease, Supplemental Project Lease, Continuing Disclosure Certificate or Purchase Contract, upon consultation with the City Attorney, as may be necessary or desirable in the interests of the City, and which changes do not materially increase the obligations of the City under any Supplemental Trust Agreement, Supplemental Property Lease, Supplemental Project Lease, Continuing Disclosure Certificate or Purchase Contract. The Mayor's or Controller's approval of such modifications, changes or additions shall be conclusively evidenced by the execution and delivery by the Mayor and the Clerk of the Board or the Controller, as the case may be, of the applicable Supplemental Trust Agreement, Supplemental Property Lease, Supplemental Project Lease, Continuing Disclosure Certificate or Purchase Contract.

Section 16. Ratification. All actions authorized and directed by this Ordinance, consistent with any documents presented herein, and heretofore taken are hereby ratified, approved and confirmed by this Board.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: ______________________
Mark D. Blake
Deputy City Attorney

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Item 1 File: 15-1225	Departments: Mayor's Office of Housing and Community Development (MOHCD) Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- Ordinance authorizing the execution and delivery of Certificates of Participation (COPs) in an aggregate principal amount not to exceed $95,000,000 to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects; approving the form of a Supplemental Trust Agreement; approving the form of a Supplemental Property Lease; approving the form of a Supplemental Project Lease; approving the form of an Official Notice of Sale and Notice of Intention to Sell the COPs or authorizing certain actions relating to the COPs; approving the form of an official statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the COPs; approving modifications to documents; and ratifying previous actions taken in connection therewith.

Key Points

- In November 2012, San Francisco voters approved the City's Housing Trust Fund for the creation of additional affordable housing. $20 million was appropriated to the Fund in FY 2013-14, increasing $2.8 million annually, for a total of $128 million through FY 2017-18.
- MOHCD's budgets for FY2014-15 and FY2015-16 included an additional $25 million each year of Certificate of Participation (COP) revenue and MOHCD's FY 2016-17 budget includes another $25 million for a total of $75 million of additional COP revenue.

Fiscal Impact

- Affordable housing project development costs are estimated at $1.7 billion, including these COP proceeds of $75 million to renovate and/or construct 3,147 housing units.
- The requested not to exceed $95,000,000 COPs would be issued for a term of 30 years. Assuming $83,440,000 issuance and a conservative 7.528% annual interest rate results in total costs of approximately $213,235,199 over the 30-year term, including $129,795,199 of interest, and average annual debt service payments of approximately $7,088,151.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section 16.110 provides that the Housing Trust Fund will support the creation, acquisition and rehabilitation of affordable housing and promote affordable home ownership programs in the City. In accordance with Section 16.110(c), $20 million of General Fund revenues would be appropriated to the Housing Trust Fund in FY 2013-14, an amount which would be increased by $2.8 million each year thereafter from FY 2014-15 through FY 2024-25. After FY 2024-25 through FY 2042-43, General Fund revenues would be appropriated to the Housing Trust Fund equal to prior year appropriations, adjusted by annual percentage increases or decreases in the General Fund discretionary revenues budgeted.

Charter Section 16.110(f) authorizes issuance of debt to be repaid with future Housing Trust Fund allocations. In addition, the City may disburse monies from the Housing Trust Fund through loans, grants or other types of payments, on terms determined by the Mayor's Office of Housing and Community Development (MOHCD) in its sole discretion, with all repayments or interest returned to the Housing Trust Fund. Allowable uses of the Housing Trust Fund include multifamily housing development, including acquisition and rehabilitation of existing housing, down payment assistance for first-time homebuyers, housing stabilization programs to help owners and tenants stay in their existing homes, infrastructure grants for public-serving projects in areas of increased residential development and program administration. All expenditures from the Housing Trust Fund are subject to the Board of Supervisors appropriation approval.

BACKGROUND

In November 2012, San Francisco voters approved a Charter amendment which created the City's Housing Trust Fund, now codified in Charter Section 16.110. As shown in Table 1 below, in accordance with Charter Section 16.110(c), $20 million was appropriated to the Housing Trust Fund in FY 2013-14, an amount which has increased by $2.8 million annually, such that a total of $128 million will be appropriated over the five year period through FY 2017-18.

As also shown in Table 1 below, the Mayor's Office of Housing and Community Development (MOHCD) approved budgets for FY 2014-15, FY 2015-16 and FY 2016-17 included an additional $25 million appropriation each year of Certificates of Participation (COP) revenue, for a total of $75 million for affordable housing projects. The anticipated debt service to repay the COPs with Housing Trust Fund revenues projected for FY 2016-17 and FY 2017-18 is $11,349,156. Overall, Housing Trust Fund expenditures would total $203 million over the five year period from FY 2013-14 through FY 2017-18, as summarized in Table 1 below.

Table 1: Housing Trust Fund Five Year Plan from FY 2013-14 Through FY 2017-18

Program	2013-14	2014-15	2015-16	Proposed 2016-17	Proposed 2017-18	Total
Down payment Loan	$2,000,000	$3,000,000	$3,000,000	$3,000,000	$4,000,000	$15,000,000
Housing Stabilization	2,825,000	3,600,000	4,250,000	4,100,000	4,100,000	18,875,000
Neighborhood Infrast	200,000	500,000	1,000,000	1,500,000	1,500,000	4,700,000
Afford Housing Devel	13,821,000	14,500,063	15,269,091	13,953,988	13,116,150	70,660,292
Program Delivery	1,154,000	1,199,937	2,080,909	1,420,706	1,560,000	7,415,552
Debt Service	-	-	-	4,425,306	6,923,850	11,349,156
Total Base HTF	20,000,000	22,800,000	25,600,000	28,400,000	31,200,000	128,000,000
Add Afford Housing	-	25,000,000	25,000,000	25,000,000	-	75,000,000
TOTAL	20,000,000	47,800,000	50,600,000	53,400,000	31,200,000	$203,000,000

On November 16, 2015, the Capital Planning Committee recommended the proposed ordinance.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would

- authorize the execution and delivery of Certificates of Participation (COPs) in an aggregate principal amount not to exceed $95,000,000 to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects;
- approve the form of a Supplemental Trust Agreement between the City and County of San Francisco and the Trustee, including certain indemnities;
- approve the form of a Supplemental Property Lease between the City, as lessor, and the Trustee, as lessee;
- approve the form of a Supplemental Project Lease between the Trustee, as lessor and the City, as lessee;
- approve the form of an Official Notice of Sale and Notice of Intention to Sell the COPs, if sold by competitive sale, which identifies the date and time of the bond sale, including the terms of the sale, form of the bids and delivery and closing procedures and documents.
- authorize certain actions relating to the COPs, if sold by negotiated sale, including approving the form of a Purchase Contract between the City and the underwriter(s) selected in accordance with City policies;
- approve the form of an Official Statement in preliminary and final form;

- approve the form of a Continuing Disclosure Certificate which describes the nature of the financial information and operating data contained in the City's Annual Report; and
- grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the COPs, approve modifications to the documents and ratify previous actions taken.

Trust Agreement

The proposed Supplemental Trust Agreement would be the third supplement to the original Trust Agreement between the City and U.S. Bank National Association (US Bank). This Trust Agreement provides the terms of the COPs, prepayment provisions, default and remedy provisions, and other related administrative provisions. The third party trustee holds the proceeds from the sale of the COPs and acts on behalf of the Certificate of Participation holders by administering and disbursing all payments and enforcing the covenants under the Agreement.

The proposed ordinance states that the selection of the third party trustee is delegated to the Director of Public Finance based on the lowest fees and other considerations via a competitive RFP process. Ms. Nadia Sesay, Director of the Office of Public Finance advises that US Bank has already been selected, based on a prior RFP process, under the original transaction. US Bank will continue as the Trustee under the proposed new Supplemental Trust Agreement, as authorized in the Original Trust Agreement, First Supplemental Trust Agreement and the Second Supplemental Trust Agreement.

Property Lease and Project Lease

Under the proposed Supplemental Property Lease, the City would lease City-owned properties that have a market value at or above the par value of the COPs, to the third party trustee. In accordance with the Supplemental Project Lease, the City would then lease back the same City-owned properties, from the third party trustee, by making annual base rental payments in amounts required to repay the COPs. When the COPs are fully repaid, the Property Lease and Project Lease between the City and the third party trustee will terminate.

The City-owned Pavilion Building and the North Residence Building within the Department of Public Health's Laguna Honda Hospital complex are the designated City-owned properties that will secure the subject COPs under the proposed Supplemental Property Lease and Supplemental Project Lease. These Laguna Honda Hospital properties have an estimated asset valuation of $575,000,000, as determined by the Director of Real Estate. These same Laguna Honda Hospital buildings also serve as the leased asset for outstanding COP Series 2009A, Series 2009B and Series 2012A for other City capital improvements. As shown in Table 2 below, these prior COPs secured a total of $244,055,000, leaving an available capacity of $330,945,000 ($575,000,000 less $244,055,000) remaining in the Laguna Honda properties that can be secured by other COPs. As noted above, the proposed ordinance would authorize a not to exceed $95,000,000 COPs for affordable housing projects.

Table 2: Original and Supplemental Trust Agreements, Property Leases and Project Leases Secured by Laguna Honda Hospital Properties

Legislation	COP Series	Date Issued	Trust Agreement, Property and Project Leases	Amount Secured
Resolution 351-08	2009A	May 1, 2009	Original	$163,335,000
Ordinance 74-09	2009B	September 1, 2009	First Supplement	37,885,000
Ordinance 264-10	2012A	June 1, 2012	Second Supplement	42,835,000
Total				**$244,055,000**

Competitive vs Negotiated Sale

The proposed ordinance authorizes the Director of Public Finance to sell the COPs by either a competitive or negotiated sale, pursuant to a purchase contract. If sold by competitive bid, the Controller is authorized to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City. The advantage of a competitive sale is that it typically results in a lower interest rate and therefore less cost to the City, barring any major market disruption. The advantage of a negotiated sale is that the interest rate is pre-negotiated with a known underwriter and therefore predictable on the date of the sale. Given the City's strong credit rating and extensive market experience, Ms. Sesay advises that she anticipates this sale will be competitive.

Affordable Housing Projects

As summarized in Table 3 below, total affordable housing project development costs are estimated at $1,686,377,688, of which the Housing Trust Fund will contribute $179,598,383 including $75,000,000 from these COP proceeds to renovate and/or construct an estimated total of 3,156 housing units. The balance of non-City Housing Trust Fund sources include developer fees, Federal low-income tax credits, State and other grants, private equity and traditional commercial debt secured by developers of these affordable housing projects. Mr. McCloskey advises that all of the City Housing Trust Fund contributions are structured as loan agreements, which provide a legal mechanism to ensure that each project maintains the affordability requirements and restrictions. The dates shown in the parenthesis in Table 3 are the estimated dates that MOHCD will need the initial disbursement of the subject funds.

Parcel O is the largest remaining Central Freeway/Octavia Boulevard property, comprised of 108 housing units specifically for low-income families, ground floor retail, central courtyard and community garden. Based on a Request for Proposal (RFP) process in 2014, the development team of Mercy Housing and San Francisco Housing Development Corporation were selected and are anticipated to commence construction in early 2017. As shown in Table 3 below, this project will require $30,400,000 of Housing Trust Fund revenues or 49% of the total estimated project cost of $61,741,174, including $3,527,709 of the requested COPs. This project is anticipated to be completed in the Fall of 2018.

The Rental Assistance Demonstration (RAD) funding, as shown in Table 3 below, would contribute to the rehabilitation of 796 existing housing units in nine public housing projects at a total estimated project cost of $381,736,514 under RAD Phase I, including a total of $21,472,291 from the requested COPs. In addition, the rehabilitation of 1,932 existing housing units in ten public housing projects at a total estimated project cost of $1,060,000,000 would be under RAD Phase II, including a total of $30,000,000 from these COPs. According to Mr. Benjamin McCloskey, Deputy Director of Finance and Administration for MOHCD, RAD changes the formula for how the Federal government subsidizes public housing and also moves the ownership and property management of the properties to community based non-profit affordable housing developers for the rehabilitation of such public housing units. Disbursements of the subject funds would occur in lump sums to each project when rehabilitation of each project is completed and converted to permanent financing. According to Mr. McCloskey, construction of the RAD Phase I projects began in November 2015 and are anticipated to be completed by July 2017. The RAD Phase II projects will start construction by the end of 2016 and are anticipated to be completed by December 2018. Mr. McCloskey advises that the total project costs for RAD Phase I have been secured and total project costs for RAD Phase II are currently being finalized. Non-City funding for these RAD projects include tax credit investors and commercial lenders.

As shown in Table 3 below, development and construction costs for 311 additional new affordable housing units on the following three sites are estimated at $182,350,000, of which $78,450,000 would come from Housing Trust Fund revenues, including $20 million from these COP proceeds.

Treasure Island Parcel C3.2 is part of Phase I development to replace existing housing serving the homeless on Treasure Island and create new affordable housing. This project will include 101 new transitional and permanent housing units for veterans. Swords to Plowshares, a nonprofit member of the Treasure Island Homeless Development Initiative, together with a development partner to be determined, will develop this site. This parcel will be available for development in 2018, with the units completed no earlier than 2020-21. As shown in Table 3 below, funding would not be needed until FY 2019-20, using $3,000,000 of the requested COPs to fund the gap in permanent financing for this project.

801 Brannan Street is a vacant parcel that will be deeded to the City at the end of 2017 under the City's Inclusionary Program's land dedication alternative option for developers. Feasibility studies indicate this parcel can accommodate up to 150 new units of family housing. Predevelopment will begin in early 2017 with estimated completion by early 2020. As shown in Table 3 below, this project would use $4,000,000 of the requested COPs to fund the gap in permanent financing for this project.

HOPE SF Sunnydale Block 7 would be a new 69-unit multi-family apartment building to provide replacement housing for the overall Sunnydale relocation efforts, targeted to households with incomes up to 50% of the Area Median Income. Block 7 is anticipated to be completed in late 2020. As shown in Table 3 below, of the total $44,850,000 project cost, $13,000,000 would come from the requested COPs.

Table 3: Projects to be Funded with the Requested COPs

Project and Location	Number of Housing Units	Total Estimated Project Cost	Total Housing Trust Revenues	Total Housing Trust Fund COP Allocation
Parcel O (January 2017)	108	$61,741,174	$30,400,000	$3,527,709
RAD Phase I (March 2017)				
227 Bay Street	51	$24,847,635	$3,728,290	$2,781,173
990 Pacific	92	66,645,645	11,040,821	2,540,821
939-951 Eddy	60	23,315,505	2,911,448	1,768,432
666 Ellis	100	39,153,004	3,238,369	1,941,615
430-440 Turk	89	37,670,083	2,699,043	1,354,444
25 Sanchez	90	44,398,975	1,177,891	33,684
462 Duboce	42	30,863,408	9,410,236	8,385,005
Robert B. Pitts	203	83,017,327	1,622,886	1,622,886
345 Arguello	69	31,824,932	2,045,142	1,044,231
Subtotal	796	$381,736,514	$37,874,126	$21,472,291
RAD Phase II (September 2018)				
Ping Yuen	234	115,000,000	2,000,000	2,000,000
Ping Yuen North	200	105,000,000	2,151,298	2,151,298
Westside Courts	136	75,000,000	2,267,425	2,002,869
1750 McAllister	97	45,000,000	4,049,733	4,049,733
320 & 330 Clementina	276	100,000,000	3,076,940	3,076,940
350 Ellis	100	55,000,000	6,980,184	6,980,184
Alemany	158	110,000,000	5,079,131	7,078,131
Mission Dolores	92	45,000,000	1,401,816	331,000
1760 Bush	108	45,000,000	1,080,000	1,080,000
Westbrook Apts.	226	130,000,000	2,530,819	1,249,845
Subtotal	1,932	$1,060,000,000	$32,974,257	$30,000,000
Development Sites (FY 2019-20)				
Treasure Island C3.2	101	55,550,000	25,250,000	3,000,000
801 Brannan Street	150	82,500,000	37,500,000	4,000,000
HOPE SF-Sunnydale Block 7	69	44,850,000	15,600,000	13,000,000
Subtotal	320	$182,900,000	$78,350,000	$20,000,000
Total	**3,156**	**$1,686,377,688**	**$179,598,383**	**$75,000,000**

FISCAL IMPACT

The proposed ordinance would authorize a not-to-exceed amount of $95 million of COPs. As discussed above, $75 million of the COPS would be used to fund affordable housing project costs. The balance of up to $20 million will fund the Controller's Office audit fees, debt service reserve account, issuance expense, underwriter's discount and allow for sufficient flexibility for conservative assumptions of market conditions for the COPs, as shown in Table 4 below.

Table 4: Estimated Uses for the $95 Million COPs

Project Funds	$75,000,000
Controller's Audit Fee (2%)	150,000
Debt Service Reserve Fund	7,169,836
Cost of Issuance	700,000
Underwriters Discount	420,164
Subtotal	$83,400,000
Market Conditions Flexibility	11,600,000
Total	**$95,000,000**

Ms. Sesay advises that the $11,600,000 for market conditions flexibility will also allow for potential capitalized interest expense between the time of issuance and the use of the funds. These COPs are anticipated to be sold in the spring of 2017. However, Ms. Sesay notes the Office of Public Finance may issue commercial paper prior to the COP issuance and that one or more issuances of the COPs may occur, depending on the timing for the need for housing project funds. Approval is being requested now to allow MOHCD and the Office of Public Finance the ability to move quickly to respond to changing market conditions as the affordable housing projects proceed and utilize commercial paper as an interim funding source prior to the COP issuance. Ms. Sesay further advises that the Office of Public Finance will only issue what is necessary to fund the $75 million of specified affordable housing project expense.

According to Ms. Sesay, the requested not to exceed $95,000,000 COPs would be issued for a term of 30 years. Assuming one $83,440,000 issuance and a conservative 7.528 annual interest rate will result in total estimated costs of $213,235,199 over a 30-year term. This $213,235,199 total includes $129,795,199 of interest and $83,440,000 of principal, based on estimated average annual debt service payments of $7,088,151. Repayment of the not to exceed $95 million of COPs will solely be from future Housing Trust Fund allocations.

As shown in Table 1 above, to date $50 million of the COPs were appropriated in the FY 2013-14 and FY 2014-15 budgets. Mr. McCloskey advises that the remaining $25 million of COP funds and debt service payments would be requested to be appropriated in the FY 2016-17 budget, subject to appropriation approval by the Board of Supervisors.

RECOMMENDATION

Approve the proposed ordinance.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director
Controller's Office of Public Finance

SUBJECT: Ordinance Authorizing the Execution and Delivery of Certificates of Participation (Affordable Housing Projects)

DATE: November 16, 2015

I respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the ordinance authorizing the execution and delivery of not to exceed par amount of $95,000,000 in City and County of San Francisco Certificates of Participation and related supporting documents financing the construction of the Affordable Housing Projects.

In connection with this request, the ordinance approving the execution and delivery of the certificates and related supporting documents are expected to be introduced at the Tuesday, November 17, 2015 Board meeting, and we respectfully request that the items be heard at the Wednesday, December 2, 2015 Budget and Finance Committee meeting.

The Affordable Housing Projects:
The proposed ordinance authorizes the City to execute and deliver not to exceed par amount of $95,000,000 in City and County of San Francisco Certificates of Participation (Affordable Housing Projects) in one or more series (the "Certificates") to finance the development, construction or rehabilitation of various affordable rental housing projects (the "Project") in the City with funds from the Housing Trust Fund (HTF).

Background
In November 2012, San Francisco voters approved a City Charter amendment that created the Housing Trust Fund (HTF). Codified in Charter Section 16.110, the legislation provides General Fund revenue annually to the Mayor's Office of Housing and Community Development (MOHCD) for the purpose "creating, acquiring and rehabilitating affordable housing and promoting home ownership programs in the City". As an eligible use of the Housing Trust Fund, the Mayor's Office of Housing and Community Development desires to finance the costs of

certain projects including, certain Rental Assistance Demonstration ("RAD") projects within the City and County of San Francisco as well as predevelopment costs for future construction of new affordable housing on City-owned parcels.

Approximately 85% of the proceeds are anticipated to fund a portion of the Rental Assistance Demonstration (RAD) program. RAD changes the way the Federal government subsidizes public housing and also moves the ownership and property management of the properties to community based non-profit affordable housing developers.

Approximately 15% of the proceeds are anticipated to fund predevelopment costs for future construction of new affordable housing at three different City-owned parcels.

Actual allocation of funds to projects may vary, however in all cases the expenditures will be consistent with the affordable housing requirements of the Housing Trust Fund as described in Section 16.110 of the San Francisco Charter.

The Certificates:
On July 29, 2008, Resolution No. 351-08 authorized the City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects) ("Series 2009A") to provide funds for certain capital improvements of the City under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement"). The Original Trust Agreement provides for the delivery of additional Certificates of Participation to provide funds for additional capital projects of the City by the execution and delivery of a supplement to the Trust Agreement, and authorizes said Certificates of Participation to be secured by a supplement to the Property Lease ("Original Property Lease") and a supplement to the Project Lease ("Original Project Lease").

On May 5, 2009, Ordinance No. 74-09 authorized the City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects) ("Series 2009B") in order to provide funds for certain street improvements. In connection with this financing, as permitted under the Original Trust Agreement, Original Property Lease, and Original Project Lease, the City and the Trustee entered a First Supplement to Original Trust Agreement, First Supplement to Property Lease, and First Supplement to Project Lease, each dated as of September 1, 2009, supplementing the Original Trust Agreement, Original Property Lease, and Original Project Lease, respectively.

On October 26, 2010, Ordinance No. 264-10 authorized the City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) ("Series 2012A") in order to provide funds for capital improvements to various City streets. In connection with this financing, as permitted under the Original Trust Agreement, Original Property Lease, and Original Project Lease, the City and the Trustee entered a Second Supplement to Original Trust Agreement, Second Supplement to Property Lease, and Second Supplement to Project, each dated as of June 1, 2012, supplementing the Original Trust Agreement, Original Property Lease, and Original Project Lease, respectively.

Under the proposed ordinance, the City will structure the transaction financing the Affordable Housing Project as an asset-transfer lease supplement to Series 2009A, Series 2009B, and Series 2012A, under subsequent supplements as permitted by the Original Trust Agreement, Original Property Lease, and Original Project Lease.

Original Property Lease and Original Project Lease: Pursuant to the Original Property Lease, the City leases a City-owned property to a third party trustee. Pursuant to the Original Project Lease, the City leases back the leased property, together with the improvements financed with proceeds of the Certificates, from the third party trustee. The City makes annual base rental payments to the third party trustee in amounts required to repay the Certificates. When the Certificates are finally paid, the Property Lease and Project Lease terminate. The City's general fund secures the repayment of the Certificates (see The Current Plan of Finance below).

Original Trust Agreement: Pursuant to the Original Trust Agreement between the City and a third party trustee acting on behalf and for the benefit of Certificates holders, the trustee administers and disburses Certificate payments and enforces the covenants and remedies in the event of a default by the City. The Trust Agreement provides for the terms of the Certificates, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The trustee holds proceeds derived from the sale of the Certificates and disburses payments for the costs incurred for the Project, as directed by authorized City representatives. The ordinance delegates selection of the third party trustee to the Director of Public Finance, and the trustee will be selected based on the lowest fees and other considerations via a competitive request for proposal.

The Leased Property: It is anticipated that the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard (the "Leased Property") will serve as the Leased Property for the Certificates. To facilitate the financing, the Leased Property to the secure the Certificates consists of the Pavilion Building and the North Residence Building constructed in 2009 on the campus of the City's Laguna Honda Hospital. The two buildings also serve as the leased asset for outstanding Series 2009A, Series 2009B, and Series 2012A.

The subsequent supplements to the Original Property Lease and Original Project Lease between the City and U.S. Bank National Association, as trustee, requires the City to make base rental payments on each September 25 and March 25 during the term of the supplemental leases in an amount sufficient to pay total base rental payments when due.

The subsequent supplements to the Original Trust Agreement between the City and U.S. Bank National Association, as trustee, require that the base rental payments be deposited in the base rental fund maintained by the trustee. On October 1 and April 1 of each year during the term of the agreement, the trustee will apply such amounts as is necessary to make base rental payments with respect to the Certificates.

The Current Plan of Finance:
The proposed ordinance authorizes the execution and delivery of Certificates in a par amount not to exceed $95,000,000. Based on Project cost estimates and schedules, the Office of Public Finance expects to execute and deliver $83,440,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected delivery amount allows for fluctuations in market interest rates from the date of authorization by the Board to the time of the sale of the Certificates, and the attendant increases in required deposits for capitalized interest, debt service reserve fund, and delivery date expenses in the event interest rates were to increase from current levels.

Of the $1,600,000,000 expected aggregate costs of the Project, the Certificates are anticipated to contribute approximately $75,000,000.

The total cost for RAD Phase I and II is approximately $1,400,000,000 for the full portfolio rehabilitation across fourteen sites, of which an estimated $64,000,000 will be from proceeds from sale of the Certificates. RAD will allow the City to leverage investor equity, debt financing, and City funding for the rehabilitation of over 3,475 public housing units. Rental subsidies from HUD will repay permanent loans and subsidize the operating costs of this housing for the low income residents.

Total development costs for construction of affordable housing on the city-owned parcels is expected to be approximately $200,000,000, of which an estimated $11,000,000 will be from proceeds from sale of the Certificates.

A portion of the proceeds will fund the debt service reserve account for the Certificates established under the trust agreement and pay costs of execution and delivery of the Certificates.

The Certificates: The Certificates are expected to be executed and delivered in an amount sufficient to fully pay the costs of the Project, including any capitalized interest financing and delivery expenses for the Project. Table 1 outlines anticipated sources and uses for the Certificates.

Table 1: Anticipated Sources and Uses from the Delivery of the Certificates.

		Amount
Estimated Sources		
Par Amount		$ 83,440,000
Total Estimated Sources		**$ 83,440,000**
Estimated Uses		
Refunding Fund Deposit		$ 75,150,000
Project Fund	75,000,000	
Controller's Audit Fee	150,000	
Other Fund Deposts		$ 7,169,836
Debt Service Reserve Fund	7,169,836	
Other Costs of Issuance		$ 1,120,164
Cost of Issuance	700,000	
Underwriter's Discount	420,164	
Total Estimated Uses		**$ 83,440,000**

The authorized amount above the expected delivery amount of $83,440,000 allows for fluctuations in market conditions from the date of recommendation by the Capital Planning Committee and authorization by the Board to the time of the sale of the Certificates. The Office of Public Finance expects the Certificates to have a maturity of approximately 30 years.

Based upon conservative estimates of approximately 7.528% interest rate, the Office of Public Finance estimates that fiscal year net base rental payments on the Certificates average approximately $7,088,151. The anticipated total par amount of $83,440,000 is estimated to result in approximately $129,795,199 in interest payments over the life of the Certificates. The total base rental payments over the life of the Certificates total approximately $213,235,199. Based on market conditions expected to exist at the time of the sale, the Certificates could be structured with up to a 30-year life.

Method of Sale and Purchase Contract: In connection with the execution and delivery of the Certificates, the proposed ordinance delegates to the Director of Public Finance the authority to sell the Certificates by either a competitive or negotiated sale pursuant to a purchase contract.

The execution and delivery of the Certificates will proceed subject to the Board's review and approval of the form of Official Statement prepared in connection with the Certificates.

Financing Timeline:

Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
• Consideration by the Capital Planning Committee	November 16, 2015
• Introduction of legislation and supporting materials to the Board	November 17, 2015
• Closing & delivery of Certificates	TBD

*Please note that dates are estimated unless otherwise noted.

Additional Information:
The Capital Planning Committee reviewed and recommended the ordinance to the Board of Supervisors on Monday, November 16, 2015. The ordinance is expected to be introduced at the Board of Supervisors meeting on Tuesday, November 17, 2015. The related financing documents—including the Supplement to Trust Agreement, Supplement to Project Lease, Supplement to Property Lease, Preliminary Official Statement, Official Notice of Sale, Notice of Intention to Sell, Appendix A, and Purchase Contract—will also be submitted.

The Preliminary Official Statement: The proposed ordinance also approves the form of Preliminary and final Official Statement relating to the Certificates (the "Official Statement").

The Official Statement has been updated to reflect the City's financial condition, including the adopted ten-year capital plan; update to the Five-Year Financial Plan; the Controller's release of the Revenue Letter; and the adoption by the Board and approval by the Mayor of the Original Budget. The information contained in the Appendix A to the Official Statement was updated as of June 17, 2015 and was prepared by City staff for inclusion in the Official Statement.

Federal securities laws impose on the City the obligation to ensure that its offering documents are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the disclosure documents as well as City staff charged with preparing the documents. The Official Statement is attached for your approval prior to its publication.

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the Certificates. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Certificates announces the date and time of the competitive bond sale, including the terms relating to the Certificates; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the Certificates. Pursuant to the Resolution, the Controller is authorized to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Appendix A: The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist initial purchasers of the Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this matter is greatly appreciated. Please contact Nadia Sesay at 415-554-5956 or nadia.sesay@sfgov.org if you have any questions.

CC: Angela Calvillo, Clerk of the Board of Supervisors
Ben Rosenfield, Controller
Nicole Elliot, Director of Legislative & Government Affairs
Kate Howard, Mayor's Budget Director
Olson Lee, Mayor's Office of Housing and Community Development (MOHCD)
Kate Hartley, MOHCD
Benjamin McCloskey, MOHCD
Harvey Rose, Budget and Legislative Analyst
Brian Strong, Director, Capital Planning Program
Mark Blake, Deputy City Attorney

NOTICE OF INTENTION TO SELL

$_______*
CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATES OF PARTICIPATION, SERIES ____
(AFFORDABLE HOUSING PROJECTS)

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "City") intends to offer for public sale on:

_______, 20__ at 8:30 a.m. (California time)*

by sealed bids at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102, and by electronic bids through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity"), $________* aggregate principal amount of City and County of San Francisco [Taxable] Certificates of Participation, Series ____ (Affordable Housing Projects) (the "Certificates").

The City reserves the right to postpone or cancel the sale of the Certificates, or change the terms thereof, upon notice given through Thomson Reuters and Bloomberg Business News (collectively, the "News Services") and/or Parity. If no bid is awarded for the Certificates, the City may reschedule the sale of the Certificates to another date or time by providing notification through the News Services and/or Parity.

The Certificates will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated _________, 20__, relating to the Certificates (the "Official Notice of Sale"). Further information regarding the proposed sale of the Certificates, including copies of the Preliminary Official Statement for the Certificates and the Official Notice of Sale, are expected to be available electronically at Ipreo Prospectus www.i-dealprospectus.com on or around _______, 20__, or may be obtained from either of the City's Co-Financial Advisors: Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, CA 94605; Attention: Jocelyn Mortensen, email JMortensen@pragla.com, telephone: (510) 339-3212; fax: (510) 281-6815 or Sperry Capital, Three Harbor Drive, Suite 101, Sausalito, California 94965, Attention: Bryant Jenkins, email: bjenkins@sperrycapital.com, telephone: (415) 339-9204, fax: (415) 339-6030. Failure of any bidder to receive either document shall not affect the legality of the sale.

Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend the Official Notice of Sale in any respect, as more fully described in the Official Notice of Sale; provided, however, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 3:00 p.m. (California time) on the business day preceding the date for receiving bids or as otherwise described in the Official Notice of Sale. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. The City reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Date: ________, 20__

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATES OF PARTICIPATION, SERIES ____
(AFFORDABLE HOUSING PROJECTS)

Evidencing Proportionate Interests of the Holders Thereof in a Project Lease,
Including the Right to Receive Base Rental Payments to be Made by the
CITY AND COUNTY OF SAN FRANCISCO

NOTICE IS HEREBY GIVEN that sealed or electronic bids will be received and opened and, in the case of electronic bids received solely through Ipreo LLC's BiDCOMP™/PARITY® System (the "Bidding Service" or "Parity"), in the manner described below, by the City and County of San Francisco (the "City") at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102 on:

[Day], [Date] at 8:30 a.m. California time
(subject to postponement in accordance with this Official Notice of Sale)

for the purchase of $[Par Amount]* aggregate principal amount of City and County of San Francisco [Taxable] Certificates of Participation, Series ___ (Affordable Housing Projects) (the "Certificates"), as more particularly described below. Electronic bids will be received through Parity **on [Day], [Date], until 8:30 a.m. California Time.** See "TERMS OF SALE – WARNINGS REGARDING ELECTRONIC BIDS" herein.

THE CITY RESERVES THE RIGHT TO POSTPONE OR CANCEL THE SALE OR CHANGE THE TERMS THEREOF PRIOR TO THE TIME ON ____, 20__ WHEN BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT, CANCELLATION OR REVISION SHALL BE COMMUNICATED THROUGH THOMSON REUTERS AND BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES"), OR PARITY, AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT, CANCELLATION OR REVISION. See "TERMS OF SALE – *Right to Postponement or Cancellation.*" Notice of the new date and time for receipt of bids shall be given through the News Services or Parity as soon as practicable following a postponement and no later than 3:00 p.m., California time, on the business day preceding the new date for receiving bids.

The City further reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, the principal amount of the Certificates being offered, upon notice given as described above. As an accommodation to bidders, telephonic, electronic or faxed notice of any postponement of the sale date and of the new sale date and time or any amendment or modification of this Official Notice of Sale will be given to any bidder requesting such notice from either of the City's Co-Financial Advisors: Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, CA 94605; Attention: Jocelyn Mortensen, email JMortensen@pragla.com, telephone: (510) 339-3212; fax: (510)

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* Preliminary, subject to change.

281-6815 or Sperry Capital, Three Harbor Drive, Suite 101, Sausalito, California 94965, Attention: Bryant Jenkins, email: bjenkins@sperrycapital.com, telephone: (415) 339-9204, fax: (415) 339-6030. Failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any required notice or the legality of the sale.

Notice of any change to the principal payment schedule for the Certificates to be used for the bidding process will be given via the News Services or Parity not later than 3:00 p.m. (California time) on the day prior to the date prescribed for the receipt of bids. Potential bidders must obtain any such revised principal payment schedule before bidding on the Certificates. See "TERMS RELATING TO THE CERTIFICATES– *Principal Payments*" and "– *Adjustment of Principal Payments*" below.

Bidders are referred to the Preliminary Official Statement dated the date hereof for additional information regarding the City; that certain real property located at [375 Laguna Honda Boulevard, San Francisco, California] (the "Site" and together with the improvements thereon, the "Leased Property"), subject to the Property Lease, dated as of May 1, 2009, by and between the City, as lessor and U.S. Bank National Association, a national banking association, as trustee (the "Trustee"), as lessee, as heretofore supplemented and amended and as supplemented and amended by the _____ Supplement to Property Lease dated as of _______ 1, 20__ (as amended, the "Property Lease"); the Project Lease dated as of May 1, 2009, as heretofore supplemented and amended and as supplemented and amended by the ____ Supplement to Project Lease dated as of _______ 1, 20__ (as amended, the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee, whereby the Leased Property is leased back to the City; the Trust Agreement, dated as of May 1, 2009, as heretofore supplemented and amended and as supplemented and amended by the ____ Supplement to Trust Agreement, dated as of _______ 1, 20__ (as amended, the "Trust Agreement"), the Certificates and the security therefor; and other matters relating to the Certificates. The Certificates will be secured by Base Rental payments on a parity with certain Certificates of Participation of the City secured by the Project Lease currently outstanding in an aggregate principal amount of $[__________] as of the date hereof. See "TERMS OF SALE – *Official Statement*" below. Unless otherwise indicated, capitalized terms used but not defined in this Official Notice of Sale have the meanings ascribed to them in the Preliminary Official Statement.

TERMS RELATING TO THE CERTIFICATES

THE AUTHORITY FOR THE EXECUTION AND DELIVERY, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION AND ALL OTHER INFORMATION REGARDING THE CERTIFICATES ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, DATED ______ __, 20__ (THE "PRELIMINARY OFFICIAL STATEMENT"), WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE CERTIFICATES. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE CERTIFICATES. THE DESCRIPTION OF THE CERTIFICATES CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. $[Par Amount]* aggregate principal amount of City and County of San Francisco Certificates of Participation, Series ___ (Affordable Housing Projects). The Certificates are fully registered

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* Preliminary, subject to change.

certificates without coupons in book–entry form in denominations of $5,000 or any integral multiple thereof, as designated by the successful bidder (the "Purchaser"), all dated the date of original execution and delivery thereof.

The Issuer. The City is a charter city and county duly organized and validly existing under the Constitution and the laws of the State of California (the "State").

Book-Entry Only. The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Certificates. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Certificates purchased. As of the date of award of the Certificates, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest evidenced and represented by the Certificates shall be payable semiannually on April 1 and October 1 of each year, commencing _____ 1, 20__ (each, an "Interest Payment Date"). Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months, from the date of delivery of the Certificates.

Bidders must specify the rate or rates of interest that the Certificates shall bear; provided that: (i) the maximum interest rate bid shall not exceed 12% per annum; (ii) each interest rate specified in any bid for the Certificates must be a multiple of 1/8 or 1/20 of 1% per annum and a zero rate of interest cannot be named; (iii) each of the Certificates shall bear interest from its dated date to its stated Certificate Payment Date at the single rate of interest specified in the bid; and (iv) all Certificates maturing at any one time shall bear the same rate of interest.

Principal Payments. The Certificates shall be due on April 1, and shall consist of serial certificates or term certificates, as specified by the Purchaser. No serial certificates may mature following the commencement of the first sinking account installment prepayment. For any term certificates specified, the principal amount for a given year may be allocated only to a single term certificate and must be part of an uninterrupted annual sequence from the first sinking account installment prepayment to the term certificate maturity. Subject to adjustment as herein provided, the aggregate principal amount of the serial maturity or sinking account installment prepayment for the Certificates in each year is as follows:

MATURITY SCHEDULE

Certificate Payment Date (April 1)*	Principal Amount*	Certificate Payment Date (April 1)*	Principal Amount*

* Preliminary, subject to change. Maturity schedule may be adjusted prior to pricing. The Certificate Payment Dates are subject to the creation of term certificates by the Purchaser, as set forth in herein.

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid. Notice will be given via the News Services, not later than 3:00 p.m. (California time) on the business day prior to the date prescribed for the receipt of bids, of any change to the principal payment schedule for the Certificates to be utilized for the bidding process. The City reserves the right to change the principal payment schedule set forth in this Official Notice of Sale after the determination of the winning bidder, by increasing or decreasing the aggregate principal amount of the Certificates by not more than 10% or by adjusting one or more principal payments of the Certificates by not more than 10% in order to achieve level annual payments with respect to the Certificates. In such event, THE PURCHASER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS WITH RESPECT TO THE CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE. THE DOLLAR AMOUNT OF THE PRICE BID WILL BE CHANGED SO THAT THE PERCENTAGE OF NET COMPENSATION TO THE SUCCESSFUL BIDDER DOES NOT INCREASE OR DECREASE FROM WHAT IT WOULD HAVE BEEN IF NO ADJUSTMENT HAD BEEN MADE TO THE PRINCIPAL AMOUNTS PROVIDED BY THE CITY TO BE USED IN THE BIDDING PROCESS.

Optional Prepayment of the Certificates. The Certificates with a Certificate Payment Date on or before April 1, 20__ are not subject to optional prepayment prior to their respective fixed Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 20__ are subject to optional prepayment prior to their respective fixed Certificate Payment Dates, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of Base Rental payments at the prepayment price equal to 100% of the principal amount of Certificates to be prepaid, as a whole or in part, on any date on or after April 1, 20__, plus accrued but unpaid interest to the date fixed for prepayment.

Special Mandatory Prepayment of the Certificates. The Certificates will be subject to mandatory prepayment prior to their respective fixed Certificate Payment Dates, as a whole, or in part, on any date, at a Prepayment Price equal to the principal amount represented thereby plus accrued but unpaid interest to the prepayment date, without premium, from amounts deposited in the Base Rental Fund following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or upon loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

Mandatory Sinking Account Installment Prepayment of the Certificates.* The Certificates are further subject to prepayment prior to their respective stated Certificate Payment Dates, on April 1 of each year for which a sinking account installment prepayment is specified by the Purchaser, by lot in the principal amount to be prepaid and accrued interest represented thereon to the date fixed for prepayment, without premium, but only in amounts equal to, and in accordance with, the scheduled prepaid components of the Base Rental represented by the Certificates to be prepaid.

Payment. Principal and interest represented by the Certificates are payable in lawful money of the United States of America. As long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, principal and interest will be paid by wire transfer to Cede & Co. Principal and premium, if any, with respect to the Certificates, are payable upon the Certificate Payment Dates or earlier prepayment under the Trust Agreement hereinafter mentioned. Interest with respect to the Certificates is payable by check mailed to the registered owner at such address as it appears on the registration books of the Trustee as of the fifteenth day of the calendar month preceding the applicable Interest Payment Date, or for holders of at least $1,000,000 aggregate principal amount of the Certificates, by wire transfer within the United States of America, upon due notice to the Trustee.

Municipal Bond Insurance at Purchaser's Option. The City has not taken any steps to qualify the Certificates for municipal bond insurance and makes no representation as to whether the Certificates will qualify for municipal bond insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees shall be the sole responsibility of the bidder. **In particular, the City will not amend or supplement the documents authorizing the execution and delivery of the Certificates in any way, nor will either agree to enter into any additional agreement with respect to the provision of any such policy. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE CERTIFICATES.**

If the Purchaser exercises this option, the Purchaser must provide the City with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with

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* Preliminary, subject to change.

respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two business days following the award of the Certificates by the City. The City will require a certificate from the insurance provider substantially in the form attached hereto as Exhibit A on or prior to the date of delivery of the Certificates, as well as an opinion of counsel to the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the City and Jones Hall, A Professional Law Corporation, and Amira Jackmon, Attorney at Law, Co-Special Counsel ("Co-Special Counsel"). **THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY DECISION OF THE CITY TO AMEND, SUPPLEMENT, REPRINT AND/OR "STICKER" THE FINAL OFFICIAL STATEMENT AS A RESULT OF A FAILURE BY THE PURCHASER TO TIMELY PROVIDE INFORMATION FOR THE FINAL OFFICIAL STATEMENT OR ANY SUBSEQUENT EVENT WHICH RESULTS IN THE MUNICIPAL BOND INSURANCE DISCLOSURE PRINTED IN THE FINAL OFFICIAL STATEMENT BEING INACCURATE OR OTHERWISE INADEQUATE.**

Tax Matters. [In the opinion of Co-Special Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, and the accuracy of certain representations and certifications made by the City described herein, (i) the portion of each Base Rental payment due under the Project Lease designated as and comprising interest and received by the Owners of the Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) the Interest Portion of each Base Rental payment is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax.

Co-Special Counsel are further of the opinion that the Interest Portion of each Base Rental payment due under the Project Lease is exempt from personal income taxes of the State under present State law. Co-Special Counsel express no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of the Interest Portion of, the Certificates.

In the event that prior to the delivery of the Certificates (a) the income received by any private holder from certificates of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax law, either by the terms of such law or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court or (b) any federal income tax law is adopted which will have a substantial adverse tax effect on holders of the Certificates as such, the Purchaser may, at its option, prior to the tender of the Certificates by the City, be relieved of its obligation under the contract to purchase the Certificates and in such case the deposit accompanying its bid will be returned. For purposes of the preceding sentence, interest will be treated as excluded from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for calculating alternative minimum taxes or is otherwise includable for the purpose of calculating certain other tax liabilities.]

[The portion of the Certificate payments designated as and comprising interest and received by the Owners of the Certificates is not intended by the City to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Special Counsel, such portion of the Certificate payments is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest represented by, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.]

Legal Opinion. The separate legal opinions of Co-Special Counsel approving the validity of the Project Lease and referring to the tax matters mentioned above and certain other matters will be furnished to the Purchaser without charge.

TERMS OF SALE

Form of Bid. Each bid for the Certificates must be (1) for not less than all of the Certificates hereby offered for sale, (2) for not less than 99% of the par value of the Certificates, and (3) unconditional. Bids may include a premium on the par value of the Certificates. Bids delivered by hand must be in writing on the form attached hereto as Exhibit B and must be signed by the bidder. Electronic bids must conform with the procedures established by the Bidding Service; provided, however, that to the extent any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. Each bid, together with the check representing the bidder's good faith deposit in the amount of $________ (unless a financial surety bond is used) must be enclosed in a sealed envelope addressed to the Controller's Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, and clearly marked "Proposal for Certificates of Participation, Series ___ (Affordable Housing Projects)," as hereinafter described and received by 8:30 a.m. (California time) at the Controller's Office of Public Finance, Attention: Nadia Sesay (telephone: (415) 554-5956).

Bidders may submit the good faith deposit by wire transfer to:

U.S. Bank National Association
ABA No. 091000022
for credit to U.S. Bank National Association
Account No. 180121167365
Ref: City and County of San Francisco Affordable Housing COP

with notice thereof to Nadia Sesay, phone: (415) 554-5956; fax: (415) 554-4864. Bidders may also call (415) 554-6643 to confirm receipt of bids. If the sale of the Certificates is canceled or postponed, all sealed bids shall be returned unopened. All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity, the approved Bidding Service, in accordance with this Official Notice of Sale until 8:30 a.m. (California time), but no bid will be received after the time specified for receiving bids. To the extent any instructions or directions set forth in the information provided by Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, potential bidders may contact the Co-Financial Advisors or Parity, phone: (212) 849-5021.

THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID, WHETHER SEALED OR ELECTRONIC, IS TIMELY, LEGIBLE AND COMPLETE. THE CITY TAKES NO RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE TIME FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE, ILLEGIBLE OR NOT RECEIVED.

WARNINGS REGARDING ELECTRONIC BIDS: THE CITY WILL ACCEPT BIDS IN ELECTRONIC FORM SOLELY THROUGH THE BIDDING SERVICE ON THE OFFICIAL BID FORM CREATED FOR SUCH PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH THE BIDDING SERVICE, THAT THE CITY NEITHER ENDORSES NOR EXPLICITLY ENCOURAGES THE USE OF THE BIDDING SERVICE AND THAT THE BIDDING SERVICE IS NOT ACTING AS AN AGENT OF THE CITY. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM THE BIDDING SERVICE, AND THE CITY ASSUMES NO RESPONSIBILITY FOR

ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF THE BIDDING SERVICE. THE CITY SHALL ASSUME THAT ANY BID RECEIVED THROUGH THE BIDDING SERVICE HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE CITY WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE CITY, THE CO-FINANCIAL ADVISORS AND CO-SPECIAL COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE CITY AT THE PLACE OF BID OPENING, AND THE CITY SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY THE BIDDING SERVICE AS THE OFFICIAL TIME.

IN THE EVENT OF A MALFUNCTION IN THE ELECTRONIC BIDDING PROCESS, BIDDERS SHOULD SUBMIT THEIR BIDS ON THE OFFICIAL BID FORM ATTACHED HERETO AS EXHIBIT B VIA HAND DELIVERY AT THE LOCATION PROVIDED ABOVE.

Multiple Bids. In the event multiple bids are received from a single bidder by any means or combination thereof, the City shall accept the bid representing the lowest true interest cost to the City, and each bidder agrees by submitting any bid to be bound by such best bid.

Good Faith Deposit. Each bid must be accompanied by (i) a cashier's check in immediately available funds drawn on a bank or trust company transacting business in the State of California, or (ii) by a financial surety bond, or (iii) by wire transfer as described above, in each case in the amount of $______ payable to the order of the City, to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody's and S&P. Such financial surety bond must be received by no later than 8:30 a.m. (California time) on _____ ___, 20__ by the Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102; telephone (415) 554-5956 facsimile (415) 554-4864, Attn.: Nadia Sesay. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond, and the City has no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. If the Certificates are awarded to a bidder utilizing a financial surety bond, then the Purchaser shall deliver its good faith deposit to the Trustee in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon (California time) on the business day immediately following the award. Wire transfer instructions to be used by the Purchaser are provided in the "TERMS OF SALE" section of this Notice of Sale, in the subsection entitled "Form of Bid." If such deposit is not received by that time, the financial surety bond shall be drawn by the City to satisfy the deposit requirement.

The City will accept a financial surety bond in lieu of a cashier's check or wire transfer under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond. The City does not encourage or discourage the use of a financial surety bond or any particular surety bond provider.

If the apparent winning bidder on the Certificates is determined to be a bidder who has not submitted a Good Faith Deposit in the form of a cashier's check, as provided above, the Co-Financial Advisors will request the apparent winning bidder to immediately wire the Good Faith Deposit and provide the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors within ninety (90) minutes of such request by the Co-Financial Advisors. The Certificates will not be officially awarded to a bidder who has not submitted a Good Faith Deposit in the form of a cashier's check, as provided above, until such time as the bidder has provided a Federal wire reference number for the Good Faith Deposit to the Co-Financial Advisors.

No interest will be paid upon the deposit made by any bidder. Good faith deposit checks or wire transfers of all bidders (except the Purchaser) will be returned by the City promptly following the award of the Certificates to the Purchaser. The deposit of the Purchaser will, immediately upon acceptance of its bid, become the property of the City to be held and invested for the exclusive benefit of the City. The principal amount of such deposit shall be applied to the purchase price of the Certificates at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Certificates, the City shall retain the good faith deposit and the Purchaser shall have no right in or to the Certificates or to the recovery of its deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Certificates would not be validly delivered if delivered to the Purchaser in the form and manner proposed. In the event of non-payment for the Certificates upon the valid tender thereof to the Purchaser, the City reserves any and all rights granted by law to recover the full purchase price of the Certificates and, in addition, any damages suffered by the City.

Maximum Discount. The amount of discount (inclusive of original issue discount) specified in any bid shall not exceed 1% of the aggregate principal amount of the Certificates.

Basis of Award. Unless all bids are rejected, the Certificates will be awarded to the bidder whose bid represents the lowest true interest cost ("TIC") for the Certificates. The TIC will be that nominal annual interest rate which, when compounded semiannually and used to discount, to the dated date of the Certificates, all payments of principal and interest, results in an amount equal to the principal amount of such Certificates plus the amount of any premium offered, if any, or less the amount of any discount taken. In the event that two or more bidders offer bids for the Certificates at the same lowest TIC, the City shall determine by lot which bidder shall be awarded such Certificates. Bid evaluations or rankings made by Parity are not binding on the City.

Estimate of TIC. Each bidder is requested, but not required, to state in its bid the amount of interest payable with respect to the Certificates during the life of the issue and the percentage true interest cost to the City (determined as described above), which shall be considered as informative only and not binding on either the bidder or the City.

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole and absolute discretion, to reject any and all bids, for any reason, and to waive any irregularity or informality in any bid.

Prompt Award. The Director of Public Finance of the City or her designee will take action awarding the Certificates or rejecting all bids not later than 30 hours after the expiration of the date and time at which bids are received, unless such period for award is waived for the Purchaser. The City will make a formal award of the Certificates to the Purchaser following receipt of the completed reoffering price certificate described in the next paragraph. Each bidder should note that reoffering yields must be faxed to the City to (415) 554-4864 prior to any notification by the City of a best bid award.

Reoffering Prices and Certificate. **Individual maturities of the Certificates may be offered at a discount or a premium. The Purchaser of the Certificates must actually reoffer all of the Certificates to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).**

As soon as is practicable, but not later than one hour after the award, the Purchaser shall provide to the City the initial offering prices at which it has offered all of the Certificates of each maturity to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering.

Prior to delivery of the certificates, the Purchaser shall provide to the City and to Co-Special Counsel a reoffering price certificate in the form attached to this Notice of Sale as Exhibit C. In addition, at the request of Co-Special Counsel, the Purchaser shall provide additional information regarding its sales of the Certificates to the City and Co-Special Counsel. For purposes of the foregoing, sales to other securities brokers or dealers shall not be considered to be sales to the general public.

Qualification for Sale. Compliance with Blue Sky laws shall be the sole responsibility of the Purchaser. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City shall deem necessary or appropriate to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided, however,* that the City shall not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. **The Purchaser will not offer to sell or solicit any offer to buy the Certificates in any jurisdiction where it is unlawful for the Purchaser to make such offer, solicitation or sale, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells the Certificates.**

Delivery and Payment. Delivery of the Certificates, in the form of one certificate for each Certificate Payment Date, shall be made to the Purchaser through the facilities of DTC in New York, New York, or at any other location mutually agreeable to both the City and the Purchaser, as soon as practicable. The anticipated date of delivery of the Certificates is [anticipated Delivery Date]. Payment for the Certificates (including any premium) must be made by wire transfer in funds immediately available in San Francisco. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The costs of preparing the Certificates will be borne by the City.

Right of Cancellation. The Purchaser shall have the right, at its option, to cancel its obligation to purchase the Certificates if the City fails to tender the Certificates for delivery within 60 days from the date of sale thereof, and in such event the Purchaser shall only be entitled to the return of the principal amount of the deposit which accompanied its bid.

No Litigation. The City will deliver a certificate of the City stating that no litigation is pending with service of process having been accomplished or, to the knowledge of the officer of the City executing such certificate, threatened, concerning the validity of the Certificates, the corporate existence of the City, or the title of the officers of the City who will execute the Certificates to their respective offices or concerning the validity of the Property Lease, the Project Lease and the Trust Agreement.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Certificates and in the Official Statement, but neither the failure to print such numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Official Notice of Sale. The expenses associated with printing CUSIP numbers on the Certificates shall be paid by the City. The CUSIP Service Bureau charge for the assignment of said CUSIP numbers shall be paid by the Purchaser.

California Debt and Investment Advisory Commission Fee. Bidders are directed to California Government Code Section 8856, which provides that the Purchaser of the Certificates will be charged the California Debt and Investment Advisory Commission fee. The Purchaser shall pay such fee promptly upon receipt of the invoice therefor.

Certificate Regarding Official Statement. At the time of delivery of the Certificates, the Purchaser will receive a certificate, signed by an officer of the City, confirming to the Purchaser that, to the best knowledge of said officer, the final Official Statement relating to the Certificates (the "Official Statement") (excluding information regarding the policy of municipal bond insurance and the provider thereof, if any, and excluding the description of the book-entry only system of DTC, as to which no opinion shall be expressed) as of the date of sale of the Certificates and as of the date of delivery thereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Official Statement. The City has issued a Preliminary Official Statement relating to the Certificates and has authorized the use of said Preliminary Official Statement in connection with the sale of the Certificates. The Preliminary Official Statement is available on the Internet at www.i-dealprospectus.com. Bidders will be required to confirm their consent to delivery of the Preliminary Official Statement in electronic form and their review of a complete copy of the Preliminary Official Statement, as a condition to the acceptance of their bids by the City. The Internet posting of the Preliminary 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 securities described in the Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The Preliminary Official Statement will be furnished to any interested bidder upon request to either of the City's Co-Financial Advisors: Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, CA 94605; Attention: Jocelyn Mortensen, email JMortensen@pragla.com, telephone: (510) 339-3212; fax: (510) 281-6815 or Sperry Capital, Three Harbor Drive, Suite 101, Sausalito, California 94965, Attention: Bryant Jenkins, email: bjenkins@sperrycapital.com, telephone: (415) 339-9204, fax: (415) 339-6030.

In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Certificates, the Purchaser will be furnished with a reasonable number of copies (not to exceed 100) of the final Official Statement, without charge. Upon the request of the Purchaser, which shall be made to the City within two days of the award of the Certificates, the City will supply additional copies of the Official Statement at the expense of the Purchaser.

By making a bid for the Certificates, the bidder agrees, if awarded the Certificates: (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the City, (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12 and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Certificates to the ultimate purchasers, including without limitation the delivery of a final Official Statement to each ultimate purchaser of Certificates.

The form and content of the final Official Statement of the City is within the sole discretion of the City. The Purchaser's name will not appear on the cover of the Official Statement.

Continuing Disclosure. The City will covenant in a Continuing Disclosure Certificate, for the benefit of the holders or beneficial owners of the Certificates, to provide certain financial information relating to the City not later than 270 days following the end of the City's fiscal year, commencing with the report for the [2014-15] fiscal year, and to provide notices of certain listed events. The form of Continuing Disclosure Certificate is attached as an appendix to the Official Statement. The covenants have been made in order to assist the underwriters of the Certificates in complying with Rule 15c2-12 (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of listed events.]

Right to Postponement or Cancellation. The City may postpone or cancel the sale prior to the time bids are to be received as provided on page one hereof, provided that notice is communicated to prospective bidders through the News Services or Parity prior to the time then scheduled for the receipt of such bids. Notice of a new time, or of a new date and time, if any, will be given through the News Services or Parity as soon as practicable following a postponement. If the sale is postponed, any subsequent bid submitted by the bidder will supersede any prior bid made. If the sale is cancelled, all sealed bids shall be returned unopened. Failure of any bidder to receive notice of any postponement or cancellation shall not invalidate the sufficiency of any such notice.

Right to Modify or Amend. The City reserves the right to modify or amend the sale as provided on page one hereof and the right to modify or amend this Official Notice of Sale in any respect; *provided, however*, that any such modification or amendment shall be made not later than 3:00 p.m. (California time) on the day prior to the date prescribed for receipt of bids, and shall be communicated to potential bidders through the News Services or Parity. Failure of any bidder to receive notice of any modification or amendment shall not invalidate the sufficiency of any such notice.

Equal Opportunity. Pursuant to the spirit and intent of the City's LBE Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission on prospective proposing syndicate/teams. A list of certified LBEs can be obtained by contacting the San Francisco Human Rights Commission at 25 Van Ness Avenue, 8th Floor, San Francisco, California 94102; Telephone: (415) 252-2500.

Defined Terms. The terms used in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

Dated: _____ ___, 20__

EXHIBIT A

CERTIFICATE OF CERTIFICATE INSURER

The undersigned, the duly authorized and acting ______________________________ of ______________________________ (the "Certificate Insurer"), hereby certifies on behalf of the Certificate Insurer as follows:

1. The statements contained in the Official Statement, dated ______, 20__ (the "Official Statement"), relating to the City and County of San Francisco Certificates of Participation, Series ____ (Affordable Housing Projects) (the "Certificates") under the caption "CERTIFICATE INSURANCE," insofar as such statements constitute descriptions or summaries of the Certificate Insurer or the municipal bond insurance policy (the "Policy") of the Certificate Insurer covering the Certificates, accurately reflect and fairly present the information set forth therein, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and

2. The Form of Certificate Insurance Policy set forth in APPENDIX __ of the Official Statement is a true and complete copy of the form of Policy.

NAME OF CERTIFICATE INSURER:

By: ______________________________
Name and Title

____
Phone Number

EXHIBIT B
OFFICIAL BID FORM AND PROPOSAL FOR THE PURCHASE OF
$______________*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES ____
(AFFORDABLE HOUSING PROJECTS)

Evidencing Proportionate Interests of the Holders Thereof in a Project Lease, Including the Right to Receive Base Rental Payments to be Made by the CITY AND COUNTY OF SAN FRANCISCO

Controller
c/o Office of Public Finance
City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirm No.: (415) 554-6643

BIDDING FIRM'S NAME:

____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale, dated ___, ___, which is incorporated herein and made a part of this proposal, we hereby offer to purchase all of the $______________* aggregate principal amount of the City and County of San Francisco Certificates of Participation, Series ____ (Affordable Housing Projects) (the "Certificates") dated the date of the delivery thereof to the initial purchasers thereof on the following terms, including the submission of the required good faith deposit in the amount of $________ in the form of (check one: ___ cashier's check or ___ surety bond) and to pay therefor the price of $_______________, which is equal to the aggregate principal amount of the Certificates plus a premium of $_________ or less a discount of $__________ (not to exceed one percent (1%) (such amount being the "Purchase Price"). The Certificates shall mature in the amounts and years, and bear interest at the rates per annum (for the Certificates in multiples of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum, as set forth in the following schedule.

MATURITY SCHEDULE

Certificate Payment Date April 1[1]	Principal Amount[2]	Serial Maturity[3] (Check One)	Sinking Account Installment Prepayment (Check One)	Interest Rate	Certificate Payment Date April 1[1]	Principal Amount[2]	Serial Maturity[3] (Check One)	Sinking Account Installment Prepayment (Check One)	Interest Rate

1 Please circle any term certificate maturity dates.
2 Subject to adjustment in accordance with the Official Notice of Sale.
3 There shall be no serial maturities for dates after the first sinking account installment prepayment.

* Preliminary, subject to change.

The undersigned acknowledges that it has received and reviewed a complete copy in electronic form of the Preliminary Official Statement relating to the Certificates. The undersigned consents to delivery of the POS in electronic form and waives receipt of a paper copy of the POS.

Purchase Price: $

Authorized Signature:_______________

True Interest Cost: ________%
Total Interest: $
Bond Insurance Premium: $_______________
Bond Insurer, If any: _______________

Name and Title:_______________
Syndicate Manager:_______________
(Attached is a list of the members of our account on whose behalf this bid is made.)
Phone No.: (___)____-_________
Facsimile No.: (___)____-_________

THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING.

EXHIBIT C

[TO BE UPDATED]

REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED UNDER "REOFFERING PRICE CERTIFICATE" IN THE OFFICIAL NOTICE OF SALE)

Controller
c/o Office of Public Finance
City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Fax No.: (415) 554-4864

This Certificate is furnished by ________________ (the "Purchaser") of the City and County of San Francisco Certificates of Participation, Series ___ (Affordable Housing Projects) (the "Certificates") in the aggregate original principal amount of $_____________ issued by the City and County of San Francisco (the "Issuer"). Capitalized terms used herein shall have the meanings given such terms in the Tax Certificate of the Issuer dated the date hereof to which this Certificate is attached.

The undersigned does hereby certify as follows:

A. Issue Price.

1. All Certificates of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in Schedule A attached hereto, and such offering prices were established by a bona fide public offering by the Purchaser of 100% of the Certificates of each maturity to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

2. The aggregate of the initial offering prices of the Certificates is $______________.

3. On the date of the sale of the Certificates, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [*if less than ten percent of some maturities of the Certificates has been sold to the public, add:* , except the Certificates maturing in the years 20__, 20__20__, 20__, 20__ and 20__], was sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in Schedule A attached hereto. At the time we agreed to purchase the Certificates, based on our assessment of the then prevailing market conditions, we

had no reason to believe that any of the Certificates would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, than those set forth in Schedule A attached hereto, and such prices and yields, maturity-by-maturity, represented our best judgment of the fair market value of the Certificates.

4. [Less than ten percent (10%) of the Certificates maturing in the years 20__, 20__20__, 20__, 20__ and 20__] was sold to the public following a bona fide public offering at the prices or yields shown in the Official Statement. The unsold Certificates were bought by members of the bond syndicate for the Certificates. Even though, on the date of the sale of the Certificates, it was reasonably expected that such unsold Certificates would be held as inventory until sold to the public (as opposed to being held for the bond houses' own accounts), and even though it could then be reasonably expected that such sale to the public might be at prices higher than the prices, or yields lower than the yields, set forth in Schedule A attached hereto, our reasonable expectations regarding the fair market value of such Certificates, as of the date of the sale of the Certificates, were those reflected as the public offering prices or yields of such Certificates set forth in Schedule A attached hereto.

5. As of the date of sale of the Certificates, the Purchaser, taking into account market conditions, had no reason to believe any of the Certificates would be initially sold to the general public at prices greater than the initial offering prices to the public.

6. As of the date hereof, neither the Purchaser nor any affiliate of the Purchaser has participated in offering any derivative product with respect to the Certificates.

B. Qualified Guarantee.

The present value of the interest saved as a consequence of the municipal bond insurance policy (the "Bond Insurance") to be issued by ______________________________ (the "Bond Insurer") with respect to the Certificates exceeds the present value of the premium for the Bond Insurance, and the premium for the Bond Insurance does not exceed a reasonable charge for the transfer of credit risk and is comparable with other fees under current market conditions for similar credits. The premium for the Bond Insurance was determined in arm's-length negotiations. We believe that no non-guarantee services are being provided by the Bond Insurer.

We understand that the representations contained herein may be relied upon by the Issuer of the Certificates in making certain of the representations contained in the Tax Certificate, and we further understand that Jones Hall , A Professional Law Corporation, and Amira Jackmon, Attorney at Law, Co-Special Counsel to the Issuer (collectively, "Co-Special Counsel"), may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Certificates pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

C. *Compensation.*

All compensation received for underwriting services (which includes certain expenses, including the Bond Insurance premium) in connection with the sale and delivery of the Certificates is being paid on the date hereof in the form of a purchase discount in the amount of $_____________, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Certificates.

We understand that the representations contained herein will be relied upon by the Issuer in making certain of the representations contained in the Tax Certificate relating to the Certificates, and we further understand that Co-Special Counsel to the Issuer may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Certificates pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

Dated: _____________, 20__.

[PURCHASER]
By: _________________________
By: _________________________
Name: _______________________
Title: _______________________

EXHIBIT C

SCHEDULE A

Certificate Payment Date (April 1)*	Principal Amount	Initial Reoffering Price	Certificate Payment Date (April 1)*	Principal Amount	Initial Reoffering Price

* These maturities were each priced to their first optional redemption date on April 1, 20___ at 100% of the outstanding amount thereof.

PRELIMINARY OFFICIAL STATEMENT DATED ______, [2016]

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: ___
S&P: ___
Fitch: ___
(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Special Counsel, under existing law, the portion of the Certificate payments designated as and comprising interest and received by the Owners of the Certificates is not intended by the City to be excluded from gross income for federal income tax purposes. However, in the opinion of Co-Special Counsel, such portion of the Certificate payments is exempt from California personal income taxes. See "TAX MATTERS."

$[Par Amount]*

CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATES OF PARTICIPATION, SERIES _____
(AFFORDABLE HOUSING PROJECTS)

evidencing proportionate interests of the Owners thereof in a Project Lease, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

Dated: Date of Delivery | **Due: April 1, as shown on the inside cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the Certificates. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Certificates captioned above (the "Certificates") are executed and delivered to provide funds to: (i) assist in the acquisition, development, construction or rehabilitation of various affordable rental housing projects (the "Project"); (ii) fund the ______ Reserve Account of the Reserve Fund established under the Trust Agreement; (iii) [pay capitalized interest on the Certificates through _______,] and (iv) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT" herein.

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2009, between the City and County of San Francisco (the "City"), and U.S. Bank National Association, as trustee (the "Trustee"), as previously supplemented and amended and as supplemented and amended by that certain [Third] Supplement to Trust Agreement, dated as of [March 1, 2016] (as so amended and supplemented, the "Trust Agreement"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence principal and interest components of the Base Rental payable by the City pursuant to a Project Lease, dated as of May 1, 2009, by and between the Trustee, as lessor, and the City, as lessee, as previously supplemented and amended and as supplemented and amended by that certain [Third] Supplement to Project Lease, dated as of [March 1, 2016] (as so supplemented and amended, the "Project Lease"). The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement."

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Certificates will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on April 1 and October 1 of each year, commencing _______ 1, [2016]. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates are subject to prepayment prior to their scheduled principal payment dates as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE PROJECT LEASE AND NEITHER THE CITY NOR ANY OF ITS OFFICERS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE "CERTAIN RISK FACTORS."

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* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. 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 prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED ______, [2016]

CERTIFICATE PAYMENT SCHEDULE

(See inside cover)

The Certificates are offered when, as and if executed and delivered to, and received by, the initial purchasers, subject to the approval of the validity of the Project Lease by Jones Hall, A Professional Law Corporation, San Francisco, California and Amira Jackmon, Attorney at Law, Berkeley, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about [March __, 2016].

Dated: ________, [2016]

CERTIFICATE PAYMENT SCHEDULE

(Base CUSIP[1] Number: ______)

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Price or Yield[2]	CUSIP[1] Suffix	Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Price or Yield[2]	CUSIP[1] Suffix

[$__________% Term Bonds due _____, ____ – Price/Yield[2]_______% CUSIP[1]: _______]

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. 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 Certificates, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein other than that provided by the City, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither 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 since the date hereof.

This Official Statement is not to be construed as a contract with the initial purchasers or owners or beneficial owners of the Certificates. 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 facts.

The execution and sale of the Certificates have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE INITIAL PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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1 CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Purchaser takes any responsibility for the accuracy of such numbers.

2 Reoffering prices/yields furnished by the Purchasers. The City takes no responsibility for the accuracy thereof.

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

London Breed, *Board President, District 5*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Julie Christensen, *District 3*
Katy Tang, *District 4*
Jane Kim, *District 6*
Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Nadia Sesay, *Director of Public Finance*

PROFESSIONAL SERVICES

Co-Special Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Amira Jackmon, Attorney at Law
Berkeley, California

Co-Financial Advisors

Public Resources Advisory Group
Oakland, California

Sperry Capital
Sausalito, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

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APPENDICES

OFFICIAL STATEMENT

$[Par Amount]*

CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATES OF PARTICIPATION, SERIES _____
(AFFORDABLE HOUSING PROJECTS)

evidencing proportionate interests of the Owners thereof in a Project Lease, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Certificates of Participation, Series _____ (Affordable Housing Projects) (the "Certificates"). Any capitalized term not defined herein shall have the meaning given to such term in APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – DEFINITIONS."

This Introduction is designed to give an overview of the transactions and serve as a guide to the contents of this Official Statement. (Bold capitalized terms used in this Introduction are defined in the section, "THE CERTIFICATES" herein.)

Overview of the Transactions: The City, exercising its Charter powers to convey and lease property for City purposes, has conveyed certain real property to the **Trustee** under the **Property Lease** in exchange for the proceeds of the sale of the Certificates and other consideration. The Trustee has leased the **Leased Property** back to the City for the City's use under the **Project Lease**. The City is obligated under the Project Lease to pay Base Rental payments and other payments to the Trustee each year during the term of the Project Lease (subject to certain conditions under which obligation to pay Base Rental may be abated as discussed herein). Each payment of Base Rental consists of principal and interest components, and when received by the Trustee in each rental period, is deposited in trust for payment of the Certificates. The Trustee creates the "certificates of participation" in the Project Lease, representing proportional interests in the principal and interest components of Base Rental it receives from the City. The Trustee will apply Base Rental it receives to pay principal and interest with respect to each Certificate when due according to the **Trust Agreement**, which governs the security and terms of payment of the Certificates. The money received from sale of the Certificates will be applied by the Trustee, at the City's direction, to finance the **Project**.

The Certificates will be secured by Base Rental payments on a parity with outstanding Certificates of Participation of the City in an aggregate principal amount of $________ as of the date of this Official Statement.

Guide to this Official Statement: The Leased Property is described herein in the section, "THE LEASED PROPERTY". The application of proceeds of sale of the Certificates is described herein in the sections, "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. Current information about the City, its finances and governance, are provided in APPENDIX A. The City's most recent comprehensive annual financial report

* Preliminary, subject to change.

appears in APPENDIX B. A summary of the Property Lease, the Project Lease, the Trust Agreement, and other basic legal documents are provided in APPENDIX C.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City, the City has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" herein.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Project Lease, the Ordinance providing for the execution and delivery of the Certificates, other legal documents and provisions of the constitution and statutes of the State of California (the "State"), the City's charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, City Hall Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

[To be updated closer to posting date.] The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's 2014 population was approximately 849,200.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2013, approximately 16.9 million people visited the City and spent an estimated $9.38 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco Regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The per-capita personal income of the City for fiscal year 2013-14 was $76,886. The San Francisco Unified School District operates 8 transitional kindergarten schools, 72 elementary and K-8 school sites, 13 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 34 State-funded preschool sites, and sponsors 12 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San

Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2013-14, SFO serviced approximately 46.1 million passengers and handled 370,525 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The City's adopted budget for fiscal years 2015-16 and 2016-17 totals \$8.91 billion and \$8.92 billion, respectively. The General Fund portion of each year's adopted budget is \$4.59 billion in fiscal year 2015-16 and \$4.68 billion in fiscal year 2016-17, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 29,236 full-time-equivalent employees at the end of fiscal year 2013-14. According to the Controller of the City (the "Controller"), the fiscal year 2014-15 total net assessed valuation of taxable property in the City is approximately \$181.8 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, [2015]."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates are being executed and delivered pursuant to a Trust Agreement (the "Original Trust Agreement"), dated as of May 1, 2009, by and between the City and County of San Francisco (the "City") and U.S. Bank National Association, as trustee (the "Trustee"), as previously supplemented and amended and as supplemented and amended by that certain [Third] Supplement to Trust Agreement (the "[Third] Supplement to Trust Agreement") dated as of [March 1, 2016] (as so supplemented and amended, the "Trust Agreement").

Each Certificate represents a proportionate interest in the right of the Trustee to receive Base Rental payments (comprising principal and interest components) payable by the City pursuant to the Project Lease (the "Original Project Lease"), dated as of May 1, 2009, by and between the Trustee, as lessor, and the City, as lessee, as previously supplemented and amended and as supplemented and amended by that certain Third Supplement to Project Lease (the "[Third] Supplement to Project Lease"), dated as of [March 1, 2016] (as so supplemented and amended, the "Project Lease"). The City is obligated under the Project Lease to pay the Base Rental in consideration for its use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property").

The Leased Property was originally conveyed to the Trustee pursuant to a Property Lease (the "Original Property Lease"), dated as of May 1, 2009, by and between the City, as lessor, and the Trustee, as lessee, as previously supplemented and amended and as supplemented and amended by that certain [Third] Supplement to Property Lease (the "[Third] Supplement to Property Lease"), dated as of [March 1, 2016] (as so supplemented and amended, the "Property Lease").

The Original Trust Agreement, the Original Property Lease, and the Original Project Lease were approved by the Board of Supervisors of the City by its Resolution No. 351-08, adopted on July 29, 2008 and signed by the Mayor on August 5, 2008. The [Third] Supplement to Trust Agreement, the [Third] Supplement to Project Lease and the [Third] Supplement to Property Lease were approved by the Board of Supervisors of the City by its Ordinance No. ______, adopted on ________ and signed by the Mayor on ______. Ordinance No. _____ authorized the execution and delivery of up to $________ aggregate principal amount of the Certificates under the Trust Agreement and an increase in the maximum annual Base Rental payment under the Project Lease of $_______. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, since the Trustee is neither a public agency nor a nonprofit corporation. The City has obtained a judgment in the Superior Court for the City and County of San Francisco validating the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. See "VALIDATION ACTION" herein.

Purpose

The proceeds of the Certificates will be used to: (i) provide funds to assist in the acquisition, development, construction or rehabilitation of various affordable rental housing projects (collectively, the "Project"); (ii) fund the ______ Reserve Account of the Reserve Fund for the Certificates established under the Trust Agreement; (iii) [pay capitalized interest on the Certificates through _______]; and (iv) pay costs of execution and delivery of the Certificates. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein, for a further description of the expected application of proceeds of sale of the Certificates.

Form and Registration

The Certificates are being executed and delivered in the aggregate principal amount shown on the cover hereof.

The Certificates will be delivered in fully registered form, without coupons, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), who will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. Principal, premium, if any, and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such amounts to the DTC participants for subsequent disbursement to the beneficial owners of the Certificates. Beneficial owners of the Certificates will not receive physical certificates representing their interests in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The principal evidenced and represented by the Certificates shall be payable on April 1 of each year shown on the inside cover hereof, or upon prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental payments designated as principal components coming due on each April 1. Payment of the principal and premium, if any, of any Certificates upon prepayment or upon their respective Certificate Payment Dates will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee. Principal and premium shall be payable in lawful money of the United States of America.

Interest evidenced and represented by the Certificates is payable on April 1 and October 1 of each year (each, an "Interest Payment Date") commencing _______ 1, [2016], and continuing to and including their respective Certificate Payment Dates or until prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate shall accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) the Certificate is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby shall be payable from such Interest Payment Date; or (ii) the Certificate is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby shall be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. Payments of interest represented by the Certificates will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid to the Owner thereof on the Regular Record Date, or by wire transfer to any Owner of $1,000,000 or more of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date.

Prepayment of the Certificates

Optional Prepayment

The Certificates with a Certificate Payment Date on or before April 1, 20__ are not subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 20__ are subject to prepayment prior to their respective stated Certificate Payment Dates, as a whole or in part on any date on or after April 1, 20__, in the event the City exercises its option under the Project Lease to prepay the principal component of Base Rental payments, at a prepayment price equal to 100% of the principal amount of Certificates to be prepaid plus accrued interest to the date fixed for prepayment.

Special Mandatory Prepayment

The Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates, as a whole or in part on any date, at a Prepayment Price equal to the principal amount thereof plus accrued but unpaid interest to the prepayment date, without premium, from amounts deposited in the Prepayment Account of the Base Rental Fund following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or upon loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental shall be applied pro rata among all Outstanding Certificates of any series.

*Mandatory Sinking Account Installment Prepayment**

The Certificates with a Certificate Payment Date of April 1, 20__ are subject to sinking account installment prepayment prior to their stated final Certificate Payment Date, in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof, plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

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* Preliminary, subject to change.

Sinking Account Payment Date (April 1)	Sinking Account Installment Amount
†	

† Final Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all of the Outstanding Certificates are to be prepaid, the City will direct the principal amount of the Certificates scheduled to be paid on each Certificate Payment Date to be prepaid. Among the Certificates scheduled to be paid on a particular Certificate Payment Date, the Trustee, with the consent of the City, will select Certificates for prepayment [by lot] *[pro rata selection?]* in any manner which the Trustee in its sole discretion deems fair and appropriate; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

Notice of Prepayment

Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 30 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry system is used for any Certificates, notice with respect thereto shall be given solely to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

Each notice of prepayment shall specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original delivery date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Each notice shall further state that on the specified date there shall become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto shall cease to accrue and be payable. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such prepayment.

Effect of Prepayment

If, on the designated prepayment date, money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, shall be held by the Trustee so as to be available for the prepayment on the scheduled prepayment date, and if a prepayment notice shall have been given as described above, then from and after such prepayment date, no additional interest shall become due with respect to the Certificates to be prepaid, and such Certificate or portion thereof shall no longer be deemed

Outstanding under the provisions of the Trust Agreement; however, all money held by or on behalf of the Trustee for the prepayment of such Certificates shall be held in trust for the account of the Owners thereof.

If the City shall acquire any Certificate by purchase or otherwise, such Certificate shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

Conditional Notice; Cancellation of Optional Prepayment

The City may provide a conditional notice of prepayment and such notice shall specify its conditional status.

If the Certificates are subject to optional prepayment, and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, the prepayment will be canceled, and in such case, the City, the Trustee and the Owners will be restored to their former positions and rights under the Trust Agreement, and the City will continue to pay the Base Rental payments as if no such notice were given. Such a cancellation of an optional prepayment at the election of the City will not constitute a default under ~~the Trust Agreement,~~ and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee shall send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein shall affect the sufficiency of such cancellation.

In the event the City gives notice to the Trustee of its intention to exercise its prepayment option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, or fails to satisfy any condition to a conditional notice, the City will continue to pay the Base Rental payments as if no such notice had been given.

Purchase of Certificates

Unless expressly provided otherwise in the Trust Agreement, money held in the Base Rental Fund under the Trust Agreement in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least ten days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City under the Trust Agreement shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of provisions of the Trust Agreement. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay those Certificates. All Certificates so purchased shall be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

THE LEASED PROPERTY

[The Leased Property consists of the Pavilion Building and the North Residence Building constructed in 2009 on the campus of the City's Laguna Honda Hospital, together with certain limited rights of ingress and egress and appurtenant rights. Laguna Honda Hospital, originally constructed in 1866 as an almshouse for San Francisco's poor and homeless, is operated by the City's Department of Public Health to provide over 1,000 residents with long-term care regardless of their ability to pay, including skilled nursing, AIDS and dementia services, hospice, rehabilitation, and acute care. The City also provides adult day health care and senior nutrition programs through this facility. The 62-acre site is on property owned by the City and located at 375 Laguna Honda Boulevard on the western slopes of Twin Peaks, near the geographic center of the City. The Pavilion Building was completed in 2009, and was designed to accommodate 60 beds on three floors. The North Residence Building was completed in December, 2009, and was designed to accommodate 420 beds on seven floors. The combined value of the two buildings is estimated by the City to be approximately $309 million.] *[Review and update.]*

THE PROJECT

The Project consists of the acquisition, development, construction or rehabilitation of various affordable rental housing projects in the City.

[Please provide additional description of the Project – e.g., location, construction status, completion date, project costs, expected occupants?]

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Certificates:

Sources of Funds:	
Certificate Par Amount	
Net Original Issue Premium	
Total Sources	
Uses of Funds:	
Project Fund – ______ Project Account	
Base Rental Fund(1)	
Reserve Fund – ______ Reserve Account	
Purchaser's Discount	
Costs of Delivery(2)	
Total Uses	

(1) [Represents capitalized interest through ________.]
(2) Includes amounts for legal fees, Trustee's fees and expenses, financial advisory fees, rating agency fees, escrow and title insurance fees, printing costs and other delivery costs.

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CERTIFICATE PAYMENT SCHEDULE

The Trust Agreement requires that Base Rental payments payable by the City pursuant to the Project Lease on each March 25 and September 25 be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply amounts in the Base Rental Fund as necessary to make principal and interest payments with respect to the Certificates as the same shall become due and payable, as shown in the following table.

Certificate Payment Schedule
[Taxable] Certificates of Participation, Series ______
(Affordable Housing Projects)

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total

2546167.3 040018 OS

[Three] additional series of certificates of participation are currently outstanding and payable from Base Rental payments required to be made with respect to the Leased Property under the Project Lease: (i) the City's Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects) were delivered on May 27, 2009 in the aggregate principal amount of $163,335,000 (the "2009A Certificates"), (ii) the City's Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects) were delivered on September 17, 2009 in the aggregate principal amount of $37,885,000 (the "2009B Certificates"), and (iii) the City's Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) were delivered on June 6, 2012 in the aggregate principal amount of $42,835,000. The following table shows total annual Base Rental payments due with respect to all outstanding certificates of participation secured by Base Rental payments under the Project Lease:

Combined Annual Payment Schedule of the
[Certificates, the 2009A Certificates, the 2009B Certificates and the 2012A Certificates]

	Total Debt Service*		
Fiscal Year Ending June 30	The Certificates	Other Outstanding Certificates	Fiscal Year Total

* Totals may appear inconsistent due to rounding of components.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Project Lease so long as the City has use and occupancy of the Leased Property. The Project Lease terminates on April 1, [2046], unless extended as described in this section.

Pursuant to the Trust Agreement, the City has granted to the Trustee, for the benefit of the Owners, a first lien on, and security interest in, all amounts on hand from time to time in the following funds and accounts established under the Trust Agreement (provided, however, that the ______ Reserve Account of the Reserve Fund and the ______ Project Account shall secure only the Certificates), including: (i) all Base Rental payments received by the Trustee from the City; (ii) the proceeds of any insurance (including the proceeds of any self-insurance and any liquidated damages received in respect of the Leased Property), and eminent domain award not required to be used for repair or replacement of the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property; (iv) all amounts on hand from time to time in the ______ Reserve Account of the Reserve Fund and the Base Rental Fund established under the Trust Agreement, including amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates no longer needed to complete the Project or to pay costs of execution and delivery of the Certificates; and (v) any additional property subjected to the lien of the Trust Agreement by the City or anyone on its behalf. The City will pay to the Trustee the Base Rental payments to the extent required under the Project Lease, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the annual principal and interest represented by the Certificates.

Parity Obligations

The Certificates will be secured by Base Rental payments on a parity with the 2009A Certificates, the 2009B Certificates and the 2012A Certificates described in the preceding table, and any Additional Certificates that may hereafter be issued pursuant to the requirements set forth in the Trust Agreement.

Covenant to Budget

The City has covenanted in the Project Lease to take such action as may be necessary to include all Rental Payments in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Project Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law.

If the City defaults on its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and such default shall have continued for 60 days or more, the Trustee may, subject to applicable laws regarding use of such property, either re-let the Leased Property for the account of the City or may retain the Project Lease and hold the City liable for all Rental Payments on an annual basis.

For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – CITY BUDGET" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, [2015]." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Base Rental Payments; Additional Rental

Base Rental Payments. The City has covenanted in the Project Lease that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. The Trustee is required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any Fiscal Year will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year.

The Base Rental payments are payable by the City on March 25 and September 25 of each year during the term of the Project Lease, commencing _______, [2016], provided that any such payment shall be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of the Leased Property, non-completion of the construction of the buildings and other improvements located on the real property subject to the Project Lease (the "Facilities"), or defects in the title to the Leased Property, Base Rental payments are subject to abatement. See "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City and the City has covenanted in the Project Lease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Project Lease in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Project Lease.

Additional Rental. Additional Rental payments due from the City to the Trustee include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Trustee in connection with the Trust Agreement and all other fees, costs and expenses of the Trustee incurred from time to time in administering the Project Lease and the Trust Agreement. The City is also responsible for repair and maintenance of the Leased Property during the term of the Project Lease.

Limited Obligation

The obligation of the City to make Base Rental payments under the Project Lease does not constitute an obligation to levy or pledge, or for which the City has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City."

Abatement of Base Rental Obligation

The Trustee will collect and receive all of the Base Rental payments, and all payments of Base Rental received by the Trustee under the Project Lease will be deposited into the Base Rental Fund. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Project Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Project Lease regarding rental abatement. Any abatement of Base Rental payments could affect the City's ability to pay debt service on the Certificates. See "CERTAIN RISK FACTORS – Abatement."

The City's obligation under the Project Lease to make Rental Payments shall be abated during any period in which there is substantial interference with the City's right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or due to non-completion of any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the ______ Reserve Account of the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement shall be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference. Abatement of Base Rental payments shall commence with such damage, destruction or condemnation or discovery of such title defect and end when use and occupancy or possession is restored or correction of such title defect. In the event of abatement, the term of the Project Lease may be extended until all amounts due under the Project Lease and the Trust Agreement are fully paid, but in no event later than April 1, [2056].

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Project Lease requires the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months. See "– Insurance with Respect to the Leased Property" below. During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the Certificates. The City is also required by the Project Lease to replace or repair Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy, or to prepay Certificates such that resulting Rental Payments are sufficient to pay all amounts due under the Project Lease and the Trust Agreement with respect to the Certificates remaining Outstanding. See "– Replacement, Maintenance and Repairs" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Project Lease. See "– Addition, Release and Substitution of Leased Property" below. In addition, the Trust Agreement establishes a ______ Reserve Account of the Reserve Fund and requires the Trustee to use any moneys on deposit in said account of the Reserve Fund to make payments of principal and interest represented by the Certificates. See "Reserve Fund; ______ Reserve Account," below.

Reserve Fund; ______ Reserve Account

The Trust Agreement establishes a Reserve Fund that will be held by the Trustee, and within the Reserve Fund, there is created a ______ Reserve Account to be held with the Trustee. The ______ Reserve Account shall only be available to support payments with respect to the Certificates. Simultaneously with the delivery of the Certificates, the City will cause to be deposited into the ______ Reserve Account a portion of the proceeds of the Certificates, which amount will be at least equal to the Reserve Requirement with respect to the Certificates. The Reserve Requirement with respect to the Certificates, as of any date of calculation, is the least of (i) the maximum annual principal and interest payable with respect to the Certificates in the then-current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest payable with respect to the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates or (iii) 10% of the principal amount of Certificates originally executed and delivered. As of the date of delivery of the Certificates, the Reserve Requirement is $________.

The Reserve Fund is required to be maintained by the Trustee until the Base Rental is paid in full pursuant to the Project Lease or until there are no longer any Certificates Outstanding; provided, however, that the final Base Rental payment may, at the City's option, be paid from the Reserve Fund.

A Credit Facility in the amount of the Reserve Requirement may be substituted by the City at any time for all or a portion of the funds held by the Trustee in the Reserve Fund, provided that (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy, such Credit Facility shall be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall be transferred as directed in writing by a City Representative.

If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due with respect to the Certificates on such date, the Trustee shall transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Account within the Reserve Fund are restricted to a series of Certificates, then such amounts shall only be available for such series of Certificates). In the event of any such transfer, the Trustee shall immediately provide written notice to the City of the amount and the date of such transfer.

Any moneys in the ______ Reserve Account of the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, commencing ________ 1, [2016], and at such other time or times as directed by the City, shall be transferred to the Base Rental Fund and applied to the payment of the principal of and interest with respect to the Certificates on the next succeeding Interest Payment Date, or transferred to such other fund as the City may designate. The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

Reserve Accounts have been established in the Reserve Fund to secure the 2009A Certificates, the 2009B Certificates and the 2012A Certificates. Amounts held in the Reserve Accounts relating to the 2009A Certificates, the 2009B Certificates and the 2012A Certificates will not secure the Certificates, and amounts in the ______ Reserve Account do not secure the 2009A Certificates, the 2009B Certificates and the 2012A Certificates.

Replacement, Maintenance and Repairs

The Project Lease requires the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Project Lease. The Trust Agreement requires that if the Leased Property or any portion thereof is damaged or destroyed, the City must elect to either prepay the Certificates or replace or repair the affected portion of the Leased Property in accordance with the Project Lease. Under the Project Lease, the City must replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the City's right to the use and occupancy of the Leased Property or any portion thereof that would result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City is not required to repair or replace any such portion of the Leased Property if there shall be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay: (i) all of the Certificates Outstanding and to pay all other amounts due under the Project Lease and under the Trust Agreement or (ii) any portion of the Certificates such that the resulting Rental Payments payable in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest evidenced and represented by all Certificates to remain Outstanding and all other amounts due under the Project Lease and under the Trust Agreement to the extent they are due and payable in such Project Lease Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE PROJECT LEASE."

Insurance with Respect to the Leased Property

The Project Lease requires the City to maintain or cause to be maintained throughout the term of the Project Lease (but during the period of construction of the Facilities only the insurance described in clauses (i) and (v) below shall be required and may be provided by the contractor under the construction contract for the Facilities): (i) general liability insurance against damages occasioned by construction of improvements to or operation of the Leased Property with minimum coverage limits of $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City; (ii) all-risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates, with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; (iii) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident; and (iv) commencing on the date of Final Completion of the Facilities, rental interruption insurance, with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount to be adjusted annually on or prior to October 1 of each year, to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) above, with such insurance not subject to any deductible; and (v) builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount represented by the Certificates, or the replacement cost of the Facilities, which insurance shall be outstanding until Final Completion of the Facilities. Except as provided above, all policies of insurance required under the Project Lease may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The Project Lease further requires the City to maintain earthquake insurance in an amount equal to the Outstanding principal amount of the Certificates (to the extent commercially available, in the judgment of the City's Risk Manager); provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies. Based upon current market conditions and the recommendations of the Risk Manager of the City, the City has determined not to obtain earthquake insurance as of the date of this Official Statement. *[Confirm.]*

The City is also required under the Project Lease to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates.

The City may self-insure against any of the risks required to be insured against in the Project Lease, except for self-insurance for rental interruption insurance and title insurance.

Eminent Domain

If all of the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Project Lease, is taken under the power of eminent domain: (i) the City may, at its option, replace the Leased Property or (ii) the Project Lease will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of Certificates. If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, the Project Lease shall continue in full force and effect as to the remaining portions of the Leased Property, subject only to its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of the Leased Property taken or to the partial prepayment of Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Eminent Domain" and "– THE PROJECT LEASE – Eminent Domain."

Addition, Release and Substitution of Leased Property

If no Project Lease Event of Default has occurred and is continuing, the Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, upon satisfaction of the conditions to such amendment and substitution in the Project Lease. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE PROJECT LEASE – Addition, Release and Substitution."

Additional Certificates

The City may, from time to time amend the Trust Agreement and the Project Lease to authorize one or more series of Additional Certificates secured by Base Rental payments under the Project Lease on a parity with the Outstanding Certificates, provided that, among other requirements, the Base Rental payable under the amended Project Lease is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates, and that the amended Base Rental is not in excess of the fair rental value of the Leased Premises.

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the Certificates. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Certificates. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

City Long Term Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City. Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City's adopted ten-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $14 billion in capital needs are deferred from the capital plan's ten-year horizon. Over two-thirds of these unfunded needs relate to the City's transportation and waterfront infrastructure, where state of good repair investment has lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms and strategies to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding resources.

In addition, the City faces long term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken significant steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial liabilities of over $7 billion for these benefits, comprised of $4.0 billion for retiree health obligations and $3.4 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last three fiscal years and now exceed pre-recession peaks, but remain below adopted target levels of 10% of discretionary General Fund revenues.

There is no assurance that other challenges not discussed here may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, [2015]."

Rental Payments Not a Debt of the City

The obligation of the City to make Base Rental payments does not constitute an obligation of the City to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates represent and are payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the ______ Reserve Account of the Reserve Fund and the Base Rental Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City shall be obligated to make Rental Payments subject to the terms of the Project Lease, and neither the City nor any of its officers shall incur any liability or any other obligation with respect to the delivery of the Certificates.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds Authorized but Unissued," "– Overlapping Debt," and "– Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, [2015]."

Abatement

The obligation of the City under the Project Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Leased Property.

The Project Lease provides that if an event occurs which subjects the City's Base Rental payment obligation to abatement, the amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of damage, destruction, condemnation or discovery of title defect, and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Project Lease will be extended by the period during which the rental is abated under the Project Lease, but in no event beyond April 1, [2056].

It is not possible to predict the circumstances under which such an abatement of Base Rental payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Project Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

In the event of abatement or default, the amounts on deposit in the ______ Reserve Account may be significantly less than the amount of Base Rental due at the time of abatement or default. If moneys are drawn from the ______ Reserve Account to make Base Rental payments during a period of rental abatement, moneys remaining in the ______ Reserve Account of the Reserve Fund after such payments are likely to be less than the Reserve Requirement. The City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the ______ Reserve Account of the Reserve Fund to the Reserve Requirement.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys in the ______ Reserve Account of the Reserve Fund and any available insurance proceeds and other moneys available under the Trust Agreement, are insufficient to make all payments with respect to the Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Project Lease or Trust Agreement for nonpayment under such circumstances. **Failure to pay principal, premium, if any, or interest with respect to the Certificates as a result of abatement of the City's obligation to make Rental Payments under the Project Lease is not an event of default under the Trust Agreement or the Project Lease.**

Notwithstanding the provisions of the Project Lease and the Trust Agreement specifying the extent of abatement of Base Rental and the application of other funds in the event of the City's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of the remaining principal and interest represented by the Certificates.

Limited Recourse on Default; Re-letting of the Leased Property

The Project Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may, subject to applicable laws regarding use of such property, take possession of and re-let the Leased Property for the account of the City. The Leased Property is unique and re-letting might prove to be difficult or impossible. In addition, portions of the Leased Property have been improved with the proceeds of voter-approved general obligation bonds, and it is unclear whether any re-letting would be permitted to result in use of the Leased Property that is inconsistent with the hospital purposes for which those bonds were approved. The amounts received from any such re-letting may be insufficient to pay the scheduled principal and interest represented by the Certificates when due, and the City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the ______ Reserve Account to the Reserve Requirement. In addition, the Trust Agreement provides that no remedies such as re-letting may be exercised so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or subject to State personal income taxes. The enforcement of any remedies provided for in the Project Lease and in the Trust Agreement could prove to be both expensive and time consuming.

The Project Lease provides that any remedies on default shall be exercised by the Trustee. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental payments when due, or if the City breaches any other terms, covenants or conditions contained in the Project Lease, the Property Lease or in the Trust Agreement (and does not remedy such breach with all reasonable dispatch within 60 days after notice thereof or, if such breach cannot be remedied within such 60-

day period, the City fails to take corrective action within such 60-day period and diligently pursue the same to completion), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then outstanding, shall proceed), without any further notice: (i) to re-enter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, re-let the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, or (ii) in lieu of the above, so long as the Trustee does not terminate the Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due by pursuing any remedy available in law or in equity.

Enforcement of Remedies

The enforcement of any remedies provided in the Project Lease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Project Lease and the Trust Agreement may be limited by and are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties in the State. See "CERTAIN RISK FACTORS – Bankruptcy" herein.

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of the Base Rental payments. Certificate Owners would have to sue for payment of unpaid Base Rental in each rental period as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Release and Substitution of the Leased Property

The Project Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE PROJECT LEASE – Addition, Release and Substitution." Although the Project Lease requires that the substitute property have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to the Leased Property being replaced, it does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the Certificates.

Bankruptcy

In addition to the limitations on remedies contained in the Trust Agreement and the Project Lease, the rights and remedies in the Trust Agreement and the Project Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS – Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Project Lease was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Project Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Project Lease, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Project Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Project Lease (or the Property Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

Seismic Risks

The Leased Property is located in a seismically active region. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Property or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake or flood insurance, and the City does not currently have earthquake or flood insurance on the Leased Property. There can be no assurance that the Leased Property would not be damaged in whole or in part by seismic activity.

Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about 3 miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

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

Climate Change Regulations

The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R. 1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles.

Regulation by the EPA can be initiated by private parties or by governmental entities other than the EPA. On July 11, 2008, the EPA issued an Advanced Notice of Proposed Rulemaking (the "ANPR") relating to GHG emissions and climate change. The final rule, the Mandatory Reporting of Greenhouse Gases Rule (74 FR 56260), requires reporting of GHG data and other relevant information from large stationary sources and electricity and fuel suppliers.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the "California Global Warming Solutions Act of 2006," which requires the Statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of Assembly Bill 32: the "California Cap-and-Trade Program" (the "Program") which was implemented in January 2012. The Program covers regulated entities emitting 25,000 MtCO2e per year or more and entities in certain listed industries, including major industrial sources, electricity generating facilities, and fuel suppliers. Non-covered entities are encouraged to opt-in and voluntarily participate in the Program. It is expected that the Program will result in rising electricity and fuel costs, which may adversely affect the City and the local economy.

The City is unable to predict what additional federal or State laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what effects such laws and regulations will have on the City or the local economy. The effects, however, could be material.

Risk of Sea Level Changes and Flooding

In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise that may occur. The paper further estimates that two-thirds of this at-risk property (with a replacement value of approximately $62 billion in 2000 dollars) is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The City is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City and the local economy. The San Francisco Public Utilities Commission has planned and commenced flood control improvements throughout the City; however, the City cannot guarantee that such improvements will mitigate the impacts of flooding to the City.

Natural Gas Transmission and Distribution Pipelines

In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City. The City cannot provide any assurances as to the condition of PG&E pipelines in the City, or predict the extent of damage to surrounding property that would occur if a PG&E pipeline located within the City were to explode. The obligation of the City to make payments of Base Rental may be abated if the Leased Property or any improvements thereon are damaged or destroyed by a pipeline explosion. There can be no assurance that the Leased Property would not be damaged in whole or in part by a pipeline explosion.

Other Events

Seismic events, wildfires, and other natural or man-made events such as cybersecurity breaches may damage City infrastructure and adversely impact the City's ability to provide municipal services. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The

City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region.

Risk Management and Insurance

The Project Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. Upon the Final Completion of the Facilities, the City is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months' Base Rental payments. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Project Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the Certificates when due.

The Project Lease allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. The City expects to self-insure for all hazards for which the Project Lease permits self-insurance. *[Confirm.]* See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—LITIGATION AND RISK MANAGEMENT—Risk Retention Program."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES - CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIII B of the California Constitution."

Changes in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City's Board of Supervisors will not enact legislation that will amend the laws or the Constitution of the State or the Charter, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Articles XIII C and XIII D of the California Constitution."

The General Fund of the City, which is the source of payment of Base Rental, may also be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

State of California Financial Condition

The City receives a significant portion of its funding from the State. The City's fiscal year 2015-16 Annual Appropriation Ordinance projects that approximately $655.4 million or 14.3% of the City's $4.59 billion General Fund revenues will come from State sources. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances."

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City. The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. The City's fiscal year 2015-16 Annual Appropriation Ordinance projects that approximately $245.6 million or 5.4% of the City's $4.59 billion General Fund revenues will come from federal sources. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. On March 1, 2013 automatic spending cuts to federal defense and other discretionary spending (referred to as "sequestration") went into effect, and Congress was unable to enact a regular budget or a continuing resolution for the 2014 fiscal year, which began on October 1, 2013. As a result, certain appropriations lapsed on October 1, 2013 and the United States federal government entered a partial shutdown with furloughs of certain federal workers and suspension of certain services not exempted by law until October 16, 2013. Among other impacts, the City's receipt of federal subsidies for the interest payments on its obligations issued as "Build America Bonds" was delayed (the City's payment of interest on such obligations is not dependent upon federal subsidies and were not adversely affected by such delay). The City cannot predict the outcome of future federal budget deliberations. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – OTHER CITY TAX REVENUES" and "–INVESTMENT OF CITY FUNDS."

Other

There may be other risk factors inherent in ownership of the Certificates in addition to those described in this section.

TAX MATTERS

[The portion of the Certificate payments designated as and comprising interest and received by the Owners of the Certificates is not intended by the City to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Special Counsel, such portion of the Certificate payments is exempt from California personal income taxes. The proposed forms of opinions of Co-Special Counsel with respect to the Certificates is set forth in APPENDIX __.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest represented by, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above.]

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see "TAX MATTERS" herein) are subject to the separate legal opinions of Jones Hall, A Professional Law Corporation, San Francisco, California and Amira Jackmon, Attorney at Law, Berkeley, California Co-Special Counsel. The signed legal opinions of Co-Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinions of Co-Special Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to its date. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible Commission and City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Certificates, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to the attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Certificates contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder of the Certificates, or other person or party other than the City, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

PROFESSIONALS INVOLVED IN THE OFFERING

Public Resources Advisory Group and Sperry Capital have served as Co-Financial Advisors to the City with respect to the sale of the Certificates. The Co-Financial Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Co-Financial Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Co-Special Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2015-16, which is due not later than March 27, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City Controller's web site at www.sfgov.org/controller.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Property Lease, the Project Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Certificates and other documents and certificates in connection therewith. The City will furnish to the initial purchasers of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates.

VALIDATION ACTION

The City filed a complaint on September 15, 2008, pursuant to State Code of Civil Procedure Sections 860 through 870.5 in the Superior Court for the State in and for the City to validate the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. On January 15, 2009, a judgment was rendered finding the Original Project Lease, the Original Property Lease and the Original Trust Agreement to be valid, legal and binding obligations of the City in accordance with their terms and in conformity with all applicable provisions of law, including Article XVI, Section 18 of the State Constitution.

State Code of Civil Procedure Section 870(a) provides that such a judgment, if no appeal is taken, or if taken and the judgment affirmed, shall thereupon become and thereafter be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated against the City and against all other persons. State Code of Civil Procedure Section 870(b) provides that no appeal shall be allowed from such a judgment unless a notice of appeal is filed within 30 days after the entry of judgment. No notice of appeal was filed.

No validation action has been pursued or is expected to be pursued with respect to the validity of the [Third] Supplement to Project Lease, the [Third] Supplement to Property Lease, or the [Third] Supplement to Trust Agreement.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Service ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "___," "___" and "___," respectively, to the Certificates. Any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. The ratings reflect only the views of each rating agency. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period or that the same will not be revised or withdrawn entirely by such rating agency, if in such rating agency's judgment, circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions of a rating agency related to its rating, may have an adverse effect on the market or market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal, but the City has undertaken to provide notice to investors of certain changes to its ratings. See "CONTINUING DISCLOSURE."

SALE OF THE CERTIFICATES

The Certificates were sold at competitive bid on ______, [2016]. The Certificates were awarded to ________ (the "Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of $______. Under the terms of its bid, the Purchaser will be obligated to purchase all of the Certificates if any are purchased; the obligation to make such purchase is subject to the approval of certain legal matters by Co-Special Counsel and certain other conditions to be satisfied by the City.

The Purchaser has certified the reoffering prices or yields for the Certificates set forth on the inside cover of this Official Statement, and the City takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the net original issue premium on the reoffering of the Certificates is $______, and the Purchaser's gross compensation (or "spread") is $_______. The Purchaser may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Purchaser.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the Purchaser or Owners and beneficial owners of any of the Certificates.

The preparation and distribution of this Official Statement have been duly authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By:______________________________

Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, [2015]

[to be attached]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATES OF PARTICIPATION
SERIES _____
(AFFORDABLE HOUSING PROJECTS)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of May 1, 2009, between the City and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended by that certain [Third] Supplement to Trust Agreement, dated as of [March 1, 2016] (as so amended and supplemented, the "Trust Agreement"). Pursuant to Section 8.10 of the Trust Agreement, and Section 4.8 of that certain Project Lease, dated as of May 1, 2009, by and between the Trustee and the City, as supplemented and amended by that certain [Third] Supplement to Project Lease, dated as of [March 1, 2016] (as so supplemented and amended, the "Project Lease") the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Certificates or to dispose of ownership of any Certificates; or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Certificates, or, if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for Fiscal Year 2015-16 (which is due not later than March 27, 2017), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in a filing with the MSRB.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the ad valorem property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Certificates not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Certificates not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Project Lease or other material events affecting the tax status of the Project Lease;

11. Modifications to rights of Certificate holders;

12. Unscheduled or contingent Certificate calls;

13. Release, substitution, or sale of property securing repayment of the Certificates;

14. Non-payment related defaults;

15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of

business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the City determines would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Disclosure

Certificate shall terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final Certificate Payment Date of the Certificates, the City shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Certificates or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in a filing with the MSRB; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: [February __, 2016]

CITY AND COUNTY OF SAN FRANCISCO

____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Issue:	CITY AND COUNTY OF SAN FRANCISCO [TAXABLE] CERTIFICATES OF PARTICIPATION SERIES _____
Date of Delivery:	[March __, 2016]

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by ____________.

Dated: ______________

CITY AND COUNTY OF SAN FRANCISCO

By: ________[to be signed only if filed]_______
Title: ________________________________

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC") will act as securities depository for the certificates (as used in this Section, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the 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.

6. Redemption notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 City or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the City, 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 City or the paying agent or bond 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.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS

[To come]

APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY

$__________

CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATES OF PARTICIPATION
(AFFORDABLE HOUSING PROJECTS)
SERIES _____

PURCHASE CONTRACT

____________, 20___

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned Underwriter, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into the following agreement with the City and County of San Francisco (the "City"). Upon the acceptance of this offer by the City, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 11:59 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Certificates (as hereinafter defined) is otherwise terminated pursuant to Section 8(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(b) hereof, and the City shall be free to sell the Certificates to any other party. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement and the Leases (as hereinafter defined).

The Representative represents and warrants to the City that it has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the other Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriters hereby jointly and severally agree to purchase from the City, and the City agrees to sell and deliver to the Underwriters, all (but not less than all) of the $[___,000,000] aggregate principal amount of City and County of San Francisco [Taxable] Certificates of Participation (the "Certificates"). The Certificates shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The purchase price for the Certificates shall be an aggregate of $__________ (which represents the aggregate principal amount of the Certificates in the amount of $[___,000,000], plus a net aggregate original issue premium in the amount of $__________, less an aggregate underwriters' discount in the amount of $________) and less the amount of the Good Faith Deposit in the amount of $________ per Section 9 hereof.

Interest with respect to the Certificates will [not] be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 [and][but] will be exempt from State of California personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Certificates (as amended and supplemented, the "Official Statement").

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Certificates, dated __________, 20__ (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the offering and sale of the Certificates by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Corporation under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Certificates depending on such matters. The City shall provide the Underwriters, within seven (7) business days from the date hereof (but in any event at least two (2) business days prior to the Closing Date) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Certificates. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB or its designee. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 3. The Certificates and City Documents. The Certificates shall be as described in and shall be executed and delivered and secured under the provisions of a [Third] Supplement to Trust Agreement, dated as of __________, 20__ (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). The Certificates shall be payable and shall be subject to prepayment prior to their respective stated maturities, as provided in the Trust Agreement and as described in the Official Statement. The Certificates are legal, valid and binding special obligations of the City evidencing proportionate interests in a Project Lease (as hereinafter defined), including the right to receive the Base Rental payments paid by the City pursuant to such Project Lease and are further secured as provided in the Trust Agreement. The execution and delivery of the Certificates was approved pursuant to Ordinance No. ____, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on ___________, 20__ and signed by the Mayor of the City on ___________, 20__ (the "Ordinance") and related documents and the execution and delivery of the Official Statement for the Certificates.

The Certificates are executed and delivered for the purpose of providing funds to: (i) finance the Project; (ii) fund a reserve fund or the costs of a reserve surety policy; [(iii) capitalize certain interest with respect to the Certificates;] and (iv) pay costs of execution and delivery of the Certificates

The Trust Agreement, the Leases, this Purchase Contract and the Continuing Disclosure Certificate are sometimes referred to in this Purchase Contract as the "City Documents."

Section 4. City Representations, Covenants and Agreements. The City represents and covenants and agrees with each of the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the City Documents, to approve the Ordinance, and to observe, perform and consummate the covenants, agreements and transactions contemplated by the City Documents and the Ordinance; by all necessary official action of the City, the City has duly adopted the Ordinance prior to or concurrently with the acceptance hereof and has approved the Preliminary Official Statement and the Official Statement; the Ordinance is in full force and effect and has not been amended, modified, rescinded or challenged by referendum; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the Ordinance and the City Documents; the City has duly authorized and approved the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Certificates on its part contained in the Ordinance and the City Documents.

(b) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("DTC") and its book-entry only system) did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) From the date of delivery of the Official Statement (as hereinafter defined) up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriters shall have notified the City to the contrary on or prior to such date.

(d) If the Official Statement is supplemented or amended pursuant to Section 4(e), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry only system) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) If between the date of delivery of the Official Statement and the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the City that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Representative thereof, and (ii) if in the reasonable opinion of the City or the Representative such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld.

(f) The City has full legal right, power and authority to enter into the City Documents for the purposes described in the Ordinance and the Official Statement.

(g) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument; and the execution and delivery of the City Documents, the enactment of the Ordinance and compliance with the provisions of the City Documents and the Ordinance will not conflict with or constitute a material breach of or material default under any constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is subject, or by which it or any of its properties is bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its properties or under the terms of any such law, regulation or instrument, except as permitted by the City Documents.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the payment of the principal and interest with respect to the Certificates, or the application of the proceeds of the Certificates; (iii) in any way contesting or affecting the validity of the Certificates, the Ordinance, the City Documents or any tax-exempt status of the interest with respect to the Certificates, or contesting the powers of the City or any authority for the execution and delivery of the Certificates, the approval of the Ordinance or the execution and delivery by the City of the City Documents or the Official Statement; (iv) which would likely result in any material adverse change relating to the business, operations or financial condition of the City or the City's ability to satisfy its payment obligations with respect to the Certificates; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(i) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Representative as may be reasonably requested (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Representative, and (ii) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The City Documents when executed or adopted by the City, will be legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors rights generally, and to limitations on remedies against cities and counties under California law.

(k) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(l) The financial statements of the City for the fiscal year ended June 30, 20__ set forth as an Appendix to the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(m) The City has never defaulted in the payment of principal or interest with respect to any of its certificates of participation or financing leases.

(n) The City will undertake, pursuant to the Trust Agreement and a Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. If between the date hereof and the Closing Date there shall have been a change in paragraph (b)(5) of Rule 15c2-12 which establishes requirements on obligated persons, such as the City, more stringent than those in effect on the date hereof as a condition of the Underwriters not being prohibited from purchasing or selling the Certificates (the "Modified Rule"), the City agrees to modify the Continuing Disclosure Certificate to the end that such certificate will satisfy the requirements of the Modified Rule as in effect on the Closing Date. The City has been and is in compliance with its continuing disclosure obligations under Rule 15c2-12, as described in the Official Statement.

(o) Between the date hereof and the Closing Date, the City will not supplement or amend the City Documents, the Ordinance or the Official Statement in any respect that is material to the obligations of the City under this Purchase Contract without the prior written consent of the Representative, which consent shall not be unreasonably withheld.

Section 5. Underwriters' Representations, Covenants and Agreements. Each of the Underwriters represents and covenants and agrees with the City that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

(b) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such Resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(c) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

Section 6. Offering. It shall be a condition to the City's obligations to sell and to deliver the Certificates to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Certificates that the entire $[___,000,000] principal amount of the Certificates shall be executed, sold and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the City with information regarding the reoffering prices and yields on the Certificates, in such form as the City may reasonably request.

The Underwriters agree to make a bona fide public offering of all the Certificates, at prices not in excess of the initial public offering prices as set forth in the Official Statement. Each of the Underwriters will provide, consistent with the requirements of Municipal Securities Rulemaking Board Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases a Certificate during the underwriting period. Each of the Underwriters further agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Certificates.

Section 7. Closing. At 8:30 a.m., California time, on ________, 20__, or at such other time as shall have been mutually agreed upon by the City and the Representative (the "Closing Date" or the "Closing"), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Certificates duly executed by the Trustee, together with the other certificates, opinions and documents set forth in Section 8(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Certificates set forth in Section 1.

Payment for the delivery of the Certificates shall be coordinated at the offices of Jones Hall, A Professional Law Corporation (and, together with the Law Office of Amira

Jackmon, "Co-Special Counsel") in San Francisco, California, or at such other place as shall have been mutually agreed upon by the City and the Underwriters. Such payment and delivery is called the "Closing." The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Certificates, but neither the failure to print any such number on any Certificate nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Certificates in accordance with the terms of this Purchase Contract. The Certificates will be delivered to DTC, will be in printed, lithographed or typewritten form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Certificates will be made available to the Representative for checking not less than two (2) business days prior to the Closing.

Section 8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the representations and warranties of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative;

(c)(1) the Underwriters shall have the right to cancel their obligation to purchase the Certificates by written notification from the Representative to the City if at any time after the date of this Purchase Contract and prior to the Closing:

(i) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the City, Co-Special Counsel and Disclosure Counsel (as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(ii) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriter has the effect of requiring the Certificates to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies; or

(iii) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Certificates or obligations of the general character of the Certificates, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

(2) The Underwriters shall have the further right to cancel their obligation to purchase the Certificates by written notification from the Representative to the City if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative would have the effect of materially adversely affecting, directly or indirectly, the market price of the Certificates, the ability of the Underwriters to enforce contracts for the Certificates or the sale at the contemplated offering price by the Underwriters of the Certificates:

(i) any rating of the Certificates shall have been downgraded or withdrawn, or the possibility of such a downgrading or withdrawing shall have been publicly announced by a national rating service;

(ii) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the City;

(iii) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the California legislature or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to the California legislature or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the

Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived pursuant to the Project Lease or upon interest received with respect to obligations of the general character of the Certificates which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Certificates) or the interest thereon, or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Certificates or the market price generally of obligations of the general character of the Certificates;

(iv) the declaration of war or engagement in, or escalation of, military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(v) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange; or

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Certificates, or the delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(d) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(1) the Official Statement, together with any supplements or amendments thereto in the event the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment (if any) signed on behalf of the City by its authorized officer;

(2) the Trust Agreement, signed on behalf of the City and the Trustee by their respective authorized officers;

(3) executed counterparts of each of the Leases, together with evidence of their recordation;

(4) a certificate of the City executed by its authorized officer(s), substantially in the form attached hereto as Exhibit A;

(5) an opinion of the City Attorney of the City, addressed solely to the Board of Supervisors, notwithstanding anything herein to the contrary, substantially in the form attached hereto as Exhibit B;

(6) unqualified opinions of Co-Special Counsel, in substantially the form set forth in Appendix F to the Official Statement;

(7) supplemental opinions of Co-Special Counsel, addressed to the City and the Underwriters, dated the Closing Date and substantially in the form attached hereto as Exhibit C;

(8) a letter of__________, Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriter in form and substance acceptable to the Underwriters,;

(9) evidence of required filings with the California Debt and Investment Advisory Commission;

(10) an opinion of counsel to the Trustee, addressed to the City and the Underwriters, in form and substance acceptable to the City and the Representative;

(11) a certificate of the Trustee, to the effect that: (i) it is a national banking association duly organized and existing under the laws of the United States; (ii) it has full corporate trust powers and authority to serve as Trustee under the Trust Agreement; and (iii) it acknowledges and accepts its obligations under the Trust Agreement and the Leases and it has duly authorized, executed and delivered the Trust Agreement and the Leases and that such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound;

(12) the title insurance policy covering the Leased Property in accordance with the terms of the Project Lease;

(13) a copy of the Preliminary Blue Sky Survey with respect to the Certificates, prepared by Underwriters' Counsel;

(14) [a non-arbitrage certificate and certificate regarding use of proceeds in form and substance acceptable to Co-Special Counsel];

(15) a copy of the Ordinance, certified by the Clerk of the Board of Supervisors as having been duly enacted by the Board of Supervisors of the City and as being in full force and effect, with such changes or amendments as may have been approved in writing by the Representative, which approval shall not be unreasonably withheld;

(16) evidence satisfactory to the Representative that Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. have assigned ratings of ["___," "___" and "___"], respectively, to the Certificates;

(17) the Continuing Disclosure Certificate duly executed by the City; and

(18) such additional legal opinions, certificates, instruments or other documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel. If the City shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Certificates contained in this Purchase Contract or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Certificates shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 9. Good Faith Deposit. To secure the City from any loss resulting from the failure of the Underwriters to comply with the terms of this Purchase Contract, the Representative has sent to the Trustee a wire transfer (in immediately available funds) payable to the order of the Trustee, for the benefit of the City, in the amount of $_________ (the "Good Faith Deposit"), the receipt of which is hereby acknowledged by the City. The Good Faith Deposit will, immediately upon the City's acceptance of this offer, become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. At the Closing, the Underwriters shall pay or cause to be paid the purchase price of the Certificates (as specified in Section 1 of this Purchase Contract). If the Underwriters fail to pay the purchase price in full upon tender of the Certificates (other than for a reason expressly set forth in Section 8 of this Purchase Contract), the Underwriters will have no right to recover the Good Faith Deposit or to any allowance or credit therefore, and the Good Faith Deposit, together with any interest thereon, will be retained by the City as and for liquidated damages for such failure by the Underwriters. Retention of the Good Faith Deposit shall constitute the City's sole and exclusive remedy and full liquidated damages for the Underwriters' failure (other than for a reason expressly set forth herein) to purchase and accept delivery of the Certificates pursuant to the terms of this Purchase Contract. Upon such retention, the Underwriters shall be released and discharged from any and all claims for damages by the City against the Underwriters related to such failure and any other defaults by Underwriters hereunder. The Underwriters and the City hereby acknowledge and agree that the amount fixed pursuant to this Section for liquidated damages does not constitute a penalty and is a reasonable estimate of the damages that the City would sustain in the event of the Underwriters' failure to purchase and to accept delivery of the Certificates pursuant to the terms of this Purchase Contract. The amount is agreed upon and fixed as liquidated damages because of the difficulty of ascertaining as of the date hereof the amount of damages that would be sustained in such event. Each of the Underwriters waives any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages.

Section 10. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 10(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Special Counsel, Disclosure Counsel and the Co-Financial Advisors; (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Certificates; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Certificates.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Certificates, including but not limited to: (i) all advertising expenses in connection with the offering of the Certificates; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters, (iii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Certificates, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriter in connection with the offering and distribution of the Certificates, including the fees and disbursements of Underwriters' Counsel.

Section 11. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative, as follows: ________________________________.

Section 12. Parties in Interest. This Purchase Contract is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the representations, warranties and agreements of the City contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Certificates, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 13. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 14. Counterparts. This Purchase Contract may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 15. Governing Law; Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Purchase Contract shall be in the City and County of San Francisco.

Section 16. City Contracting Requirements.

(a) Underwriters Shall Not Discriminate. In the performance of this Purchase Contract, the Underwriters agree not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, weight, height, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or associated with members of such protected classes, or in retaliation for opposition to discrimination against such classes against any employee of, any City employee working with, or applicant for employment with the Underwriters in any of the Underwriters' operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services or membership in all business, social or other establishments or organizations operated by the Underwriters.

(b) Subcontracts. The Underwriters shall incorporate by reference in all subcontracts made in fulfillment of its obligations hereunder the provisions of Section 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from purchasing) and shall require all subcontractors to comply with such provisions. The Underwriters' failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Contract.

(c) Non-Discrimination in Benefits. The Underwriters do not as of the date of this Purchase Contract and will not during the term of this Purchase Contract, in any of its operations in San Francisco, California, or on real property owned by San Francisco, California, or where the work is being performed for the City elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. The Underwriters shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC 12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Purchase Contract as though fully set forth herein. The Underwriters shall comply fully with and be bound by all of the provisions that apply to this Purchase Contract under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriters understand that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of $50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Contract may be assessed against the Underwriters and/or deducted from any payments due the Underwriters; provided, however that such damages shall not be set off against the payment of rental or other contract related to Certificates, certificates of participation or other debt obligation of the City.

(f) Drug-Free Workplace Policy. The Underwriters acknowledge that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Underwriters agrees that any violation of this prohibition by the Underwriters, its employees, agents or assigns will be deemed a material breach of this Purchase Contract.

(g) Compliance with Americans with Disabilities Act. Without limiting any other provisions of this Purchase Contract, the Underwriters shall provide the services specified in this Purchase Contract in a manner that complies with the Americans with Disabilities Act (ADA) Title 24, and any and all other applicable federal, state and local disability rights legislation. The Underwriters agree not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Contract and further agrees that any violation of this prohibition on the part of the Underwriters, its employees, agents or assigns shall constitute a material breach of this Purchase Contract.

(h) Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(i) Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Underwriters may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Contract. The Underwriters agree to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Underwriters violate the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Contract, and (ii) prohibit the Underwriters from bidding on or receiving any new City contract for a period of two (2) years.

(j) MacBride Principles—Northern Ireland. The City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

(k) Tropical Hardwood and Virgin Redwood Ban. The City urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product or any virgin redwood or virgin redwood product.

(l) Repeal of Administrative Code Provisions. To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in this Section 15, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Purchase Contract or the Underwriters.

(m) Limitations on Contributions. Through execution of this Purchase Contract, each Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Each Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of $50,000 or more. Each Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, each Underwriter acknowledges that such Underwriter must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

(n) Requiring Minimum Compensation for Covered Employees. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Underwriters' obligations under the MCO is set forth in this Section. Each Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this

Purchase Contract shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, each Underwriter agrees to all of the following:

(i) The MCO requires each Underwriter to pay such Underwriter's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and such Underwriter is obligated to keep informed of the then-current requirements. Any subcontract entered into by an Underwriter shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is each Underwriter's obligation to ensure that any subcontractors of any tier under this Purchase Contract comply with the requirements of the MCO. If any subcontractor under this Purchase Contract fails to comply, the City may pursue any of the remedies set forth in this Section against such Underwriter. Nothing in this Section shall be deemed to grant any Underwriter the right to subcontract.

(ii) No Underwriter shall take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) Each Underwriter shall maintain employee and payroll records as required by the MCO. If such Underwriter fails to do so, it shall be presumed that such Underwriter paid no more than the minimum wage required under State law.

(iv) The City is authorized to inspect each Underwriter's job sites and conduct interviews with employees and conduct audits of such Underwriter.

(v) Each Underwriter's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Purchase Contract. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if such Underwriter fails to comply with these requirements. Each Underwriter agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for such Underwriter's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) Each Underwriter understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within

30 days after receiving written notice of a breach of this Purchase Contract for violating the MCO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If an Underwriter is exempt from the MCO when this Purchase Contract is executed because the cumulative amount of agreements with this department for the fiscal year is less than $25,000, but such Underwriter later enters into an agreement or agreements that cause such Underwriter to exceed that amount in a fiscal year, such Underwriter shall thereafter be required to comply with the MCO under this Purchase Contract. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and this department to exceed $25,000 in the fiscal year.

(o) Requiring Health Benefits for Covered Employees. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Purchase Contract as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, each Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If such Underwriter chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) An Underwriter's failure to comply with the HCAO shall constitute a material breach of this Purchase Contract. The City shall notify such Underwriter if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Purchase Contract for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Such Underwriter shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Underwriter shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the applicable Underwriter based on the Subcontractor's failure to comply, provided that the City has first provided such Underwriter with notice and an opportunity to obtain a cure of the violation.

(v) No Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to such Underwriter's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) Each Underwriter shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(viii) Each Underwriter shall keep itself informed of the current requirements of the HCAO.

(ix) Each Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) Each Underwriter shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) Each Underwriter shall allow the City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of each Underwriter to ascertain its compliance with HCAO. Each Underwriter agrees to cooperate with the City when it conducts such audits.

(xiii) If an Underwriter is exempt from the HCAO when this Purchase Contract is executed because its amount is less than $25,000 ($50,000 for nonprofits), but such Underwriter later enters into an agreement or agreements that cause such Underwriter's aggregate amount of all agreements with the City to reach $75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and the City to be equal to or greater than $75,000 in the fiscal year.

(p) Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, no Underwriter may participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Contract. Each Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event that an Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Contract, and (ii) prohibit such Underwriter from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider an Underwriter's use of profit as a violation of this section.

(q) Protection of Private Information. Each Underwriter has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Each Underwriter agrees that any failure of such Underwriter to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Purchase Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Purchase Contract, bring a false claim action against such Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar such Underwriter.

(r) Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

Each Underwriter shall remove all graffiti from any real property owned or leased by such Underwriter in the City and County of San Francisco within forty eight (48) hours of the earlier of such Underwriter's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require any Underwriter to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of an Underwriter to comply with this section of this Purchase Contract shall constitute a material breach of this Purchase Contract.

(s) Food Service Waste Reduction Requirements. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. This provision is a material term of this Purchase Contract. By entering into this Purchase Contract, each Underwriter agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, each Underwriter agrees that the sum of one hundred dollars

($100) liquidated damages for the first breach, two hundred dollars ($200) liquidated damages for the second breach in the same year, and five hundred dollars ($500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Purchase Contract was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of such Underwriter's failure to comply with this provision.

(t) Conflicts of Interest. Through its execution of this Purchase Contract, each Underwriter acknowledges that it is familiar with the provisions of Section 15.103 of the City Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Purchase Contract.

Section 17. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

Section 18. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITER]

By: [UNDERWRITER], as Representative

By: ______________________________
, Principal

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________
Benjamin Rosenfield, Controller

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: ______________________________
Mark D. Blake,
Deputy City Attorney

SCHEDULE 1

Maturity Date	Principal Amount ($)	Interest Rate	Yield	Price

EXHIBIT A

FORM OF CERTIFICATE OF THE CITY

The undersigned ___________, __________________ and __________, respectively, of the City and County of San Francisco ("the City"), acting in their official capacities, hereby certify as follows in connection with the execution, delivery and sale of the City and County of San Francisco [Taxable] Certificates of Participation (Affordable Housing Projects) Series _____ (the "Certificates"):

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California (the "State"), with full right, power and authority to (a) manage, control, hold and convey property for the use and benefit of the City, and (b) enter into and perform all of the transactions contemplated by the [Third] Supplement to Property Lease, dated as of ______ 1, 20__ (the "Property Lease"), by and between the City, as lessor, and U.S. Bank National Association (the "Trustee"), as lessee, the [Third] Supplement to Project Lease, dated as of ________ 1, 20__ (the "Project Lease"), by and between the Trustee, as lessor and the City, as lessee (collectively, the "Leases"), the [Third] Supplement to Trust Agreement dated as of _______ 1, 20__ by and between the City and the Trustee (the "Trust Agreement"), the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the City and the Purchase Contract, dated ________, 20__ (the "Purchase Contract"), between the City and [Underwriter]. The Trust Agreement, the Leases, the Continuing Disclosure Certificate and the Purchase Contract are sometimes referred to in this Certificate as the "City Documents." Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

2. The persons named below are now, and at all times from and after ________, 20__, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

3. The representations and warranties of the City contained in the Purchase Contract are true, complete and correct as of the Closing Date as if made on such Closing Date.

4. The City has duly authorized the execution and delivery of the City Documents and is authorized to perform the obligations on its part to be performed under the City Documents, and each of the City Documents constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its respective terms.

5. Except for any information about book-entry or The Depository Trust Company, included therein, as to which we express no opinion or view, as of the date thereof, the Official Statement as of its date did not, and as of the date hereof, does not,

contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

6. The City is not in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, note, ordinance, resolution, agreement or other instrument to which the City is party or otherwise subject, which breach or default would in any way materially and adversely affect the City Documents or the performance of any of the City's obligations thereunder. No event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default. The execution and delivery by the City of the City Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the City is a party or is otherwise subject; nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues, property or assets of the City, except as expressly provided or permitted by the Leases.

7. No litigation is pending (with service of process having been accomplished) or, to the knowledge of the undersigned, threatened (a) to restrain or enjoin the execution of or the delivery of the Certificates, the execution of and performance by the City under the City Documents or the use and occupancy by the City of the Project (as defined in the Trust Agreement) or (b) in any way contesting or affecting the validity of the Certificates, the City Documents or any other document, license, permit or approval necessary to the operation of the Facilities (as defined in the Trust Agreement) or the performance by the City under the City Documents.

8. There is no litigation pending (with service of process having been accomplished), or, to the knowledge of the undersigned, threatened against the City or involving any of the property or assets under the control of the City, including, without limitation, the Facilities that involves the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or in the condition, financial, physical, legal or otherwise, of the City or of the Facilities.

9. After due investigation, we certify the City has (a) an interest in the parcels of real property described in the Property Lease (the "Sites") sufficient for the transactions contemplated by the Leases, and (b) the interests in real property conveyed by the City to the Trustee pursuant to the Property Lease and the interests in real property conveyed by the Trustee to the City pursuant to the Project Lease are such that the estate vesting in the City is a valid leasehold estate, subject only to encumbrances which would not materially adversely affect the right to quiet enjoyment of such leasehold estate or would not interfere with the beneficial use and occupancy of the Facilities as contemplated by the Leases.

10. The City does hereby certify that Ordinance No.____, adopted by the Board of Supervisors of the City on ________ and signed by the Mayor of the City on

______ were duly adopted at proceedings duly conducted by the City and that such Ordinance are in full force and effect and have not been amended, modified or rescinded as of the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: ___________, 20__.

Name	Office	Signature

EXHIBIT B

FORM OF OPINION OF CITY ATTORNEY

[LETTERHEAD OF CITY ATTORNEY]

(CLOSING DATE)

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: City and County of San Francisco
[Taxable] Certificates of Participation (Affordable Housing Projects)
Series ______

Ladies and Gentlemen:

In connection with the execution and delivery of City and County of San Francisco [Taxable] Certificates of Participation (Affordable Housing Projects), Series ______ (the "Certificates"), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion.

I am of the opinion that:

1. The City and County of San Francisco (the "City") is a duly organized and validly existing chartered city and municipal corporation under and by virtue of its Charter and the Constitution of the State of California, with full legal right, power and authority to enter into and perform its obligations under: (i) the Trust Agreement, dated as of __________ 1, 20__ (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), (ii) the [Third] Supplement to Property Lease, dated as of _________ 1, 20__ (the "Property Lease"), by and between the City, as lessor, and the Trustee, as lessee, (iii) the [Third] Supplement to Project Lease, dated as of ________ 1, 20__ (the "Project Lease," and together with the Property Lease, the "Leases"), by and between the Trustee, as lessor, and the City, as lessee, (iv) the Purchase Contract, dated __________, 20__ (the "Purchase Contract"), between the City and [Underwriters], as the underwriters of the Certificates, and (v) the Continuing Disclosure Certificate, dated __________, 20__ (the "Continuing Disclosure Certificate"), executed by the City. The Leases, the Trust Agreement, the Purchase Contract and the Continuing Disclosure Certificate are collectively referred to herein as the "City Documents."

2. The resolutions of the City approving and authorizing the execution and delivery of the City Documents and the distribution of the Official Statement by the City (the "Ordinance") were duly adopted at meetings of the Board of Supervisors of the City, which were called and held pursuant to law and with all public notice required by law and at which quorums were present and acting throughout.

3. The City Documents have been duly authorized, executed and delivered by the City and assuming that such documents are valid and binding upon each of the other respective parties thereto, if any, each is valid and binding upon and enforceable against the City in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery of the City Documents and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the City a breach or default under any existing law, regulation, court order or consent decree to which the City is subject or, to the best of my knowledge after due inquiry, any agreement or instrument to which the City is a party or by which the City is bound.

5. All actions on the part of the City necessary for the making and performance of the City Documents have been duly and effectively taken and no consent, authorization or approval of or filing or registration with, any governmental or regulatory officer or body not already obtained or not obtainable in due course by the City is required for the making and performance of the City Documents.

6. Except as disclosed in the Official Statement, dated __________, 20__ (the "Official Statement"), no litigation, action, suit or proceeding is known to be pending (with service of process having been accomplished) or threatened (a) restraining or enjoining the execution or delivery of the Certificates, the City Documents or the use and occupancy by the City of the Project (as that term is defined in the Project Lease) or (b) in any way contesting or affecting the validity of the Ordinance, the Certificates, the City Documents or any proceedings of the City taken with respect to the foregoing or (c) which if determined adversely to the City would have a material adverse effect on its operations or finances.

Very truly yours,

DENNIS J. HERRERA
CITY ATTORNEY OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: ____________________________________
Deputy City Attorney

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-SPECIAL COUNSEL

[LETTERHEAD OF CO-SPECIAL COUNSEL]

(Closing Date)

City and County of San Francisco
San Francisco, California

[Underwriter], as representative of the underwriters
San Francisco, California

Re: City and County of San Francisco
[Taxable] Certificates of Participation (Affordable Housing Projects)
Series ______

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 8(d)(7) of the Purchase Contract, dated __________, 20__ (the "Purchase Contract"), between the City and County of San Francisco (the "City") and [Underwriter], as representative of the underwriters named therein (collectively, the "Underwriters"), providing for the purchase of $[___,000,000] aggregate principal amount of City and County of San Francisco [Taxable] Certificates of Participation (Affordable Housing Projects), Series ______ (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of __________ 1, 20__ (the "Trust Agreement"), between the City and U.S. Bank National Association, as trustee. Unless otherwise defined herein, or the context otherwise requires, capitalized terms used herein shall have the respective meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Contract.

On the date hereof we have rendered to the City our final opinion concerning the validity of the Certificates and certain other matters. The Underwriters may rely on said opinion as if it were addressed to them.

In addition to the opinions set forth in our final legal opinion concerning the validity of the Certificates and certain other matters, dated the date hereof and addressed to the City, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Purchase Contract has been duly authorized, executed and delivered by the City and (assuming due authorization, execution and delivery by and validity against the other party thereto) is a valid and binding agreement of the City enforceable in accordance with its terms. We call attention to the fact that the rights and obligations under the Purchase Contract may be subject to bankruptcy, insolvency, reorganization,

arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California.

2. The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

3. The statements contained in the Official Statement under the captions "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," "TAX MATTERS" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" and "APPENDIX F – PROPOSED FORMS OF CO-SPECIAL COUNSEL OPINIONS," insofar as such statements expressly summarize certain provisions of the Certificates, the Trust Agreement, the Leases, and the opinion of Co-Special Counsel concerning certain tax matters relating to the Certificates, constitute a fair summary of the provisions they purport to summarize and are accurate in all material respects.

Very truly yours,

RECORDING REQUESTED BY:
CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:
CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Mark Blake, Esq.

[THIRD] SUPPLEMENT TO PROJECT LEASE

Dated as of March 1, 2016

By and Between

U.S. BANK NATIONAL ASSOCIATION, *as Trustee,*
as Lessor

and

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

APN: [________]
Street Address: [________]

NO DOCUMENTARY TRANSFER TAX DUE
This Project Lease is exempt pursuant to Section 27383
of the California Government Code.

THIS [THIRD] SUPPLEMENT TO PROJECT LEASE, dated as of March 1, 2016 (this "[Third] Supplement to Project Lease"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessee, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessor (the "Trustee");

WITNESSETH:

WHEREAS, the City desires to provide funds to assist in the acquisition, development, construction or rehabilitation of various affordable housing projects (as further defined herein, the "20___ Project"), and the City is authorized pursuant to its charter and the laws of the State to enter into lease financings for such purpose; and

WHEREAS, the City and the Trustee have previously entered into a Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all works, property, improvements, structures and fixtures thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, the City and the Trustee have previously entered into a Project Lease, dated as of May 1, 2009, recorded in the Official Records of San Francisco on May 26, 2009, in Reel J898, Image 0417, DOC-2009-I769826-00 (the "Original Project Lease"), under which the Trustee has leased the Leased Property back to the City;

WHEREAS, in order to provide funds for certain capital improvements of the City, the Trustee executed and delivered certificates of participation captioned "$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement");

WHEREAS, the 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease;

WHEREAS, in order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement dated as of September 1, 2009 (the "First Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, under Section 3.2 of the Original Project Lease, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of September 1, 2009 (the "First Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, the 2009B Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates;

WHEREAS, in order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement dated as of June 1, 2012 (the "Second Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, under Section 3.2 of the Original Project Lease, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012 (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, the 2012A Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease and the Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates;

WHEREAS, in order to provide funds for the 20___ Project, the Trustee is executing and delivering a series of certificates of participation captioned "$______ City and County of San Francisco Certificates of Participation, Series 20___ (Affordable Housing Projects)" (the "20___ Certificates") under a [Third] Supplement to Trust Agreement, dated as of March 1, 2016, by and between the City and the Trustee (the "[Third] Supplement to Trust Agreement" and, collectively with the Original Trust Agreement, the First Supplement to Trust Agreement and the Second Supplement to Trust Agreement, the "Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 20___ Certificates, the City and the Trustee are entering into a [Third] Supplement to Property Lease, dated as of March 1, 2016 (the "[Third] Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 20___ Project and certain related matters;

WHEREAS, in connection therewith, under Section 3.2 of the Original Project Lease, the City and the Trustee are simultaneously entering into this [Third] Supplement to Project Lease, supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 20___ Project and certain related matters;

WHEREAS, the 20___ Certificates are being executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease and this [Third] Supplement to Project Lease, on a parity basis with the 2009A Certificates, the 2009B Certificates and the 2012A Certificates;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Original Project Lease as follows:

Section 1. Base Rental. The City agrees to pay, from any legally available funds, additional aggregate Base Rental in the amounts set forth under the caption "Base Rental Schedule" in Exhibit A hereto, which constitutes the principal and interest represented by the 20___ Certificates. The additional Base Rental consists of annual rental payments with principal and interest components, the interest components being paid semiannually as interest on the principal components computed on the basis of a 360-day year composed of twelve 30-day months. The Base Rental payable by the City shall be due on April 1 and October 1 in each year and payable on each March 25 and September 25 during the Project Lease Term, commencing ___________ 25, 2016. Such Base Rental provided in Exhibit A is supplemental to the amounts due as provided in Section 3.1(a) and Exhibit A of the Original Project Lease, Section 1 and Exhibit A of the First Supplement to Project Lease, and Section 1 and Exhibit A of the Second Supplement to Project Lease.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Original Trust Agreement. If any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates, according to their tenor.

The City has determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this [Third] Supplement to Project Lease and to the general public by reason of the City's use of the Leased Property.

Section 2. Amendment and Restatement of the Second Paragraph of Section 2 of the Original Project Lease relating to Project Lease Term. The Second Paragraph of Section 2 of the Original Project Lease is hereby amended and restated as follows: The term of the Project Lease shall begin on May 27, 2009, and end on the earliest of

(a) [April 1, 2046] or

(b) at such earlier date as the Certificates and all other amounts due hereunder and under the Trust Agreement have been paid or provision for their payment have been made in accordance with Section 11.01 of the Trust Agreement, or

(c) the date of termination of the Project Lease due to casualty or condemnation in accordance with the terms of Section 5 or 6 of the Project Lease;

provided, however, that, to the extent permitted by law, if Base Rental has been abated in any year in accordance with Section 3.5 of the Project Lease or has otherwise gone unpaid in whole or in part, the term of the Project Lease shall end on the earlier of the date falling 10 years after the date set forth in subparagraph (a) above, or [April 1, 2056], or the date on which no Certificates remain Outstanding and all Additional Rental has been paid.

Section 3. Original Project Lease Still in Effect. This [Third] Supplement to Project Lease and all the terms and provisions herein contained shall form part of the Original Project Lease, as supplemented by the First Supplement to Project Lease and the Second Supplement to Project Lease, as fully and with the same effect as if all such terms and provisions had been set forth in the Original Project Lease. The Original Project Lease, as supplemented by the First Supplement to Project Lease and the Second Supplement to Project Lease, is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 4. Insurance. A new Section 4.3(f) is hereby added to Section 4.3 of the Original Project Lease as follows:

(f) The City shall deliver to the Trustee, on the date of execution and delivery of the 20___ Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the 20___ Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the 20___ Certificates.

Section 5. Governing Law. This [Third] Supplement to Project Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 6. Counterparts. This [Third] Supplement to Project Lease may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this [Third] Supplement to Project Lease as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ______________________________
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________
Mayor

ATTEST:

By: ______________________________
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: ______________________________
Deputy City Attorney

CERTIFICATE OF ACCEPTANCE BY CITY AND COUNTY OF SAN FRANCISCO

This is to certify that the interest in real property conveyed by the [Third] Supplement to Project Lease, dated as of March 1, 2016, from U.S. Bank National Association to the City and County of San Francisco, a charter city and county and municipal corporation, is hereby accepted by the undersigned on behalf of the Board of Supervisors pursuant to authority conferred by ordinance of the Board of Supervisors adopted by the Board of Supervisors on ________, 2015, and the grantee consents to recordation thereof.

Dated: ________, 2016

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________
Edwin M. Lee
Mayor

ATTEST:

By: ______________________________
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

EXHIBIT A

BASE RENTAL SCHEDULE
20___ Project

Payment Date*	Principal	Interest	Semi-Annual Base Rental	Annual Base Rental
Oct. 1, 2016				
April 1, 2017				
Oct. 1, 2017				
April 1, 2018				
Oct. 1, 2018				
April 1, 2019				
Oct. 1, 2019				
April 1, 2020				
Oct. 1, 2020				
April 1, 2021				
Oct. 1, 2021				
April 1, 2022				
Oct. 1, 2022				
April 1, 2023				
Oct. 1, 2023				
April 1, 2024				
Oct. 1, 2024				
April 1, 2025				
Oct. 1, 2025				
April 1, 2026				
Oct. 1, 2026				
April 1, 2027				
Oct. 1, 2027				
April 1, 2028				
Oct. 1, 2028				
April 1, 2029				
Oct. 1, 2029				
April 1, 2030				
Oct. 1, 2030				
April 1, 2031				
Oct. 1, 2031				
April 1, 2032				
Oct. 1, 2032				
April 1, 2033				
Oct. 1, 2033				
April 1, 2034				
Oct. 1, 2034				
April 1, 2035				
Oct. 1, 2035				
April 1, 2036				
Oct. 1, 2036				

Payment Date*	Principal	Interest	Semi-Annual Base Rental	Annual Base Rental
April 1, 2037				
Oct. 1, 2037				
April 1, 2038				
Oct. 1, 2038				
April 1, 2039				
Oct. 1, 2039				
April 1, 2040				
Oct. 1, 2040				
April 1, 2041				
Oct. 1, 2041				
April 1, 2042				
Oct. 1, 2042				
April 1, 2043				
Oct. 1, 2043				
April 1, 2044				
Oct. 1, 2044				
April 1, 2045				
Oct. 1, 2045				
April 1, 2046				
Oct. 1, 2046				
April 1, 2047				
Total:				

*Base Rental is payable on each September 25th and March 25th prior to the Payment Date as provided under the Project Lease.

ACKNOWLEDGMENT

A notary public or other office completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On ________2016, before me, ______________________________, personally appeared ________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____
Notary Public

[Seal]

LEGAL DESCRIPTION

[Insert Legal Description]

RECORDING REQUESTED BY:
CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:
CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Mark Blake, Esq.

[THIRD] SUPPLEMENT TO PROPERTY LEASE

Dated as of March 1, 2016

By and Between

CITY AND COUNTY OF SAN FRANCISCO,
as Lessor

and

U.S. BANK NATIONAL ASSOCIATION, *as Trustee,*
as Lessee

APN: [_______]
Street Address: [_________]

NO DOCUMENTARY TRANSFER TAX DUE
This Property Lease is exempt pursuant to Section 6103
of the California Government Code.

THIS [THIRD] SUPPLEMENT TO PROPERTY LEASE, dated as of March 1, 2016 (this "[Third] Supplement to Property Lease"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessor, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessee (the "Trustee");

WITNESSETH:

WHEREAS, the City desires to provide funds to assist in the acquisition, development, construction or rehabilitation of various affordable housing projects (as further defined herein, the "20___ Project"), and the City is authorized pursuant to its charter and the laws of the State to enter into lease financings for such purpose; and

WHEREAS, the City and the Trustee have previously entered into a Property Lease, dated as of May 1, 2009, recorded in the Official Records of San Francisco on May 26, 2009, in Reel J898, Image 0416, DOC-2009-I769825-00 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all works, property, improvements, structures and fixtures thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, the City and the Trustee have previously entered into a Project Lease, dated as of May 1, 2009 (the "Original Project Lease"), under which the Trustee has leased the Leased Property back to the City;

WHEREAS, in order to provide funds for certain capital improvements of the City, the Trustee executed and delivered certificates of participation captioned "$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement");

WHEREAS, the 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease;

WHEREAS, in order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement dated as of September 1, 2009 (the "First Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of September 1, 2009 (the "First Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, the 2009B Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates;

WHEREAS, in order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement dated as of June 1, 2012 (the "Second Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012 (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, the 2012A Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates;

WHEREAS, in order to provide funds for the 20___ Project, the Trustee is executing and delivering a series of certificates of participation captioned "$________ City and County of San Francisco Certificates of Participation, Series 20___ (Affordable Housing Projects)" (the "20___ Certificates") under a [Third] Supplement to Trust Agreement, dated as of March 1, 2016, by and between the City and the Trustee;

WHEREAS, in connection with the execution and delivery of the 20___ Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee are entering into this [Third] Supplement to Property Lease, supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 20___ Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 20___ Certificates, the City and the Trustee are simultaneously entering into a [Third] Supplement to Project Lease (the "[Third] Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 20___ Project and certain related matters;

WHEREAS, the 20___ Certificates are being executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease and the [Third] Supplement to Project Lease, on a parity basis with the 2009A Certificates, the 2009B Certificates and the 2012A Certificates;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Original Property Lease as follows:

Section 1. Rent. As additional consideration to the City payable under Section 5 of the Original Property Lease, the City and the Trustee hereby agree that the Trustee shall pay to the City an advance rent in the amount of the net proceeds of the 20___ Certificates as additional prepaid rental and additional rent of $1 per year as consideration for this [Third] Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Original Trust Agreement.

Section 2. Governing Law. This [Third] Supplement to Property Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 3. Counterparts. This [Third] Supplement to Property Lease may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this [Third] Supplement to Property Lease as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ______________________________
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________
Mayor

ATTEST:

By: ______________________________
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: ______________________________
Deputy City Attorney

ACKNOWLEDGMENT

A notary public or other office completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On ________ 2016, before me, ______________________________, personally appeared ________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____
Notary Public

[Seal]

LEGAL DESCRIPTION

[Insert Legal Description]

[THIRD] SUPPLEMENT TO TRUST AGREEMENT

Dated as of March 1, 2016

By and between

CITY AND COUNTY OF SAN FRANCISCO,

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee,

Relating to:

$____________
City and County of San Francisco
[Taxable] Certificates of Participation, Series 20___
(Affordable Housing Projects)

[THIRD] SUPPLEMENT TO TRUST AGREEMENT

THIS [THIRD] SUPPLEMENT TO TRUST AGREEMENT, dated as of March 1, 2016 (this "[Third] Supplement to Trust Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (the "Trustee");

WITNESSETH:

WHEREAS, the City desires to provide funds to assist in the acquisition, development, construction or rehabilitation of various affordable housing projects (as further defined herein, the "20___ Project"), and the City is authorized pursuant to its charter and the laws of the State to enter into lease financings for such purpose; and

WHEREAS, the City and the Trustee have previously entered into a Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all works, property, improvements, structures and fixtures thereon (collectively the "Leased Property") to the Trustee;

WHEREAS, pursuant to a Project Lease, dated as of May 1, 2009, by and between the City and the Trustee (the "Original Project Lease"), the Trustee has leased the Leased Property back to the City;

WHEREAS, in order to provide funds for certain capital improvements of the City, the Trustee executed and delivered certificates of participation captioned "$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement");

WHEREAS, the 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease;

WHEREAS, in order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement dated as of September 1, 2009 (the "First Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of September 1, 2009 (the "First Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, the 2009B Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates;

WHEREAS, in order to provide funds for capital improvements to various City streets, the Trustee subsequently executed and delivered a series of certificates of participation captioned "$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement dated as of June 1, 2012 (the "Second Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012 (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, the 2012A Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease and the Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates;

WHEREAS, in order to provide funds for the 20___ Project, the Trustee is executing and delivering a series of certificates of participation captioned "$___________ City and County of San Francisco [Taxable] Certificates of Participation, Series 20___ (Affordable Housing Projects)" (the "20___ Certificates") under this [Third] Supplement to Trust Agreement;

WHEREAS, in connection with the execution and delivery of the 20___ Certificates, the City and the Trustee are entering into a [Third] Supplement to Property Lease, dated as of March 1, 2016 (the "[Third] Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 20___ Project and certain related matters;

WHEREAS, in connection with the execution and delivery of the 20___ Certificates, the City and the Trustee are simultaneously entering into a [Third] Supplement to Project Lease, dated as of March 1, 2016 (the "[Third] Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 20___ Project and certain related matters;

WHEREAS, the 20___ Certificates are being executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project

Lease and the [Third] Supplement to Project Lease, on a parity basis with the 2009A Certificates, the 2009B Certificates and the 2012A Certificates;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Original Trust Agreement as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have the meanings as set forth in the Original Trust Agreement. The defined term "Project" shall be deemed to include the 20___ Project as described in Exhibit B hereto. The following capitalized terms used herein are hereby defined as follows:

"20___ Certificates" means the certificates of participation captioned "City and County of San Francisco [Taxable] Certificates of Participation, Series 20___ (Affordable Housing Projects)" authorized hereby and at any time Outstanding hereunder.

["20___ Capitalized Interest Account" means the account of that name established pursuant to Section 3 hereof.]

"20___ Costs of Issuance Account" means the account of that name established pursuant to Section 4 hereof.

"20___ Project Account" means the account of that name established pursuant to Section 5 hereof.

"20___ Reserve Account" means the account of that name established pursuant to Section 6 hereof.

Section 2. Authorization, Designation and Description of the Additional Certificates. The Trustee is hereby authorized and directed to execute and deliver the 20___ Certificates as a series of Additional Certificates to the original purchaser or purchasers thereof. The 20___ Certificates shall be designated as "City and County of San Francisco [Taxable] Certificates of Participation, Series 20___ (Affordable Housing Projects)" which shall be executed and delivered in the aggregate principal amount of $____________. Each 20___ Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The 20___ Certificates shall be dated ________, 20__. The 20___ Certificates shall be executed and delivered in Authorized Denominations, and shall initially be executed and delivered in book-entry form pursuant to Section 2.11 of the Original Trust Agreement.

The 20___ Certificates shall be Additional Certificates under the Original Trust Agreement delivered in accordance with Section 7.04 thereof and representing Base Rental on a parity basis with the 2009A Certificates, the 2009B Certificates and the 2012A Certificates.

The 20___ Certificates shall have Certificate Payment Dates of April 1 in the years and shall evidence and represent principal components in the amounts, with an interest component with respect thereto calculated on the basis of a 360-day year composed of twelve 30-day months at the rates, as follows:

Certificate Payment Date (April 1)	Principal Amount	Interest Rate
20__	$___________	____%
20__		
20__		

20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__	
20__ †	
Total	

† Term Certificates

The interest evidenced and represented by the 20___ Certificates shall be payable on April 1 and October 1 of each year, beginning on _________ 1, 2016, and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

The principal evidenced and represented by the 20___ Certificates shall be payable on April 1 of each year, beginning on April 1, 20__ and continuing to and including April 1, 20__, and shall evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each April 1.

The 20___ Certificates with a Certificate Payment Date of April 1, 20___ shall be subject to mandatory sinking account installment prepayment as set forth in Section 7(c).

Section 3. Application of Sale Proceeds of the 20___ Certificates. Upon the Closing Date with respect to the 20___ Certificates, an amount of proceeds from the sale thereof equal to $_____________ (calculated as the principal amount represented by the 20___ Certificates ($_____________), plus a net original issue premium of $____________, less an underwriter's discount of $____________) shall be delivered to the Trustee and deposited by the Trustee as follows:

(1) The Trustee shall deposit into the 20___ Costs of Issuance Account the sum of $__________. Such amount shall be held in the 20___ Costs of Issuance Account separate from any other moneys in the Costs of Issuance Fund.

(2) The Trustee shall deposit into the 20___ Reserve Account in the Reserve Fund the sum of $_________, representing the Reserve Requirement as applicable to the 20___ Certificates only as of the Closing Date. The 20___ Reserve Account shall only be available for payments with respect to the 20___ Certificates.

[(3) The Trustee shall deposit into the 20___ Capitalized Interest Account within the Base Rental Fund the sum of $____________, representing capitalized interest with respect to the 20___ Certificates. The 20___ Capitalized Interest Account is hereby established to be held by the Trustee hereunder. Amounts on deposit in the 20___ Capitalized Interest Account shall be applied to the Base Rental payments allocable to the 20___ Certificates as described in the schedule below. Any amounts on deposit after _____ 1, 20__, in the 20___ Capitalized Interest Account, representing interest earnings, shall be expended on Base Rental allocable to the 20___ Certificates on the next available Base Rental payment date.]

Payment	Date

(4) The Trustee shall deposit into the 20___ Project Account the sum of $____________. Such amount shall be held in the 20___ Project Account separate from any other moneys in the Project Fund and applied to fund costs of the 20___ Project in accordance with Section 5(a) below.

Section 4. Establishment and Application of 20___ Costs of Issuance Account. There is hereby established in trust a special account designated as the "20___ Costs of Issuance Account," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such account as provided herein.

There shall be deposited in the 20___ Costs of Issuance Account that portion of the proceeds of the 20___ Certificates required to be deposited therein pursuant to Section 3 hereof. The Trustee shall disburse money from the 20___ Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance with respect to the 20___ Certificates, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative in the form attached to the Original Trust Agreement as Exhibit B. Any amounts remaining in the 20___ Costs of Issuance Account on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance with respect to the 20___ Certificates have been paid or the date twelve months from the Closing Date shall be transferred by the Trustee to the 20___ Project Account or such other fund or account that has been approved in writing by a City Representative, and the 20___ Costs of Issuance Account shall then be closed.

Section 5. Establishment and Application of 20___ Project Account. There is hereby established in trust a special account designated as the "20___ Project Account," which account shall be deemed held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided herein. There shall be deposited in the 20___ Project Account that portion of the proceeds of the 20___ Certificates required to be deposited therein pursuant to Section 3(4) hereof.

The Trustee shall, from time to time, disburse money from the 20___ Project Account to pay Project Costs with respect to the 20___ Project, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Written Request of the City in the form attached to the Original Trust Agreement as Exhibit C. Each officer of the City required to execute such Written Request shall have full authority to execute such Written Request without any further approval of the Board of Supervisors of the City.

In making such payments, the Trustee may rely upon the representations made in the requisition of the City therefor in the form set forth in Exhibit C to the Original Trust Agreement. If for any reason the City should decide prior to the payment of any item in said requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or the performance of any construction and similar contracts relating to the 20___ Project or for the use or application of money properly disbursed pursuant to requests made under this Section.

If, after payment by the Trustee of all requisitions theretofore tendered to the Trustee under the provisions of this Section, and delivery to the Trustee of a Written Certificate of the City to the effect that all Project Costs with respect to the 20___ Project have been paid and that the 20___ Project has been substantially completed in the form of Exhibit D to the Original Trust Agreement, there remains any balance of money in the 20___ Project Account, all money so remaining shall be transferred as directed by the City after consultation with Bond Counsel.

Notwithstanding any other provision of this Third Supplement to Trust Agreement or the Original Trust Agreement, including, in particular, Section 4.16 of the Original Trust Agreement, the City may, in its sole discretion and at any time, direct the Trustee to transfer moneys on deposit in the 20___ Project Account representing investment earnings on amounts therein to the Base Rental Fund if the City determines, in its sole discretion, that such moneys will not be needed for the 20___ Project. The Trustee shall make such transfer upon the receipt of a request executed by a City Representative directing it to make such transfer.

Section 6. Establishment and Application of 20___ Reserve Account. The 20___ Reserve Account within the Reserve Fund is hereby established in connection with the 20___ Certificates. The 20___ Reserve Account shall only be available to support payments with respect to the 20___ Certificates.

Section 7. Prepayment of 20___ Certificates. The 20___ Certificates shall be subject to prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment of 20___ Certificates. The 20___ Certificates with a Certificate Payment Date on or after April 1, 20__, are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after April 1, 20___, at the option of the City, in the event the City exercises its option under Section 7 of the Project Lease to prepay the principal component of the Base Rental payments, at the following prepayment prices (expressed as a percentage of the principal component to be prepaid), plus accrued interest to the date fixed for prepayment, without premium.

In the event the City gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given.

(b) Sinking Account Installment Prepayment of 20___ Certificates. The 20___ Certificates with a Certificate Payment Date of April 1, 20__, are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each April 1, beginning April 1, 20__, in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 20___ Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date (April 1)	Sinking Account Installment Amount
20__	$_______
20__	
20__ (maturity)	

(c) Special Prepayment of 20___ Certificates. The 20___ Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 of the Original Trust Agreement following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental shall be applied pro rata among all series of Certificates.

Section 8. Original Trust Agreement Still in Effect. This Third Supplement to Trust Agreement and all the terms and provisions herein contained shall form part of the Original Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Original Trust Agreement, as amended and supplemented by the First Supplement to Trust Agreement and the Second Supplement to Trust Agreement. The Original Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby and by the First Supplement to Trust Agreement and the Second Supplement to Trust Agreement.

Section 9. Governing Law. This Third Supplement to Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 10. Counterparts. This Third Supplement to Trust Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Third Supplement to Trust Agreement as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ______________________________
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________
Mayor

ATTEST:

By: ______________________________
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: ______________________________
Deputy City Attorney

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

CITY AND COUNTY OF SAN FRANCISCO
[TAXABLE] CERTIFICATE OF PARTICIPATION, SERIES 20___
(Affordable Housing Projects)

Evidencing a Proportionate Interest of the
Owner Hereof in the Right to Receive
Base Rental Payments to be Made by the

CITY AND COUNTY OF SAN FRANCISCO

Certificate Payment Date	Interest Rate	Original Certificate Date	CUSIP
April 1, 20___			

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the registered owner identified above or registered assigns, as the registered owner of this Certificate of Participation (the "Certificate"), is the owner of a proportionate interest in the right to receive Base Rental payments payable under a Project Lease dated as of May 1, 2009, as supplemented by a First Supplement to Project Lease dated as of September 1, 2009, a Second Supplement to Project Lease dated as of June 1, 2012, and a [Third] Supplement to Project Lease dated as of March 1, 2016 (collectively, the "Project Lease"), by and between the City and County of San Francisco (the "City"), a municipal corporation, as lessee, and U.S. Bank National Association, a national banking association, as trustee (the "Trustee").

The registered owner of this Certificate is entitled to receive, subject to the terms of the Project Lease and unless sooner paid in full, on the Certificate Payment Date identified above, the principal amount identified above, representing a portion of the Base Rental payments designated as principal coming due on or prior to such date, and to receive on ______ 1, 20__, and on each April 1 and October 1 thereafter (each, a "Payment Date"), until payment in full of such principal sum, the registered owner's proportionate share of the Base Rental payments designated as interest coming due on or prior to each of such dates. Such proportionate share of the portion of the Base Rental designated as interest is the result of the multiplication of the aforesaid portion of the Base Rental designated as principal by the interest rate specified above. Such proportionate share of the portion of the Base Rental designated as interest shall be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Interest with respect to this Certificate shall accrue from the Certificate Payment Date next preceding the date of execution hereof, unless (i) this Certificate is executed after the close of business on the 15th day of the month next preceding any Payment Date (the "Record Date") and before the close of business on the immediately following Payment Date, in which event interest shall accrue with respect hereto from such Payment Date, or (ii) this Certificate is executed on or before the Record Date immediately preceding the first Payment Date, in which event interest with respect hereto shall accrue from its Original Certificate Date set forth above; provided, however, that if at the time of execution of this Certificate, interest with respect hereto is in default, interest with respect hereto shall accrue from the Payment Date to which interest has previously been paid or made available for payment or from its Original Certificate Date if no interest has been paid or made available for payment.

Amounts due hereunder in respect of principal and premium, if any, are payable in lawful money of the United States of America at the Principal Office of the Trustee (or any successor Trustee or paying agent). Amounts representing interest are payable by check mailed by first class mail to the owner of this Certificate at such owner's address as it appears on the registration books of the Trustee as of the Record Date, provided that the payment with respect to the Certificates to each Owner of at least $1,000,000 aggregate principal amount of Certificates shall be made to such Owner by wire transfer to such wire address in the United States that such Owner may request in writing for all Payment Dates following the 15th day after the Trustee's receipt of such notice. Payments of defaulted interest, if any, with respect to this Certificate shall be paid by check to the registered owner of this Certificate as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the owner of this Certificate not less than 10 days prior thereto.

The City is authorized to enter into the Project Lease pursuant to the laws of the State. The City has entered into the Project Lease for the purpose of leasing certain facilities (the "Leased Property") in connection with the performance of the City's governmental functions.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement, dated as of May 1, 2009, as supplemented by a First Supplement to Trust Agreement dated as of September 1, 2009, a Second Supplement to Trust Agreement dated as of June 1, 2012, and a Third Supplement to Trust Agreement dated as of March 1, 2016 (collectively, the "Trust Agreement"), by and between the City and the Trustee. Under the Trust Agreement, the Trustee is authorized to execute and deliver the City and County of San Francisco [Taxable] Certificates of Participation, Series 20___ (Affordable Housing Projects) in the aggregate principal amount of $____________. This Certificate constitutes an Additional Certificate under the Trust Agreement delivered on parity with certain outstanding certificates of participation.

Reference is hereby made to the Project Lease and the Trust Agreement (copies of which are on file at the offices of the Trustee) for a description of the terms on which the Certificates are delivered, and the rights thereunder of the registered owners of the Certificates and the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Project Lease, to all of the provisions of which the registered owner of this Certificate, by acceptance hereof, assents and agrees.

The obligation of the City to pay Base Rental does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental does not constitute an indebtedness of the City, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The City's obligation to pay Base Rental shall be abated during any period in which, by reason of material damage, destruction, condemnation, noncompletion or title defect, there is substantial interference with the City's right of use and occupancy of the Leased Property or any portion thereof. Failure of the City to pay Base Rental during any such period shall not constitute a default under the Project Lease, the Trust Agreement or this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of Certificates (as defined in the Trust Agreement) then outstanding. The Trust Agreement may be amended without such consent under certain circumstances provided that the interests of the owners of the Certificates are not adversely affected. No amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Base Rental payment in accordance with such owner's Certificate.

Registration of this Certificate is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such registration of transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same principal amount of Certificates (as defined in the Trust Agreement) will be issued to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and shall not be affected by any notice to the contrary.

The Certificates are subject to optional prepayment, special prepayment, and mandatory sinking account prepayment as provided in the Trust Agreement.

Notice of any prepayment shall be given to the respective owners of Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such notice is given. The Trustee shall give notice by first-class mail, postage prepaid, at least 30 days but not more than 45 days prior to the prepayment date. Such notice shall set forth, in the case of each Certificate to be prepaid only in part, the portion of the principal thereof which is to be prepaid. Such notice may be conditional and may be canceled as provided in the Trust Agreement. Neither failure to receive such notice nor any defect in any notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

If this Certificate is called for prepayment and the principal amount of this Certificate plus accrued interest due with respect hereto are duly provided therefor as specified in the Trust Agreement, then interest shall cease to accrue with respect hereto from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Certificate owners to make payments of principal or interest with respect to the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer the various funds and accounts established under the Trust Agreement in accordance therewith, and, to the extent provided in the Trust Agreement, to enforce the rights of the Trustee under the Project Lease. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement.

The recitals of fact contained herein shall be taken as those of the City and not the Trustee, and the Trustee does not warrant the accuracy of any recitals hereof.

This Certificate shall not be entitled to any benefit under the Trust Agreement or become valid for any purpose until it has been duly executed and delivered by the Trustee.

THE CITY HAS CERTIFIED, RECITED AND DECLARED that all things, conditions and acts required by the Constitution and laws of the State and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Certificate, do exist, have happened and have been performed in due time, form and manner, as required by law.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Certificate executed and delivered is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

DATE OF EXECUTION:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ______________________________
Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM_as tenants in common

TEN ENT_as tenants by the entireties

JT TEN_as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT ______________ Custodian ________________________
(Cust) (Minor)

under Uniform Gifts to Minors Act ____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED THOUGH NOT IN THE LIST ABOVE

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

____

____

____
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Certificate and hereby irrevocably constitute(s) and appoints(s) ____________________________ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: __________________

Signature Guaranteed: __________________

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without altercation or enlargement or any change whatsoever.

Note: Signature(s) must be guaranteed by an eligible guarantor.

EXHIBIT B

The "20___ Project" consists of the acquisition, construction, predevelopment, development and/or other project costs of various affordable housing developments to be funded in part from the City and County of San Francisco Housing Trust Fund, including the following housing developments (subject to any additions or deletions as may be made at the sole discretion of the City):

- 227 Bay Street
- 990 Pacific
- 939-951 Eddy
- 666 Ellis
- 430-440 Turk
- 25 Sanchez
- 462 Duboce
- Robert B. Pitts
- 345 Arguello
- Ping Yuen
- Ping Yuen North
- Westside Courts
- 1750 McAllister
- Rosa Parks
- 320 & 330 Clementina
- 350 Ellis
- Alemany
- 3850 18th Street
- Mission Dolores
- 1760 Bush
- 2698 California
- Kennedy Towers
- Westbrook Apartments

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of June 17, 2015.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is governed as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State"), and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments", as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission, and may remove department heads.

Mayor and Board of Supervisors

Edwin M. Lee is the 43rd and current Mayor of the City. The Mayor has responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Lee was elected to his current four-year term on November 8, 2011. Prior to being elected, Mayor Lee was appointed by the Board of Supervisors in January 2011 to fill the remaining year of former Mayor Gavin Newsom's term when Mayor Newsom was sworn in as the State's Lieutenant Governor. Mayor Lee served as the City Administrator from 2005 until his appointment to Mayor.

He also previously served in each of the following positions: the City's Director of Public Works, the City's Director of Purchasing, the Director of the Human Rights Commission, the Deputy Director of the Employee Relations Division, and coordinator for the Mayor's Family Policy Task Force.

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

TABLE A-1

City and County of San Francisco
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Eric Mar, *District 1*	2008	2017
Mark Farrell, *District 2*	2010	2019
Julie Christensen, *District 3*	2015	2016
Katy Tang, *District 4*	2013	2019
London Breed, *Board President, District 5*	2012	2017
Jane Kim, *District 6*	2010	2019
Norman Yee, *District 7*	2012	2017
Scott Wiener, *District 8*	2010	2019
David Campos, *District 9*	2008	2017
Malia Cohen, *District 10*	2010	2019
John Avalos, *District 11*	2008	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his fourth four-year term as City Attorney in November 2013. The City Attorney represents the City in legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was elected Assessor-Recorder of the City in November 2013. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2013. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by Mayor Lee on February 7, 2012. The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. In January 2012, Mrs. Kelly became Acting City Administrator. From January 2011, she served as Deputy City Administrator where she was responsible for the Office of Contract Administration, Purchasing, Fleet Management and Central Shops. Mrs. Kelly led the effort to successfully roll out the City's new Local Hire program last year by streamlining rules and regulations, eliminating duplication and creating administrative efficiencies. In 2004, Mrs. Kelly served as the City Purchaser and Director of the Office of Contract Administration. Mrs. Kelly has also served as Special Assistant in the Mayor's Office of Neighborhood Services, in the Mayor's Office of Policy and Legislative Affairs and served as the City's Executive Director of the Taxicab Commission.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. In July 2014, the City adopted a full two-year budget. The City's fiscal year 2014-15 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately \$8.58 billion, of which the City's General Fund accounts for approximately \$4.27 billion. In fiscal year 2015-16 appropriated revenues, fund balance, transfers and reserves total approximately \$8.56 billion and \$4.33 billion of General Fund budget. For a further discussion of the fiscal years 2014-15 and 2015-16 adopted budgets, see "City Budget Adopted for Fiscal Years 2014-15 and 2015-16" herein. On June 1, 2015, Mayor Ed Lee issued his proposed fiscal year 2015-16 and fiscal year 2016-17 budget. The proposed fiscal year 2015-16 budget appropriates sources of approximately \$8.92 billion, of which \$4.58 billion is in the General Fund. The proposed fiscal year 2016-17 budget appropriates \$8.96 billion, of which \$4.68 billion is in the General Fund. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes and charges for services. A significant portion of the City's revenues come in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

The City's fiscal year commences on July 1. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit the complete budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the accuracy of economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from the said website are not incorporated herein by reference. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after ten days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year reflecting the year-end revenue and expenditure appropriations for that fiscal year.

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires four significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets were approved beginning in July 2012 by the Board of Supervisors for four departments: the Airport, the Port, the Public Utilities Commission and MTA. In July 2014, the Board also approved fixed two year budgets for the Library, Retirement and Child Support Services departments. All other departments prepared balanced, rolling two-year budgets.

- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on December 9, 2014, for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. See "Five-Year Financial Plan" below.

- Charges the Controller's Office with proposing to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent year.

- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the General Reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. On November 8 and 22, 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent on nonrecurring expenditures. On December 16, 2014, the Board of Supervisors unanimously adopted financial policies to implement voter-approved changes to the City's Rainy Day Reserve, as well as changes to the General Reserve which would increase the cap from 2% to 3% of revenues and reduce deposit requirements during a recession. These policies are described in further detail below under "Budgetary Reserves." The Controller's Office may propose additional financial policies by October 1 of any year.

Role of Controller; Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2014-15 Nine Month Budget Status Report (the "Nine Month Report"), on May 8, 2015. In addition, under Proposition A of November 2009, the Mayor must submit a Five-Year Financial Plan every two years to the Board of Supervisors which forecasts revenues and expenditures for the next five fiscal years and proposes actions to balance them. On December 9, 2014, the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office issued a proposed Five-Year Financial Plan for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. For details see "Five-Year Financial Plan" below. On March 12, 2015 the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office released an update to the City's proposed Five-Year Financial Plan. Finally, as discussed above, the City Charter directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 9, 2015 the Controller released the Discussion of the Mayor's FY 2015-16 and FY 2016-17 Proposed Budget (the "Revenue Letter"). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal year 2014-15 and 2015-16 Original Budgets total $4.27 billion, and $4.33 billion respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2011-12 through 2013-14 and the Original Budgets for fiscal years 2014-15 and 2015-16. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2013-14 was issued on November 28, 2014. The fiscal year 2013-14 CAFR reported that as of June 30, 2014, the General Fund available for appropriation in subsequent years was $295 million (see Table A-4), of which $136 million was assumed in the fiscal year 2014-15 Original Budget and $137 million was assumed in the fiscal year 2015-16 Original Budget. This represents a $55 million increase in available fund balance over the $240 million available as of June 30, 2013 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly property transfer tax, business tax and state hospital revenues in fiscal year 2013-14. The fiscal year 2014-15 CAFR is scheduled to be completed in late November 2015.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2011-12 through 2015-16
(000s)

	FY 2011-12 Final Revised Budget	FY 2012-13 Final Revised Budget	FY 2013-14 Final Revised Budget	FY 2014-15 Original Budget[2]	FY 2015-16 Original Budget[2]
Prior-Year Budgetary Fund Balance & Reserves	$427,886	$557,097	$156,426	$193,583	$149,823
Budgeted Revenues					
Property Taxes	$1,028,677	$1,078,083	$1,153,417	$1,232,927	$1,290,500
Business Taxes	389,878	452,853	532,988	572,385	597,835
Other Local Taxes	602,455	733,295	846,924	910,430	922,940
Licenses, Permits and Franchises	24,257	25,378	25,533	27,129	27,278
Fines, Forfeitures and Penalties	7,812	7,194	4,994	4,242	4,265
Interest and Investment Earnings	6,219	6,817	10,946	6,853	8,253
Rents and Concessions	22,895	21,424	23,060	22,692	18,738
Grants and Subventions	680,091	721,837	799,188	861,933	882,270
Charges for Services	153,318	169,058	177,081	209,810	199,455
Other	14,803	13,384	14,321	20,538	19,651
Total Budgeted Revenues	$2,930,405	$3,229,323	$3,588,452	$3,868,938	$3,971,185
Bond Proceeds & Repayment of Loans	589	627	1,105	29,151	29,043
Expenditure Appropriations					
Public Protection	$991,840	$1,058,324	$1,102,667	$1,173,977	$1,190,234
Public Works, Transportation & Commerce	53,878	68,351	79,635	127,973	129,991
Human Welfare & Neighborhood Development	677,953	670,958	745,277	799,355	814,586
Community Health	573,970	635,960	703,092	736,916	733,506
Culture and Recreation	99,762	105,580	112,051	126,932	121,579
General Administration & Finance	190,014	190,151	199,709	293,107	293,686
General City Responsibilities[1]	99,274	86,527	86,519	158,180	146,460
Total Expenditure Appropriations	$2,686,691	$2,815,852	$3,028,950	$3,416,440	$3,430,042
Budgetary reserves and designations, net	$11,112	$4,191	$0	$19,261	$11,461
Transfers In	$160,187	$195,388	$242,958	$179,282	$180,460
Transfers Out	(567,706)	(646,018)	(720,114)	(835,253)	(889,008)
Net Transfers In/Out	($407,519)	($450,630)	($477,156)	($655,971)	($708,548)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$253,558	$516,375	$239,876	$0	$0
Variance of Actual vs. Budget	299,547	146,901	184,184		
Total Actual Budgetary Fund Balance	$553,105	$663,276	$424,060	$0	$0

[1] Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.
[2] FY 2014-15 and FY 2015-16 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

Source: Office of the Controller, City and County of San Francisco.

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2014 was $836 million (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $3.7 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2010 through June 30, 2014.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Year Ended June 30 [1]
(000s)

	2010	2011	2012	2013	2014
Restricted for rainy day (Economic Stabilization account)	$39,582	$33,439	$31,099	$23,329	$60,289 [2]
Restricted for rainy day (One-time Spending account)	-	-	3,010	3,010	22,905 [2]
Committed for budget stabilization (citywide)	-	27,183	74,330	121,580	132,264
Committed for Recreation & Parks expenditure savings reserve	4,677	6,248	4,946	15,907	12,862 [2]
Assigned, not available for appropriation					
Assigned for encumbrances	69,562	57,846	62,699	74,815	92,269 [2]
Assigned for appropriation carryforward	60,935	73,984	85,283	112,327	159,345 [2]
Assigned for budget savings incentive program (Citywide)	-	8,684	22,410	24,819	32,088 [2]
Assigned for salaries and benefits (MOU)	4,198	7,151	7,100	6,338	10,040 [2]
Total Fund Balance Not Available for Appropriation	$178,954	$214,535	$290,877	$382,125	$522,062 [3]
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies	$27,758	$44,900	$23,637	$30,254	79,223 [4]
Assigned for General reserve			$22,306	$21,818	-
Assigned for subsequent year's budget	105,328	159,390	104,284	122,689	135,938 [5]
Unassigned for General Reserve			-	-	45,748
Unassigned - Budgeted for use second budget year		-	103,575	111,604	137,075
Unassigned - Available for future appropriation	-	9,061	12,418	6,147	21,656
Total Fund Balance Available for Appropriation	$133,086	$213,351	$266,220	$292,512	$419,640 [6]
Total Fund Balance, Budget Basis	$312,040	$427,886	$557,097	$674,637	$941,702
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$312,040	$427,886	$557,097	$674,637	$941,702
Unrealized gain or loss on investments	1,851	1,610	6,838	(1,140)	935
Nonspendable fund balance	14,874	20,501	19,598	23,854	24,022 [7]
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(71,967)	(43,072)	(46,140)	(38,210)	(37,303)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(55,938)	(63,898)	(62,241)	(93,910)	(66,415)
Deferred Amounts on Loan Receivables	(9,082)	(13,561)	(16,551)	(20,067)	(21,670)
Pre-paid lease revenue	-	(1,460)	(2,876)	(4,293)	(5,709)
Total Fund Balance, GAAP Basis	$191,778	$328,006	$455,725	$540,871	$835,562

[1] Summary of financial information derived from City CAFRs. GASB Statement 54, issued in March 2009, and implemented in the City's FY 2010-11 CAFR, establishes a new fund balance classification based primarily on the extent to which a government is bound to observe constraints imposed on the use of funds. Subsequent footnotes in this table provide the former descriptive titles for 2011 fund balance amounts.

[2] Prior to 2011, each line item was titled "reserved" for the purpose indicated

[3] Prior to 2011, titled "Total Reserved Fund Balance"

[4] Prior to 2011, titled "Designated for litigation and contingencies"

[5] Prior to 2011, titled "Unreserved, undesignated fund balance available for appropriation"

[6] Prior to 2011, titled "Total Unreserved Fund Balance"

[7] Prior to 2011, titled "Reserved for Assets Not Available for Appropriation"

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2014 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2014." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Year Ended June 30[1]
(000s)

	2010	2011	2012	2013	2014
Revenues:					
Property Taxes	$1,044,740	$1,090,776	$1,056,143	$1,122,008	$1,178,277
Business Taxes[2]	353,471	391,057	435,316	479,627	562,896
Other Local Taxes	520,733	608,197	751,301	756,346	922,205
Licenses, Permits and Franchises	24,249	25,252	25,022	26,273	26,975
Fines, Forfeitures and Penalties	17,279	6,868	8,444	6,226	5,281
Interest and Investment Income	7,900	5,910	10,262	2,125	7,866
Rents and Concessions	18,733	21,943	24,932	35,273	25,501
Intergovernmental	651,074	657,238	678,808	720,625	827,750
Charges for Services	138,615	146,631	145,797	164,391	180,850
Other	21,856	10,377	17,090	14,142	9,760
Total Revenues	$2,798,650	$2,964,249	$3,153,115	$3,327,036	$3,747,361
Expenditures:					
Public Protection	$948,772	$950,548	$991,275	$1,057,451	$1,096,839
Public Works, Transportation & Commerce	40,225	25,508	52,815	68,014	78,249
Human Welfare and Neighborhood Development	632,713	610,063	626,194	660,657	720,787
Community Health	473,280	493,939	545,962	634,701	668,701
Culture and Recreation	94,895	99,156	100,246	105,870	113,019
General Administration & Finance	169,980	175,381	182,898	186,342	190,335
General City Responsibilities	87,267	85,422	96,132	81,657	86,968
Total Expenditures	$2,447,132	$2,440,017	$2,595,522	$2,794,692	$2,954,898
Excess of Revenues over Expenditures	$351,518	$524,232	$557,593	$532,344	$792,463
Other Financing Sources (Uses):					
Transfers In	$94,115	$108,072	$120,449	$195,272	$216,449
Transfers Out	(559,263)	(502,378)	(553,190)	(646,912)	(720,806)
Other Financing Sources	3,733	6,302	3,682	4,442	6,585
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($461,415)	($388,004)	($429,059)	($447,198)	($497,772)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency			(815)	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	($109,897)	$136,228	$127,719	$85,146	$294,691
Total Fund Balance at Beginning of Year	$301,675	$191,778	$328,006	$455,725	$540,871
Total Fund Balance at End of Year – GAAP Basis[4]	$191,778	$328,006	$455,725	$540,871	$835,562
Fund Balance Available to Support Subsequent Year's Appropriations, Year End					
– GAAP Basis	($2,050)	$48,070	$133,794	$135,795	$178,066
– Budget Basis[5]	$105,328	$168,451	$220,277	$240,410	$294,669

[1] Summary of financial information derived from City CAFRs. Fund balances include amounts reserved for rainy day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

[2] Does not include business taxes allocated to special revenue fund for the Community Challenge Grant program.

[3] Prior to adoption of GASB Statement 54 in 2011, titled "Unreserved & Undesignated Balance, Year End"

[4] Total FY 2012-13 amount is comprised of $122.7 million in assigned balance subsequently appropriated for use in FY 2013-14 plus $117.8 million unassigned balance available for future appropriations.

[5] Beginning in FY 2013-14, CAFR reports year end General Reserve balance as unassigned but it is not considered available for subsequent year's appropriations.

Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco.

Five-Year Financial Plan

The Five-Year Financial Plan ("Five-Year Financial Plan") is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the Five-Year Financial Plan to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Five-Year Financial Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Five-Year Financial Plan be adopted every two years. The City updates the Five-Year Financial Plan annually.

On December 9, 2014, the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office issued a proposed Five-Year Financial Plan for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. The Five-Year Financial Plan projected shortfalls of $16 million, $88 million, $275 million, $376 million, and $418 million cumulatively for fiscal years 2015-16 through fiscal year 2019-20, respectively. On March 12, 2015, the Five-Year Financial Plan was updated with the most recent information on the City's fiscal condition. For General Fund Supported operations, the updated Five-Year Financial Plan projects budgetary shortfalls of $21 million, $67 million, $289 million, and $376 million and $402 cumulatively over the next five fiscal years. The updated Five-Year Financial Plan projects a cumulative decrease in shortfall projections of $16 million during the plan period. The updated Five-Year Financial Plan projects continued growth in General Fund revenues of 14%, primarily composed of growth in local tax sources, offset by projected increases in employee salaries and benefits, citywide operating expenses, and departmental costs of 24%. The Five-Year Financial Plan presents an array of fiscal strategies to constrain this increase in expenditures and bring revenues and expenditures into balance. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls are expected to decrease.

The City currently projects growth in General Fund sources of $610 million over the five-year period, and expenditure growth of $1.01 billion. Growth in citywide operating costs is responsible for the majority of the cost growth and projected annual shortfalls, growing by $397 million during the plan period. Other costs projected to increase during the period include: employee wage and benefit cost increases of $367 million, Charter mandated baseline and reserve changes of $162 million, and individual department cost increases totaling $86 million. These figures incorporate cost increases incurred due to voter approval of several November 2014 ballot measures:

Proposition B – Population-Based Adjustment to General Fund Appropriation to Transportation Fund: Starting in fiscal year 2015-16, the City is required to adjust the baseline funding to MTA annually by the percent increase in the San Francisco population. The estimated value of this transfer is $23.6 million in fiscal year 2015-16, increasing annually by the change in population thereafter.

Proposition C – Children and Families First Initiative: Voters approved the renewal of the Public Education Enrichment Fund ("PEEF") and the Children's Amendment (The Children's Fund and the Children's Baseline) through Proposition C. PEEF and the Children's Amendment are local legislation that set aside General Fund dollars for services for San Francisco children and families. The Plan reflects an increase in the property tax set-aside for the Children's Fund, now the Children and Youth Fund, the removal of in-kind contributions to the San Francisco Unified School District through PEEF, and the bifurcation of the existing Rainy Day Reserve on January 1, 2015 into a City Reserve and a School Reserve. This will increase costs to the General Fund by approximately $21 million annually by the end of the four-year phase in period.

Proposition J - Minimum Wage Increase: This report reflects the projected increases to the City's minimum wage mandated by Proposition J. Over the course of the next three years, the minimum wage in San Francisco will increase from $11.05/hour, the minimum wage as of January 1, 2015 pursuant to the existing minimum wage legislation, to $15.00/hour on July 1, 2018, and by the Consumer Price Index ("CPI") thereafter. This will increase City costs for In Home Supportive Services ("IHSS") program workers at the Human Services Agency and employees of some City contractors by approximately $11.3 million in fiscal year 2015-16.

The Five-Year Financial Plan proposes the following strategies to restore fiscal stability: capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; limiting growth in contract and materials costs; and ongoing departmental revenues and savings initiatives.

New to the Five-Year Financial Plan is consideration of the potential impact of a recession on the City's five year outlook. The base case does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of expansion and the current economic expansion began over five years ago. The recession scenario projects a cumulative deficit of $821 million in fiscal year 2019-20 as compared to the base case cumulative deficit of $402 million in fiscal year 2019-20 as updated. At a high level, the recession scenario would necessitate much larger reductions in expenditures than the base case fiscal strategies section of the report. In the base case projection, the report assumes expenditure growth of 23%; in the fiscal strategies section a more modest growth rate of 18% over the next five years is assumed, which contains both revenue and expenditure solutions. In the recession scenario, expenditures grow by 9% over the next five years to match the slower projected rate of revenue growth.

City Budget Adopted for Fiscal Years 2014-15 and 2015-16

On July 23, 2014, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2015 and June 30, 2016. This is the third two-year budget for the entire City. The adopted budget closed the $67 million and $133 million General Fund shortfalls for fiscal year 2014-15 and fiscal year 2015-16 identified in the Five-Year Financial Plan update through a combination of increased revenues and expenditures savings, partially offset by expenditure increases including: (a) net citywide revenue increases of $140 million and $78 million, respectively; (b) a net citywide expenditure increase of $31 million in fiscal year 2014-15 primarily from increased labor costs, followed by citywide expenditure savings of $62 million in fiscal year 2015-16, made possible in part by lower than expected health costs and improved pension system returns; and, (d) increased departmental costs totaling $43 million and $7 million respectively, the largest component of which was one-time and ongoing operating costs of the new San Francisco General Hospital opening in December 2015.

On July 10, 2014 the Board of Supervisors Budget and Finance Committee unanimously approved the Mayor's proposed budget with minor revisions totaling $19 million in fiscal year 2014-15 and $13 million in fiscal year 2015-16. The revisions in fiscal year 2014-15 were funded by $12 million in Committee reductions to the Mayor's budget and $7 million in additional fiscal year 2014-15 state subvention revenue that became available after the State approved its budget. The revisions in fiscal year 2015-16 were funded by $10 million in Committee reductions to the Mayor's budget, increased by an additional $5 million of fiscal year 2014-15 and fiscal year 2015-16 expenditure reductions, and offset by increased expenditure requirements of $2 million primarily from proposed increases to the Children's Fund property tax set-aside.

The Original Budget for fiscal years 2014-15 and 2015-16 totals $8.58 billion and $8.56 billion respectively, representing an increase of fiscal year 2014-15 over fiscal year 2013-14 of $673 million and a decrease from fiscal year 2014-15 to fiscal year 2015-16 of $24 million. The General Fund portion of each year's budget is $4.27 billion in fiscal year 2014-15 and $4.33 billion in fiscal year 2015-16 representing consecutive increases of $321 million and $60 million. There are 28,435 funded full time positions in the fiscal year 2014-15 Original Budget and 29,058 in the fiscal year 2015-16 Original Budget representing increases of 766 and 622 positions, respectively.

The budget for fiscal years 2014-15 and 2015-16 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long term obligations.

Other Budget Updates

On May 8, 2015, the Controller's Office issued the Nine-Month Report which projected the General Fund would end fiscal year 2014-15 with a balance of $337.1 million. This represents a $102.2 million improvement from the previously assumed ending balance of the adopted budget. The fund balance projection includes $158.7 million in prior year ending fund balance, a projected $185.7 million revenue surplus, $78.6 million from departmental cost savings, offset by $78.5 million in increased reserve deposits and $12.9 million in increased contributions to baselines. The general revenue improvements are driven primarily by a significant increase in property transfer tax revenues, as well as hotel and business tax receipts higher than budgeted levels.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 16% of the General Fund revenues appropriated in the budget for fiscal years 2014-15 and 2015-16, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On July 10, 2014, Governor Brown signed the fiscal year 2014-15 State budget into law. Consistent with the statewide economic recovery spending in fiscal year 2014-15 is set to increase by 7% over fiscal year 2013-14, including a $1.6 billion deposit to the newly created Rainy Day Reserve. The State budget includes payments of local mandate debt if sales tax revenue exceeds set thresholds. Additional uncertainty remains related to the implementation of national health care reform (the Affordable Care Act, or "ACA"). The State's budget estimates State savings of $725 million annually beginning in fiscal year 2014-15. The savings are achieved by reducing realignment funding to county health departments of which the City's share is $17 million. State savings estimates assume that costs for the care of uninsured will decrease as a result of the ACA, offsetting the impact of reduced realignment funding. The timing and extent to which reduced subventions will be offset by increased insurer reimbursements is not certain at this time, and budget adjustments may be required should the Mayor and the Board of Supervisors wish to backfill lost revenue and increased costs.

On May 8, 2015, the Governor released the 2015-16 Revised State Budget, which projects fiscal year 2014-15 General Fund revenues and transfers of $111.3 billion, total expenditures of $114.5 billion and a year-end surplus of $2.4 billion (inclusive of the $5.6 billion fund balance in the State's General Fund from fiscal year 2013-14), of which $971 million would be reserved for the liquidation of encumbrances and $1.4 billion would be deposited in a reserve for economic uncertainties. As required by the fiscal year 2014-15 California State budget, the Governor is proposing to pay local governments $765 million for pre-2004 mandate debt of which $26 million is estimated to be received by the City in fiscal year 2014-15. The revised budget also includes increases of $150 million in fiscal year 2014-15 for county Medi-Cal administration, in addition to the proposed increases of $150 million and $240 million in fiscal years 2014-15 and 2015-16, respectively, included in the January proposed Budget. The revised budget estimates $381 million in savings in fiscal year 2015-2016 as a result of the Medicare Access and Children's Health Insurance Program (CHIP) Reauthorization Act, which reauthorizes CHIP through September 2017 and includes enhanced federal funding for the CHIP program effective October 2015. The proposed budget estimates that counties will save $724.9 million and $698.2 million in fiscal years 2014-15 and 2015-16, respectively, in indigent health care costs under the ACA, all of which will be redirected to fund CalWORKs grant increases. The proposed budget also describes certain factors threatening the continuation of the In Home Supportive Services Maintenance of Effort ("MOE") negotiated by counties with the State in 2012. In fiscal year 2013-14, the county share of the MOE was approximately $1 billion. The Governor will release an adopted budget in Summer 2015, at which time the City will evaluate the adopted budget to determine its impact on the City's finances.

Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances

On December 26, 2013, the President signed a two-year federal budget. The budget partially repeals sequester-related budget cuts for fiscal years 2013-14 and 2014-15. The Controller's Office will continue to monitor federal budget changes and provide updates on City financial impacts as necessary in quarterly budget updates.

Budgetary Reserves

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. The Original Budget for fiscal years 2014-15 and 2015-16 includes starting balances of $58 million and $70 million for the General Reserve for fiscal years 2014-15 and 2015-16, respectively. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn.

In addition to the operating cash and general reserves the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (Original Budget for fiscal years 2014-15 and 2015-16 includes $17 million in fiscal year 2014-15 and $18 million in fiscal year 2015-16), and the Litigation Reserve (Original Budget for fiscal years 2014-15 and 2015-16 includes $17 million in fiscal year 2014-15 and $16 million in fiscal year 2015-16). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into the following two accounts within the Rainy Day Reserve and for other lawful governmental purposes.

50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2013-14 revenue exceeded the deposit threshold by $86 million generating a deposit of $64 million to the Rainy Day Reserve composed of $43 million to the Economic Stabilization account and $21 million to the One-Time Capital Expenditures account. The fiscal year 2014-15 and 2015-16 budgets do not anticipate deposits to the Rainy Day Reserve.

Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Monies in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Withdrawals of $12 million and $3 million from the One-Time Capital Expenditures account are budgeted in fiscal years 2014-15 and 2015-16 respectively leaving a balance of $8 million at the end of fiscal year 2015-16.

If the Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. The fiscal year 2013-14 year-end balance of the Rainy Day Reserve's Economic Stabilization Account is $60 million. The fiscal year 2014-15 budget includes an allocation of $11 million to the SFUSD leaving a balance of $49 million.

Effective January 1, 2015, Proposition C passed by the voters in November 2014, divides the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the January 1, 2015 balance. Beginning in fiscal year 2015-16, 25% of Rainy Day Reserve deposits will go to the School Reserve and 75% will go to the City Reserve. No withdrawals or deposits from the City Reserve are included in the Original Budget for fiscal year 2014-15 or fiscal year 2015-16 leaving a City Reserve budgeted balance of $25 million at the end of fiscal year 2015-16.

Budget Stabilization Reserve

On April 13, 2010, the Board of Supervisors unanimously approved the Controller's proposed financial policies on reserves and the use of certain volatile revenues. The policies were approved by the Mayor on April 30, 2010, and can only be suspended for a given fiscal year by a two-thirds vote of the Board. With these policies the City created two additional types of reserves: the General Reserve, described above, and the Budget Stabilization Reserve.

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the five-year annual average (controlling for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

Fiscal year 2013-14 RPTT receipts exceeded the five-year annual average by $44 million and ending general fund unassigned fund balance was $56 million, triggering a $75 million deposit. However, this deposit requirement was partially offset by the Rainy Day Reserve deposit of $64 million, resulting in a required deposit of $11 million and bringing the fiscal year 2013-14 Budget Stabilization Reserve ending balance to $132 million. The fiscal year 2014-15 and fiscal year 2015-16 budgets project deposits of $28 million and $4 million, respectively, as a result of projected RPTT receipts in excess of the five-year annual average, bringing the projected ending balance in fiscal year 2015-16 to $165 million. The Controller's Office will determine final deposits in October of each year based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately $389 million for fiscal year 2014-15. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn.

THE SUCCESSOR AGENCY

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

The Successor Agency maintains a website as part of the City's website. The information on such websites is not incorporated herein by reference.

Authority and Personnel

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

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

Effect of the Dissolution Act

AB 26 and AB 27. The Former Agency was established under the Community Redevelopment Law in 1948. The Former Agency was established under the Redevelopment Law in 1948. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Resolution No. 11-12 (the "Establishing Resolution") adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City's role as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

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

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

Oversight Board

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

Department of Finance Finding of Completion

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

On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affording housing funds, determined by the State Department of Finance in the amount of $10,577,932, plus $1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the State Department of Finance in the amount of $959,147. The Successor Agency has made all payments required under AB 1484 and has received its finding of completion from the State Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

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

Continuing Activities

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

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

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor Agency (also known as the Office of Community Investment and Infrastructure or OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations, causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received $132 million of property tax increment in fiscal year 2013-14, diverting about $75 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplementals) was 98.83% for fiscal year 2013-14. This table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with statistical reports provided to the State. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 187 for fiscal year 2013-14 compared to 363 for fiscal year 2012-13, 802 in fiscal year 2011-12, 927 in fiscal year 2010-11, and 901 in fiscal year 2009-10. This represents 0.09%, 0.18%, 0.39%, 0.46%, and 0.45%, respectively, of total parcels in such fiscal years.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2010-11 through 2014-15
(000s)

Fiscal Year	Net Assessed Valuation (NAV) [1]	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	97.96%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.18%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.65%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.83%
2014-15	181,809,981	5.4%	1.174	2,134,995	n/a	n/a

1 Based on preliminary assessed valuations for FY2014-15. Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

2 Annual taxrate for unsecured property is the same rate as the previous year's secured taxrate.

3 The Total TaxLevy and Total TaxCollected through FY2013-14 is based on year-end current year secured and levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California State Controller's Office).
Total TaxLevy for FY2014-15 is based on NAV times the 1.1743% taxrate.

Note: This table has been modified from the corresponding table in previous bond disclosures to make levy and collection figures consistent with statistical reports provided to the State of California.

Source: Office of the Controller, City and County of San Francisco.

At the start of fiscal year 2014-15, the total net assessed valuation of taxable property within the City is $181.8 billion. Of this total, $171.1 billion (94.1%) represents secured valuations and $10.7 billion (5.9%) represents unsecured valuations. (See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.)

Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Every year, some taxpayers appeal the Assessor's determination of their property's assessed value, and some of the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCCD, BAAQMD, and BART share proportionately in the rest of any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeal reserve fund for fiscal years 2009-10 through 2013-14 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
(000s)

Year Ended	Amount Refunded
June 30, 2010	$14,015
June 30, 2011	41,730
June 30, 2012	53,288
June 30, 2013	36,744
June 30, 2014	25,756

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2014, the Assessor granted 10,726 temporary reductions in property assessed values worth a total of $640.3 million (equating to a reduction of about $3.6 million in general fund taxes), compared to 18,409 temporary reductions with a value of $2.02 billion (equating to a reduction of about $11.4 million in discretionary general fund taxes) granted in Spring 2013. The 2014 $640.3 million temporary reduction total represented 0.35% of the fiscal year 2014-15 Net Assessed Valuation of $181.8 billion shown in Table A-5. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2014, the total number of open appeals before the AAB was 6,279, compared to 7,421 open AAB appeals as of June 30, 2013, including 5,051 filed since July 1, 2013, with the balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is $27.9 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of about $331.1 million (based upon the fiscal year 2013-14 tax rate) with an impact on the General Fund of about $157.7 million. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2014-15 is estimated to produce about $2.1 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $935.1 million into the General Fund and $132.0 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive about $130.0 million and $24.5 million, respectively, and the local ERAF is estimated to receive $429.0 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill shifts). The Successor Agency will receive about $131 million. The remaining portion is allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose.

General Fund property tax revenues in fiscal year 2013-14 were $1.18 billion, representing an increase of $24.8 million (2.2%) over fiscal year 2013-14 Original Budget and $56.3 million (5.0%) over fiscal year 2012-13 actual revenue. Property tax revenue is budgeted at $1.23 billion in fiscal year 2014-15 representing an increase of $54.7 million (4.6%) over fiscal year 2013-14 actual receipts and $1.29 billion in fiscal year 2015-16 representing an annual increase of $57.6 million (4.7%) over fiscal year 2014-15 budget. Tables A-2 and A-3 set forth a history of budgeted and actual property tax revenues for fiscal years 2011-12 through 2013-14, and budgeted receipts for fiscal years 2014-15 and fiscal year 2015-16.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts.

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

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

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
(000s)

Year Ended	Amount Funded
June 30, 2010	$17,507
June 30, 2011	17,302
June 30, 2012	17,980
June 30, 2013	18,341
June 30, 2014	19,654

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2014 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
Fiscal Year 2014-15
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy[2]
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	$945,282	0.52%
PPF Paramount One Market Plaza Owner LP	1 Market	3713 007	Commercial Office	774,392	0.42%
Union Investment Real Estate GMBH	555 Mission St	3721 120	Commercial Office	457,498	0.25%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	432,617	0.24%
SPF China Basin Holdings LLC	185 Berry St	3803 005	Commercial Office	425,167	0.23%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	399,011	0.22%
Wells REIT II - 333 Market St LLC	333 Market St	3710 020	Commercial Office	397,044	0.22%
Post-Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	389,025	0.21%
PPF Off One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	369,052	0.20%
S F Hilton Inc	1 Hilton Square	0325 031	Commercial Hotel	368,599	0.20%
				$4,957,686	2.72%

[1] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which exculdes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures.
[2] The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

Source: Office of the Assessor-Recorder, City and County of San Francisco.

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2014-15 valuation of property assessed by the State Board of Equalization is $2.72 billion.

OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Through tax year 2013 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014 and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The new gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax, and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2013-14 was $563 million, representing an increase of $83 million (17%) over fiscal year 2012-13 revenue. Business tax revenue is budgeted at $573 million in fiscal year 2014-15 representing an increase of $10 million (2%) over fiscal year 2013-14 revenue. In fiscal year 2015-16, Business Tax revenue is budgeted at $599 million, an increase of $25 million (4%) from fiscal year 2014-15 budgeted revenue.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2011-12 through 2015-16
All Funds
(000s)

Fiscal Year	Revenue	Change	
2011-12	$437,677	$45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14	563,406	83,275	17.3%
2014-15 budgeted	573,385	9,979	1.8%
2015-16 budgeted	598,835	25,450	4.4%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and, beginning in fiscal year 2013-14, Gross Receipts Tax revenues. Figures for fiscal year 2011-12 through fiscal year 2013-14 are audited actuals. Figures for fiscal year 2014-14 and fiscal year 2015-16 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, reached a historic high of $273 in October of 2014, which is approximately 9% over October of the prior year. Increases in RevPAR are budgeted to continue at a slower pace through fiscal year 2015-16. Including amounts used to pay debt service on hotel tax revenue bonds hotel tax revenue for fiscal year 2013-14 was $313 million, representing a $71 million increase from fiscal year 2012-13 revenue. Fiscal year 2014-15 is budgeted to be $323 million, an increase of $10 million (3%) from fiscal year 2013-14 and fiscal year 2015-16 is budgeted to be $341 million, an increase of $18 million (5%) from fiscal year 2014-15 budget.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately $88 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court's decision in a similar case between the online travel companies and the City of San Diego.

In fiscal years prior to 2013-14, the allocation of hotel tax revenues was set by the Administrative provisions of the Annual Appropriation Ordinance, and all of the gain or loss in revenue from budgeted levels fell to the General Fund, contributing to the large variances from prior periods. Table A-10 sets forth a history of total tax receipts for fiscal years 2011-12 through 2013-14 and budget projections for fiscal year 2014-15 through 2015-16. Beginning in fiscal year 2013-14, hotel tax budgeted in the General Fund in fiscal year 2013-14 increased by $56 million because revenue previously budgeted in special revenue funds is now deposited to the General Fund.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2011-12 through 2015-16
All Funds
(000s)

Fiscal Year	Tax Rate	Revenue	Change	
2011-12	14.00%	$242,843	$27,331	12.7%
2012-13	14.00%	241,961	(882)	-0.4%
2013-14	14.00%	313,138	71,177	29.4%
2014-15 budgeted	14.00%	323,456	10,318	3.3%
2015-16 budgeted	14.00%	341,134	17,678	5.5%

Figures for FY 2011-12 through FY 2013-14 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for FY 2014-15 and FY 2015-16 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Current rates are $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million.

Real property transfer tax ("RPTT") revenue in fiscal year 2013-14 was $262 million, a $29 million (13%) increase from fiscal year 2012-13 revenue. Fiscal year 2014-15 RPTT revenue is budgeted to be $235 million, approximately $27 million (10%) less than the revenue received in fiscal year 2013-14 due to the expected slowing of market activity as a result of the decline in real property in inventory. This slowing is budgeted to continue into fiscal year 2015-16 with RPTT revenue budgeted at $220 million, a reduction of $15 million (6%). The volume of transactions in fiscal year 2013-14 is projected to result in a decline in inventory into fiscal year 2014-15 and fiscal year 2015-16.

Table A-11 sets forth a history of real property transfer tax receipts for fiscal years 2011-12 through 2013-14, and budgeted receipts for fiscal years 2014-15 and fiscal year 2015-16.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2011-12 through 2015-16
(000s)

Fiscal Year	Revenue	Change	
2011-12	$233,591	$98,407	72.8%
2012-13	232,730	(861)	-0.4%
2013-14	261,925	29,195	12.5%
2014-15 budgeted	235,000	(26,925)	-10.3%
2015-16 budgeted	220,000	(15,000)	-6.4%

Figures for FY 2011-12 through FY 2013-14 are audited actuals. Figures for FY 2014-15 and FY 2015-16 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Sales and Use Tax

The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. The rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund.

Local sales tax collections in fiscal year 2013-14 were $134 million, an increase of $11 million (9%) from fiscal year 2012-13 sales tax revenue. Revenue growth is budgeted to continue during fiscal year 2014-15 with $136 million budgeted, an increase of $2 million (2%) from projected fiscal year 2013-14 receipts. Continued growth is budgeted during fiscal year 2015-16 with an assumption that the strong local economy will generate increased taxable sales across nearly all categories, with particularly strong performance in the construction industry, but at a slower rate to reach $142 million, $6 million (5%) more than fiscal year 2014-15.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. In recent years online retailers such as Amazon have contributed significantly to sales tax receipts. The budget assumes no changes from State laws affecting sales tax reporting for these online retailers. Sustained growth in sales tax revenue will depend on changes to state and federal law and order fulfillment strategies for online retailers.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2011-12 through 2013-14, and budgeted receipt for fiscal year 2014-15 and 2015-16, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2011-12 through 2015-16
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2011-12	8.50%	0.75%	$117,071	$10,769	10.1%
2011-12 adj.[1]	8.50%	1.00%	155,466	14,541	10.3%
2012-13	8.50%	0.75%	122,271	5,200	4.4%
2012-13 adj.[1]	8.50%	1.00%	162,825	7,359	4.7%
2013-14	8.75%	0.75%	133,705	11,434	9.4%
2013-14 adj.[1]	8.75%	1.00%	177,299	14,474	8.9%
2014-15 *budgeted*[2]	8.75%	0.75%	136,080	2,375	1.8%
2014-15 adj.[1] *budgeted*	8.75%	1.00%	180,370	3,071	1.7%
2015-16 *budgeted*[2]	8.75%	0.75%	142,200	6,120	4.5%
2015-16 adj.[1] *budgeted*	8.75%	1.00%	188,478	8,108	4.5%

Figures for FY 2011-12 through FY 2013-14 are audited actuals. Figures for FY 2014-15 and FY 2015-16 are Original Budget amounts.

[1]Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in FY 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

[2]In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

Source: Office of the Controller, City and County of San Francisco.

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol ("VOIP"). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2013-14 Utility User Tax revenues were $87 million, representing a decrease of $5 million (7%) from fiscal year 2012-13 revenue. Fiscal year 2014-15 revenue is budgeted to be $92 million, representing expected growth of $5 million (7%) from fiscal year 2013-14. Fiscal year 2015-16 Utility User Tax revenues are budgeted at $92 million, unchanged from fiscal year 2014-15 budget.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenue for fiscal year 2013-14 was $44 million, a $1 million (2%) increase over the previous fiscal year. In fiscal year 2014-15, the Access Line Tax revenue is budgeted at $43 million, a $1 million

(2%) decrease from fiscal year 2013-14 revenue. Fiscal year 2015-16 revenue is budgeted at $44 million a $1 million (2%) increase from fiscal year 2014-15 budget. Budgeted amounts in fiscal year 2014-15 and fiscal year 2015-16 assume annual inflationary increases to the access line tax rate as required under Business and Tax Regulation Code Section 784.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities. Parking Tax revenue is positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections.

Fiscal year 2013-14 Parking Tax revenue was $83 million, $1 million (1%) above fiscal year 2012-13 revenue. Parking tax revenue is budgeted at $85 million in fiscal year 2014-15, an increase of $2 million (2%) over the fiscal year 2013-14. In fiscal year 2015-16, Parking Tax revenue is budgeted at $87 million, $2 million (3%) over the fiscal year 2014-15 budgeted amount. Parking tax growth estimates are commensurate with expected changes to the CPI over the same period.

Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80 percent is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

San Francisco receives three groups of allocations of State sales tax and Vehicle License Fee (VLF) revenue: 1991 Health and Welfare Realignment, 2011 Health and Human Services Realignment, and Public Safety Realignment.

1991 Health & Welfare Realignment. The Governor's fiscal year 2013-14 budget assumed savings of $300 million for counties statewide as a result of Affordable Care Act ("ACA") implementation, and reduced realignment allocations to counties proportionally to recapture these savings for the State. These realignment reductions are expected to be ongoing and are reflected in fiscal year 2014-15 and 2015-16 budgeted amounts. A reconciliation of county costs is scheduled to take place starting January 2017.

In fiscal year 2013-14, General Fund 1991 realignment revenue was $166 million, a decrease of $9 million (5%) from fiscal year 2012-13 as a result of a $14 million (10%) reduction in sales tax distributions offset by an increase of $5 million (18%) in VLF distributions. The decrease is primarily a result of reduced realignment funding from the AB 85 realignment 'clawback' offset by underlying growth in sales tax and VLF receipts. The realignment 'clawback' is budgeted to remain at the same level during fiscal year 2014-15 and fiscal year 2015-16 with budgeted realignment revenue of $163 million and $169 million, respectively.

2011 Health and Human Services Realignment. Beginning in fiscal year 2011-12, counties received revenue allocations to pay for behavioral health and protective services programs formerly provided by the State. In fiscal year 2014-15 this revenue is budgeted at $97 million, a $7 million (8%) increase from fiscal year 2013-14. This increase includes anticipated growth of $3 million in child welfare services subaccount funding and $1 million of CalWORKs Maintenance of Effort ("MOE") funding received by the Human Services Agency, and a $2 million funding increase in community mental health service and $1 million in state alcohol funds received by Department of Public Health. In fiscal year 2015-16 this revenue is budgeted at $99 million, which is primarily comprised of an increase of $2 million from the fiscal year 2014-15 budget in the child protective services subaccount.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and State prison parolees from State prisons and parole agents to county jails and probation officers. This revenue is budgeted at $32 million in fiscal year 2014-15, a $2 million (5%) decrease from fiscal year 2013-14. This decrease resulted from projected reductions in both base amounts and growth amounts as the State budget reflects a temporary drop in funding to support implementation of AB109. The fiscal year 2015-16 budget assumes a $4 million (14%) increase from fiscal year 2014-15.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. Revenue from this source for fiscal year 2013-14 was $87 million, an increase of $4 million (5%) from fiscal year 2012-13 revenues. This revenue is budgeted at $91 million in fiscal year 2014-15 and $95 million in fiscal year 2015-16, representing annual growth of $5 million (5%) and $4 million (4%) respectively. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The county ratio for San Francisco in fiscal year 2013-14 is 3% and is expected to remain at that level in fiscal year 2014-15 and fiscal year 2015-16.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, $476 million is budgeted in fiscal year 2014-15 from grants and subventions from State and federal governments to fund public health, social services and other programs in the General Fund. This represents a $53 million (12%) increase from fiscal year 2013-14. The fiscal year 2015-16 budget is $481 million, an increase of $4 million (1%) from fiscal year 2014-15 Original Budget.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2013-14 was $172 million, an increase of $19 million (13%) from fiscal year 2012-13 revenue. Charges for services revenue is budgeted at $201 million in fiscal year 2014-15 and $190 million in fiscal year 2015-16, representing growth of $29 million (17%) and a reduction of $10 million (5%) respectively from prior year.

Fiscal year 2014-15 growth reflects the following one-time revenues; (1) $17 million in Public Health from a reallocation of Healthy San Francisco to the General Fund from San Francisco General Hospital; (2) $7 million in Planning Department revenue, primarily from a one-time reduction in permit application backlogs and the expected increase in construction permit fees; (3) $5 million in additional Fire Department revenue, including $4 million in additional revenue from charges for providing services to the Presidio, which had previously been budgeted as an expenditure recovery, $3 million in additional prior-year Ground Emergency Medical Transit ("GEMT") revenue, and a $1 million increase in plan check and inspection fees. These increases are offset by a $4 million ongoing reduction in expected ambulance fees; and (4) $5 million in Recreation and Park revenue, primarily from one-time events and including $2 million from the disposition of assets from Candlestick Park. Fiscal year 2015-16 reduction reflects the following changes; (1) $2 million less in Recreation and Park revenue, primarily due to the elimination of one-time revenue gains expected in fiscal year 2014-15 from Candlestick Park; (2) $2 million less in Planning Department revenue due to the elimination of one-time revenue gains from the fiscal year 2014-15 backlog reduction; and (3) $6 million less in Fire Department revenue due to the elimination of prior-year GEMT revenue in the form of ambulance fees.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is $706 million in fiscal year 2014-15 and $725 million in fiscal year 2015-16.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in table A-13:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2011-12 through 2015-16
(000s)

Major Service Areas	FY 2011-12 Original Budget	FY 2012-13 Original Budget	FY 2013-14 Original Budget	FY 2014-15 Original Budget	FY 2015-16 Original Budget
Public Protection	$998,237	$1,058,689	$1,130,932	$1,173,977	$1,190,234
Human Welfare & Neighborhood Development	672,834	670,375	700,254	799,355	814,586
Community Health	575,446	609,892	701,978	736,916	733,506
General Administration & Finance	199,011	197,994	244,591	293,107	293,686
Culture & Recreation	100,740	111,066	119,579	126,932	121,579
General City Responsibilities	110,725	145,560	137,025	158,180	146,460
Public Works, Transportation & Commerce	51,588	67,529	80,797	127,973	129,991
Total*	$2,708,581	$2,861,106	$3,115,155	$3,416,440	$3,430,042

*Total may not add due to rounding

Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. These departments are budgeted to receive $411 million, $222 million and $150 million of General Fund support respectively in fiscal year 2014-15 and $416 million, $223 million, and $153 million respectively in fiscal year 2015-16. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive $234 million of General Fund support in the fiscal year 2014-15 and $238 million in fiscal year 2015-16.

The Public Health Department is budgeted to receive $614 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2014-15 and $636 million in fiscal year 2015-16.

For budgetary purposes, enterprise funds are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be $68 million in fiscal year 2014-15 and $70 million in fiscal year 2015-16 Original Budget.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Years 2014-15 & 2015-16
(Millions)

	FY 2014-15 Required	FY 2014-15 Original	FY 2015-16 Required	FY 2015-16 Original
Municipal Transportation Agency	$180.3	$180.3	$186.3	$186.3
Parking and Traffic Commission	67.6	67.6	69.9	69.9
Children's Services	134.1	148.5	138.6	139.2
Library Preservation	61.6	61.6	63.7	63.7
Public Education Enrichment Funding				
Unified School District	50.7	50.7	56.8	56.8
First Five Commission	27.5	27.5	28.4	28.4
City Services Auditor	14.9	14.9	14.8	14.8
Human Services Homeless Care Fund	14.9	14.9	14.8	14.8
Property Tax Related Set-Asides				
Municipal Symphony	2.3	2.3	2.4	2.4
Children's Fund Set-Aside	51.6	51.6	58.7	58.7
Library Preservation Set-Aside	43.0	43.0	45.3	45.3
Open Space Set-Aside	43.0	43.0	45.3	45.3
Staffing and Service-Driven				
Police Minimum Staffing	Requirement likely not met		Requirement likely not met	
Fire Neighborhood Firehouse Funding	Requirement met		Requirement met	
Treatment on Demand	Requirement likely met		Requirement likely met	
Total Baseline Spending	**$691.45**	**$705.83**	**$724.88**	**$725.49**

Source: Office of the Controller, City and County of San Francisco.

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances and four Rescue Captains (medical supervisors).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling $4.3 billion in the fiscal year 2014-15 Original Budget (all-funds), and $4.4 billion in the fiscal year 2015-16 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.0 billion in the fiscal year 2014-15 and 2015-16 Original Budgets. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2014-15 and 2015-16 includes 27,669 and 29,053 budgeted City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"); the International Federation of Professional and Technical Engineers, Local 21("IFPTE"); and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the Charter. Except for nurses and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of police, fire and sheriff's employees.

In May 2014, the City negotiated three-year agreements (for fiscal years 2014-15 through 2016-17) with most of its labor unions. In general, the parties agreed to: (1) annual wage increase schedules of 3% (October 11, 2014), 3.25% (October 10, 2015), and between 2.25% and 3.25% depending on inflation (July 1, 2016); and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures to rebalance required premiums between the two main health plans offered by the City. These changes to health contributions build reforms agreed to by most unions during earlier negotiations.

In June 2013, the City negotiated a contract extension with the Police Officers' Association ("POA"), through June 30, 2018, that includes wage increases of 1% on July 1, 2015; 2% on July 1, 2016; and 2% on July 1, 2017. In addition, the union agreed to lower entry rates of pay for new hires in entry Police Officer classifications. In May 2014, the City negotiated a contract extension with the Firefighters Association through June 30, 2018, which mirrored the terms of POA agreement.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. In May 2014, the MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year contract that runs through June 30, 2017. Provisions in the contract include 14.25% in wage increases in exchange for elimination of the 7.5% employer retirement pick-up.

Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2014

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	429	June 30, 2017
Bricklayers, Local 3/Hod Carriers, Local 36	10	June 30, 2017
Building Inspectors Association	95	June 30, 2017
Carpenters, Local 22	110	June 30, 2017
Carpet, Linoleum & Soft Tile	3	June 30, 2017
CIR (Interns & Residents)	2	June 30, 2017
Cement Masons, Local 580	33	June 30, 2017
Deputy Sheriffs Association	780	June 30, 2017
District Attorney Investigators Association	41	June 30, 2017
Electrical Workers, Local 6	887	June 30, 2017
Glaziers, Local 718	10	June 30, 2017
International Alliance of Theatrical Stage Employees, Local 16	23	June 30, 2017
Ironworkers, Local 377	14	June 30, 2017
Laborers International Union, Local 261	1,027	June 30, 2017
Municipal Attorneys' Association	435	June 30, 2017
Municipal Executives Association	1,172	June 30, 2017
MEA - Police Management	6	June 30, 2018
MEA - Fire Management	9	June 30, 2018
Operating Engineers, Local 3	59	June 30, 2017
City Workers United	127	June 30, 2017
Pile Drivers, Local 34	24	June 30, 2017
Plumbers, Local 38	341	June 30, 2017
Probation Officers Association	157	June 30, 2017
Professional & Technical Engineers, Local 21	4,795	June 30, 2017
Roofers, Local 40	11	June 30, 2017
S.F. Institutional Police Officers Association	2	June 30, 2017
S.F. Firefighters, Local 798	1,737	June 30, 2018
S.F. Police Officers Association	2,502	June 30, 2018
SEIU, Local 1021	11,643	June 30, 2017
SEIU, Local 1021 Staff & Per Diem Nurses	1,616	June 30, 2016
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2018
Sheet Metal Workers, Local 104	45	June 30, 2017
Sheriff's Managers and Supervisors Association	98	June 30, 2017
Stationary Engineers, Local 39	661	June 30, 2017
Supervising Probation Officers, Operating Engineers, Local 3	24	June 30, 2017
Teamsters, Local 853	162	June 30, 2017
Teamsters, Local 856 (Multi-Unit)	107	June 30, 2017
Teamsters, Local 856 (Supervising Nurses)	122	June 30, 2016
TWU, Local 200 (SEAM multi-unit & claims)	341	June 30, 2017
TWU, Local 250-A Auto Service Workers	117	June 30, 2017
TWU, Local 250-A Transit Fare Inspectors	74	June 30, 2017
TWU-250-A Miscellaneous	97	June 30, 2017
TWU-250-A Transit Operators	2,216	June 30, 2017
Union of American Physicians & Dentists	199	June 30, 2015
Unrepresented Employees	168	June 30, 2015
	32,543 [1]	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuarial firm retained by the Retirement Board to prepare an annual valuation report and other analyses as described below. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2010, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In March 2012, IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011.

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the SFUSD, the SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2014 (the date of most recent valuation report) was 35,957, compared to 34,690 members a year earlier. Active membership includes 5,409 terminated vested members and 1,032 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Retirement allowances are paid to approximately 26,800 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program ("DROP") program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of June 30, 2014, approximately 10 police officers are still enrolled in the program. All are expected to retire before the end of 2015.

Table A-16 displays total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates.

TABLE A-16

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2009 - 10 through 2013 - 14

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2011	27,955	4,499	1,021	33,475	24,292	1.151
2012	28,097	4,543	1,015	33,655	25,190	1.115
2013	28,717	4,933	1,040	34,690	26,034	1.103
2014	29,516	5,409	1,032	35,957	26,852	1.099

Sources: SFERS' Actuarial Valuation reports as of July 1, 2014, July 1, 2013, July 1, 2012, July 1, 2011 and July 1, 2010.

Notes: Member counts exclude DROP participants.
Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

The annual actuarial valuation of the Retirement System is a joint effort of the Retirement System and its independent consulting actuarial firm. City Charter prescribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the January 2015 Retirement Board meeting, the consulting actuarial firm recommended that the Board adopt the following economic assumptions for the July 1, 2014 actuarial valuation: long-term investment earnings assumption of 7.50%, long-term wage inflation assumption of 3.75% and long-term consumer price index assumption of 3.25%. After consideration of the analysis and recommendation, the Retirement Board voted to adopt these recommended assumptions.

Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as determined by the consulting actuarial firm and approved by the Retirement Board. This process is mandated by the City Charter.

Pursuant to the City Charter, the consulting actuarial firm and the Retirement Board set the actuarially required employer contribution rate using three related calculations:

First, the normal cost is established for the Retirement System. The normal cost of the Retirement System represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Retirement System uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the working careers of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial accrued liability of the Retirement System exceeds the actuarial value of Retirement System assets, such amount being known as an "unfunded actuarial accrued liability" or "UAAL."

The UAAL can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Retirement System assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. On the liability side, assumptions must be made regarding future costs of pension benefits in addition to demographic assumptions regarding the Retirement System members including rates of disability, retirement, and death. When the actual experience of the Retirement System differs from the expected experience, the impacts on UAAL are called actuarial gains or losses. Under the Retirement Board's updated Actuarial Funding Methods Policy any such gain or loss is amortized over a closed 20-year period. Similarly, if the estimated liabilities change due to an update in any of the assumptions, the impact on UAAL is also amortized over a closed 20-year period. Prior to the updated Policy which became effective with the July 1, 2014 actuarial valuation, the amortization period for gains, losses and assumption changes was 15 years at the valuation date.

Third, supplemental costs associated with the various SFERS benefit plans are amortized. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to increase benefits to some or all beneficiaries of the Retirement System, the Retirement System's liability is correspondingly increased in proportion to the amount of the new benefit associated with service time already accrued by the then-current beneficiaries. These supplemental costs are required to be amortized over no more than 20 years according to the Charter. The Board has adopted a 15-year closed period for changes to active member benefits and a 5-year closed period for changes to inactive or retired members effective for all changes on or after July 1, 2014. The prior Board Policy specified closed 20-year periods for all benefit changes.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in the next fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contribution rates are mandated by the Charter. Sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. The employer contribution rate is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents, and are therefore subject to change.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment.

In August 2012, Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees. For example, in November 2011, the voters of San Francisco approved Proposition C which provided the following:

a) New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

b) Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

c) Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees who earn between $50,000 and $100,000 per year pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate, while Miscellaneous employees who earn $100,000 or more per year pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are also required from Safety employees; and

d) Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits – in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire. A retiree organization has brought a legal action against the requirement to be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. Both sides filed petitions for review with the California Supreme Court. If the Appellate ruling becomes the final judgment, it is estimated that the actuarial liabilities of the Plan will increase by approximately $388 million or 1.8% for back payment of the Supplemental COLAs payable for 2013 and 2014. On June 17, 2015, the California Supreme Court denied review of the Court of Appeals decision.

The impact of Proposition C is incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report. Since 2009, the voters of San Francisco have approved one other retirement plan amendment:

- Proposition D enacted in June 2010, which enacted new SFERS retirement plans for Miscellaneous and Safety employees commencing on or after July 1, 2010, which changed average final compensation used in the benefit formula from highest one-year average compensation to highest two-year average compensation, increased the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and provides that, in years when the City's required contribution to SFERS is less than the employer normal cost as described above, the amount saved would be deposited into the Retiree Health Care Trust Fund.

SFERS Recent Funding Performance and City Employer Contribution History

Fiscal year 2012-13 total City employer contributions to the Retirement System were $423.3 million which included $183.4 million from the General Fund. Fiscal year 2013-14 total City employer contributions were $507.6 million which included $228 million from the General Fund. For fiscal year 2014-15, total City employer contributions to the Retirement System are budgeted at $571.2 million which includes $255.1 million from the General Fund. These budgeted amounts are based upon the fiscal year 2014-15 employer contribution rate of 26.76% (estimated to be 22.4% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2015-16 employer contribution rate is 22.80% per the July 1, 2014 actuarial valuation report. The decline in employer contribution rate from 26.76% to 22.80% results from 1) overall investment gains in the last five fiscal years between July 1, 2009 and June 30, 2014, and 2) large investment losses from the 2008-09 fiscal year being fully reflected in the actuarial value of assets after a five-year smoothing period.

Table A-17 shows total Retirement System assets, liabilities and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2009-10 through 2013-14. Information is shown for all employers in the Retirement System (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts). "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Retirement System's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the actuarial accrued liability of the Retirement System. The "Market Percent Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligation. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligation. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-17

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System (in $000s)
Fiscal Years 2009-10 through 2013-14

As of 1-Jul	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contribution	Employer Contribution Rates[1]
2010	$13,136,786	$16,069,100	$17,643,400	74.5%	91.1%	$413,562	9.49%
2011	15,598,839	16,313,100	18,598,700	83.9%	87.7%	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	78.9%	82.6%	608,957	18.09%
2013	17,011,500	16,303,400	20,224,800	84.1%	80.6%	701,596	20.71%
2014	19,920,600	18,012,100	21,122,600	94.3%	85.3%	821,902	24.82%

[1] Employer contribution rates for fiscal years 2014-15 and 2015-16 are 26.76% and 22.80%, respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2013, 2012, 2011, 2010, and 2009.
SFERS' actuarial valuation report as of July 1, 2013, July 1, 2012, July 1, 2011, July 1, 2010, and July 1, 2009.

Table A-17 shows that the Actuarial Percent Funded ratio increased from 80.6% to 85.3%. In general, this indicates that for every dollar of benefits promised, the Retirement System has approximately $0.85 of assets available for payment based on the actuarial value of assets as of July 1, 2014. The Market Percent Funded ratio increased from 84.1% to 94.3% and is now higher than the Actuarial Percent Funded ratio which does not yet fully reflect all asset gains from the last five fiscal years.

Asset Management and Actuarial Valuation

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. See page 70 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2014. The Fund did not hold hedge funds as of June 30, 2014. The Board approved a 5% allocation to hedge funds at its January 2015 meeting. The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

The actuarial accrued liability of the Retirement System (the Pension Benefit Obligation) is measured annually by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2014, the audited market value of Retirement System assets was $19.9 billion. This value represents, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled $19.2 million in fiscal year 2012-13 and $20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of $25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2014, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45.*"

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System" or "HSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of SFUSC, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries. The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the Health Service System, active or retired, elected from among their members. The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained on the HSS website, or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the HSS website. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, the Health Service Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards HSS Medical Plans is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey (Average) and used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In the June 2014 collective bargaining the Average was eliminated in the calculation of premiums for Active employees represented by most unions, in exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for Healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*– Post-Employment Health Care Benefits and GASB 45.*"

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in the most of the union agreements and, when applicable, the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.

In addition to the average contribution the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

After application of the calculations described above, the City contributes 50% of monthly contributions required for the first dependent.

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the "Health Care Reform Law"). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

The Health Care Reform Law is designed to be implemented in phases from 2010 to 2018. The provisions of the Health Care Reform Law include, the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. Many aspects of the law have yet to be clarified and will require substantial regulation or subsequent legislative action. On June 28, 2012 the U.S. Supreme

Court ruled to uphold the employer mandate, the individual mandate and the state Medicaid expansion requirements. The Health Care Reform Law, or aspects thereof, continues to be challenged in various venues, and the City is unable to predict the outcome of such challenges and their impact on the City's finances.

Provisions of Health Care Reform already implemented by HSS include discontinued eligibility for non-prescription drugs reimbursement through flexible spending accounts ("FSAs") in 2011, eliminated copayments for wellness visits, eliminated life-time caps on coverage, and expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women's preventative health including contraception in 2012, W-2 reporting on total healthcare premium costs, implementation of a medical loss ratio rebate on self-insured plans, issuance of a separate summary of benefits to every member and provided to every new member and providing information on State Exchanges to both employees currently on COBRA and future COBRA recipients. As of 2014 and 2015, and beyond, healthcare FSAs are limited to $2,500 annually.

The change to the definition of a full time employee will be implemented 2015. The City modified health benefit eligibility to employees who are employed, on average, at least 30 hours of service per week or 130 hours in a calendar month.

The Automatic Enrollment requirement in the Health Care Reform was deferred until 2016. This requires that employers automatically enroll new full-time employees in one of the employer's health benefit plans (subject to any waiting period authorized by law). Further it is required than employees be given adequate notice and the opportunity to opt out of any coverage in which they were automatically enrolled. It is uncertain when final guidance will be issued by the Department of Labor.

As a result of the federal Health Care Reform Law there are two direct fees and one tax that have been factored into the calculation of medical premium rates and premium equivalents for the 2015 plan year. The three fees are the Federal Health Insurer Tax ("HIT"), Patient Centered Outcomes Research Institute ("PCORI") fee, and the Transitional Reinsurance Fee. The total impact on the CCSF in 2015 is $15.06 million.

The Federal HIT tax is a fixed-dollar amount distributed across health insurance providers for fully insured plans. The 2015 plan year premiums for Kaiser Permanente and Blue Shield of California included the impact of the HIT tax. The impact on the CCSF only in 2015 is $11.91 million.

Beginning in 2013, the Patient Center Outcomes Research Institute ("PCORI") Fee was accessed at the rate of $2.00 per enrollee per year was assessed per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The fee is charged directly to the Health Service System. In 2014 the rate was $2.10 and is approximately $2.22 in 2015. The 2015 impact of PCORI is $0.20 million, HSS pays this fee directly to the Internal Revenue Service (IRS) and the fee will increase with health care inflation until it sunsets in 2019.

The Transitional Reinsurance Fee decreases from $63/year fee on each Health Service System beneficiary for plan year 2014. The Transitional Reinsurance Fee will be $44.00 in 2015 and the impact on CCSF only is $2.95 million.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. The Health Service System is in the process of programming eligibility changes to comply with Proposition C.

Employer Contributions for Health Service System Benefits

For fiscal year 2013-14, based on the most recent audited financial statements, the Health Service System received approximately $644.1 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately $540.3 million; approximately $160.8 million of this $540.3 million amount was for health care benefits for approximately 27,213 retired City employees and their eligible dependents and approximately $379.5 million was for benefits for approximately 62,206 active City employees and their eligible dependents. For Plan Year 2015, the Health Service System has budgeted to receive approximately $644.6 million from participating employers for Health Service System benefit costs.

The 2015 aggregate plan costs for the City decreased by 2.78%. This flattening of the healthcare cost curve is due to a number of factors including lower use of healthcare during recessions, aggressive contracting by HSS that maintains competition among our vendors, implementing Accountable Care Organizations (ACO's) that reduced utilization and increased use of generic prescription rates and changing our Blue Shield plan from a fully-funded to a flex-funded product. Flex-funding allows lower premiums to be set by our actuarial consultant, AON-Hewitt, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The Health Service Board also approved the use of $8.8 million in Health Service Trust Fund assets to decrease both the employee and employer premium costs for the Blue Shield of California (Flex-Funded), The flatten trend is anticipated to continue.

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to 3% of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

- The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,
- The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board, and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,
- The Controller, Mayor, Trust Board, and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements. The City was required to begin reporting the liability and related information for unfunded post-retirement medical and other benefits ("OPEBs") in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under GASB 45. GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

City's Estimated Liability. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. In its September 9, 2014 draft, Cheiron, Inc. estimated that the City's unfunded liability was approximately $4.00 billion as of July 1, 2012. This estimate assumed a 4.45% return on investments and had an ARC for fiscal year 2013-14 of approximately $341.4 million. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excesses) amortized over thirty years. The ARC was determined based on the July 1, 2012 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was $2.5 billion and the ratio of the UAAL to the covered payroll was 162.0%.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2013-14 annual OPEB cost was $353.2 million, of which the City funded $166.6 million which caused, among other factors, the City's long-term liability to increase by $186.6 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(c) and (d) to the City's CAFR, as of June 30, 2014, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
6/30/2010	$374,214	33.9%	$852,782
6/30/2011	392,151	37.2%	1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130
6/30/2014	353,251	47.2%	1,793,753

The September 2014 draft Cheiron Report estimates that the total long-term actuarial liability will reach $5.7 billion by 2030. The calculations in the Cheiron Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. As of June 30, 2014, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $49.0 million. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan (EGWP) prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but will grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2014 is approximately $49 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2011-12 to fiscal year 2015-16.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2011-12 through 2015-16
(000s)

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Budget	FY 2015-16 Budget
SFERS and PERS Retirement Contributions	$428,263	$452,325	$535,309	$590,013	$541,989
Social Security & Medicare	147,682	156,322	160,288	174,497	182,525
Health - Medical + Dental, active employees [1]	363,344	370,346	369,428	380,501	393,772
Health - Retiree Medical [1]	151,301	155,885	161,859	165,779	169,381
Other Benefits [2]	21,766	16,665	16,106	20,775	21,506
Total Benefit Costs	**$1,112,355**	**$1,151,543**	**$1,242,990**	**$1,331,565**	**$1,309,172**

FY 2008-09 through FY 2013-14 figures are audited actuals. FY 2014-15 and 2015-16 figures are original budget.

[1] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

[2] "Other Benefits" includes unemployment insurance premiums, life insurance, and other miscellaneous employee benefits.

Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City and County of San Francisco (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity, and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. See "APPENDIX C – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated October 2014. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of April 30, 2015, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of April 30, 2015

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$ 475,000,000	$ 472,153,320	$ 478,348,750
Federal Agencies	4,446,088,000	4,448,757,659	4,455,645,953
State and Local Obligations	305,175,000	310,609,854	307,903,530
Public Time Deposits	480,000	480,000	480,000
Negotiable Certificates of Deposit	680,500,000	680,486,775	680,265,048
Banker's Acceptances	-	-	-
Commercial Paper	490,000,000	489,953,042	489,953,292
Medium Term Notes	623,154,000	626,398,678	624,750,502
Money Market Funds	210,101,226	210,101,226	210,101,226
Total	$ 7,230,498,226	$ 7,238,940,554	$ 7,247,448,300

April 2015 Earned Income Yield: 0.748%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

TABLE A-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of April 30, 2015

Maturity in Months			Par Value	Percentage
0	to	1	$655,526,226	9.07%
1	to	2	277,000,000	3.83%
2	to	3	44,665,000	0.62%
3	to	4	9,000,000	0.12%
4	to	5	252,491,000	3.49%
5	to	6	119,300,000	1.65%
6	to	12	803,875,000	11.12%
12	to	24	2,710,926,000	37.49%
24	to	36	1,600,940,000	22.14%
36	to	48	518,600,000	7.17%
48	to	60	238,175,000	3.29%
			$7,230,498,226	100.00%

Weighted Average Maturity: 603 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2014 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2014," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a ten-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a ten-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure needs over ten years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five-Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2016-2025 Capital Plan was approved by the CPC on March 2, 2015 and was adopted by the Board of Supervisors in April 2015. The Capital Plan contains $32 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes $1.66 billion for General Fund pay-as-you-go capital projects over the next ten years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2025-26. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, fire and park facilities; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the replacement of the Hall of Justice; and seismic upgrades to the Veteran's Memorial Building, among other capital projects. Approximately $1.8 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund, and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends $18.2 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments at the maritime port, and the Sewer System Improvement Program, among others. Approximately $12.2 billion of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's adopted 10-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $8.5 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

Failure to make the capital improvements and repairs recommended in the Capital Plan may have the following impacts: (i) failing to meet federal, State or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of June 1, 2015, the City had approximately $2.05 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of June 30, 2015 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2016	143,173,046	88,809,413	231,982,459
2017	113,559,110	83,104,003	196,663,113
2018	110,538,225	77,507,050	188,045,275
2019	109,865,545	72,212,081	182,077,626
2020	108,521,232	66,816,394	175,337,626
2021	105,425,457	61,530,618	166,956,075
2022	110,713,401	56,654,455	167,367,856
2023	113,660,251	51,463,138	165,123,389
2024	115,496,206	45,948,662	161,444,868
2025	115,591,476	40,265,412	155,856,888
2026	110,211,279	34,586,302	144,797,581
2027	114,800,840	29,473,567	144,274,407
2028	119,059,035	24,167,902	143,226,937
2029	118,886,751	18,998,949	137,885,700
2030	114,430,095	13,882,773	128,312,868
2031	75,756,950	8,913,108	84,670,058
2032	78,440,000	5,923,981	84,363,981
2033	43,220,000	2,895,469	46,115,469
2034	18,100,000	1,137,819	19,237,819
2035	8,665,000	383,225	9,048,225
TOTAL [3]	$1,948,113,899	$784,674,321	$2,732,788,220

[1] This table does <u>not</u> reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency indebtedness.

Source: Office of Public Finance, City and County of San Francisco.

General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A, which authorized the issuance of up to $350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued $35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed $35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007, the City initiated an initial borrowing of $2.0 million, and in October 2007, the City borrowed approximately $3.8 million from the Credit Bank. In January 2008, the City borrowed approximately $3.9 million and in November 2008, the City borrowed $1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the $35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to $185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately $42.5 million in August 2008. The City issued the second series in the amount of approximately $60.4 million in March 2010 and the third series in the amount of approximately $73.4 million in March 2012.

In June 2010, voters approved Proposition B, which authorized the issuance of up to $412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of $79.5 million in December 2010 and the second series of bonds in the amount of $183.3 million in March 2012. The City issued the third series in the amount of approximately $38.3 million in August 2012 and the fourth series of bonds in the amount of $31.0 million in June 2013, and the fifth series in the amount of $54.9 million was issued in October 2014.

In November 2011, voters approved Proposition B, which authorized the issuance of up to $248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately $74.3 million in March 2012 and the second series of bonds in the amount of $129.6 million in June 2013.

In November 2012, voters approved Proposition B, which authorized the issuance of up to $195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition B in the amount of approximately $71.9 million in June 2013.

In June 2014, voters approved Proposition A, which authorized the issuance of up to $400.0 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, emergency firefighting water system, medical examiner facility, traffic company & forensic services division and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds in the amount of $100.6 million in October 2014.

In November 2014, voters approved Proposition A, which authorized the issuance of up to $500 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs.

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed $800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance of not to exceed $1.356 billion aggregate principal amount of the City's General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The City has issued eight series of refunding bonds under the Refunding Resolutions, as shown on Table A-23.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds

Series Name	Date Issued	Principal Amount Issued (Millions)
2006-R1	October 2006	$90.7
2006-R2	December 2006	66.6
2008-R1	May 2008	232.1
2008-R2	July 2008	39.3
2008-R3	July 2008	118.1
2011-R1 [1]	November 2011	339.4
2015-R1 [2]	February 2015	293.9

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

[2] Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015. Series 2008-R3 Bonds were partially refunded.

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds

Series Name	Date Issued	Principle Amount Issued (Millions)
2006-R1	October 2006	90.7
2006-R2	December 2006	66.6
2008-R1	May 2008	232.1
2008-R2	July 2008	39.3
2008-R3	July 2008	118.1
2011-R1 [1]	November 2011	339.4

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

Table A-24 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of June 1, 2015, the City had authorized and unissued general obligation bond authority of approximately $1.285 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds (as of June 30, 2015)

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$24,008,899	$284,684,550 [2]
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	9,790,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	55,660,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	20,620,000	
	2010A	120,890,000	47,755,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	177,755,000	
	2014A	209,955,000	182,680,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	47,565,000	
	2012A	183,330,000	139,695,000	
	2012E	38,265,000	34,140,000	
	2013B	31,020,000	19,770,000	
	2014C	54,950,000	51,320,000	25,215,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	56,980,000	
	2013C	129,560,000	82,525,000	44,145,000
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	45,855,000	123,030,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	94,015,000	299,330,000
Transportation and Road Improvement (11/4/14)	2015B	67,005,000	67,005,000	432,995,000
SUB TOTALS		**$1,882,085,450**	**$1,366,588,899**	**$1,218,094,550**
General Obligation Refunding Bonds:				
Series 2008-R1 issued 5/29/08		232,075,000	22,015,000	
Series 2008-R2 issued 5/29/08		39,320,000	16,275,000	
Series 2011-R1 issued 11/9/12		339,475,000	250,470,000	
Series 2015-R1 issued 2/25/15		293,910,000	292,765,000	
SUB TOTALS		**904,780,000**	**581,525,000**	
TOTALS		**$2,786,865,450**	**$1,948,113,899**	**$1,218,094,550**

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

Source: Office of Public Finance, City and County of San Francisco.

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financing expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-25 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of June 1, 2015. Note that the annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of June 30, 2015

Fiscal Year	Principal	Interest	Annual Payment Obligation
2016	64,585,000	48,009,207	112,594,207
2017	58,700,000	45,247,295	103,947,295
2018	59,015,000	42,476,466	101,491,466
2019	51,030,000	40,008,234	91,038,234
2020	42,310,000	37,896,276	80,206,276
2021	44,455,000	35,981,834	80,436,834
2022	44,250,000	34,011,070	78,261,070
2023	46,185,000	32,044,432	78,229,432
2024	47,685,000	30,007,359	77,692,359
2025	47,275,000	27,869,306	75,144,306
2026	46,975,000	25,791,909	72,766,909
2027	49,155,000	23,608,266	72,763,266
2028	49,630,000	21,330,462	70,960,462
2029	51,880,000	18,993,964	70,873,964
2030	51,410,000	16,578,701	67,988,701
2031	42,705,000	14,210,744	56,915,744
2032	31,950,000	12,050,087	44,000,087
2033	30,995,000	10,480,656	41,475,656
2034	32,465,000	8,852,743	41,317,743
2035	20,155,000	7,383,525	27,538,525
2036	18,420,000	6,313,469	24,733,469
2037	16,450,000	5,322,520	21,772,520
2038	17,180,000	4,404,563	21,584,563
2039	17,935,000	3,446,211	21,381,211
2040	18,735,000	2,441,919	21,176,919
2041	19,565,000	1,393,151	20,958,151
2042	11,490,000	499,473	11,989,473
2043	1,900,000	95,000	1,995,000
TOTAL [1]	$1,034,485,000	$556,748,842 [2]	$1,591,233,842

[1] Totals reflect rounding to nearest dollar.
[2] For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

Source: Office of Public Finance, City and County of San Francisco.

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, with such amount increasing by five percent each fiscal year. As of June 1, 2015 the total authorized amount for such financings was $64.5 million. The total principal amount outstanding as of June 1, 2015 was $14.2 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to $60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued $22.6 million and $23.3 million of Proposition B lease revenue bonds, respectively, leaving $14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to $100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the previous home of the San Francisco 49ers football team. If issued, the $100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. There is no current plan to issue the Proposition D bonds.

On March 7, 2000, voters approved Proposition C, which extended a two and one half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately $27.0 million and $42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately $34.3 million in March 2009.

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "CP Program"). Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. In June 2010, the City obtained letters of credit securing the CP Notes issued by J.P. Morgan Chase Bank, N.A. with a maximum principal amount of $50 million and by U.S. Bank, N.A. with a maximum principal amount of $50 million. The letters of credit expire June 2016.

The Board authorized on July 16, 2013 and the Mayor approved on July 25, 2013 an additional $100.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 3 and 3-T and Series 4 and 4-T that increases the total authorization of the CP Program to $250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring June 2016.

As of June 2015, the outstanding principal amount of CP Notes is $156.6 million. The weighted average interest rate for the CP Notes is approximately 0.08%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010 the issuance of not to exceed $38 million in City and County of San Francisco certificates of participation to partially finance the rebuilding of severely distressed public housing sites, while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (the HOPE SF Project). The City anticipates issuing the certificates in the Fall of 2015.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011 the issuance of not to exceed $170 million in City and County of San Francisco certificates of participation to finance the construction and installation of certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building. The City anticipates issuing the certificates in the Summer of 2015.

The Board of Supervisors authorized on February 12, 2013 and the Mayor approved on February 15, 2013 the issuance of not to exceed $507.9 million of City and County of San Francisco Certificates of Participation (Moscone Expansion Project) payable from Moscone Expansion District assessments to finance the costs of additions and improvements to the George R. Moscone Convention Center. The City anticipates issuing the certificates in 2017.

The Board of Supervisors authorized October 8, 2013 and the Mayor approved October 11, 2013 the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure island.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of June 1, 2015 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2014-2015 Assessed Valuation (net of non-reimbursable & homeowner exemptions):		$181,809,981,276
		Outstanding
DIRECT GENERAL OBLIGATION BOND DEBT		**6/30/2015**
General City Purposes Carried on the Tax Roll		$2,046,968,783
GROSS DIRECT DEBT		$2,046,968,783
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)		$26,920,000
San Francisco Finance Corporation, Equipment LRBs Series 2010A, 2011A, 2012A, and 2013A		14,225,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1		13,815,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2		111,020,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007		48,140,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A		29,020,000
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)		137,185,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)		137,585,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)		33,270,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt		29,560,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs		129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A		116,165,000
San Francisco COPs, Refunding Series 2011AB (Moscone)		67,825,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)		39,415,000
San Francisco COPs, Series 2013A Moscone Center Improvement		22,135,000
San Francisco COPs, Series 2013BC Port Facilities		34,355,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)		44,300,000
LONG-TERM OBLIGATIONS		$1,034,485,000
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS		$3,081,453,783
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District		$625,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds		86,486,667
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B		105,251,150
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005		265,750,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011		37,470,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)		858,437,852
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)		104,366,015
Association of Bay Area Governments Obligations (Special Tax Bonds)		1,875,000
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011		782,645,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		$2,242,906,684
GROSS COMBINED TOTAL OBLIGATIONS		$5,324,360,467 [1]
Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	1.13%	< 3.00% [2]
Gross Direct Debt & Long-Term Obligations	1.69%	n/a
Gross Combined Total Obligations	2.93%	n/a

[1] Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

[2] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal property within the City's boundaries that is subject to

Source: Office of Public Finance, City and County of San Francisco.

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to $295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued $58.0 million of such authorization in October 2004, $130.0 million in October 2005, and $92.0 million in October 2006, leaving $15.0 million authorized but unissued. In March 2012, the SFUSD issued $116.1 million in refunding general obligation bonds that refunded $137.4 million in general obligation bonds authorized under Proposition A of 2003.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed $980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the $980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or $282.0 million. Of such authorization, BART issued $100.0 million in May 2005 and $400.0 million in July 2007, of which the allocable City portion is approximately $29.0 million and $116.0 million, respectively.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed $450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of $100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of $150.0 million under the Proposition A authorization in January 2009. The SFUSD issued the third series in the aggregate principal amount of $185.0 million under the Proposition A authorization in May 2010.

On November 8, 2011, voters approved Proposition A. Proposition A of 2011 authorized the SFUSD to issue an aggregate principal amount not to exceed $531.0 million of general obligation bonds to repair and rehabilitate school facilities to current accessibility, health, safety, and instructional standards, and where applicable, replace worn-out plumbing, electrical and other major building systems, replace aging heating, ventilation and air handling systems, renovate outdated classrooms and training facilities, construct facilities to replace aging modular classrooms. The SFUSD issued the first series in the aggregate principal amount of $115.0 million under the Proposition A of 2011 authorization in March 2012.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with over 300 units currently under construction, and an additional 150 units will begin construction in 2015-2016. In late 2014 construction of horizontal infrastructure began for the first 184 affordable units in the Candlestick Point area Also, in 2015, the design process will begin for a 635,000 square foot mixed-use retail center, 150,000 square foot hotel at the former Candlestick Stadium site and an additional 1200 residential units , including 230 stand alone affordable units and up to 100 inclusionary units. Two hillside open space areas at the base of Bayview Hill will be improved and a new wedge park plaza will also be constructed, adding a total of 7.5 acres of open space adjacent to the new retail and residential development.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 25% of which will be offered at below-market rates; up to 500 hotel rooms; a 400 slip marina; restaurants; retail and entertainment venues; and a world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plans include green building standards and best practices in low-impact development.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") will occur in early 2015 and will include the northern half of Yerba Buena Island and more than half of the area of Treasure Island. The developer, Treasure Island Community Development ("TICD"), is performing the preliminary engineering and pursuing the permits required to begin construction before the end of 2015. The first phase of development will include extensive horizontal infrastructure improvements (utilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Mission Bay Blocks 29-32 – Warriors Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a multipurpose recreation and entertainment venue and associated development the former Salesforce site in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have two live performance theatres, restaurants retail, office space, bike valet, public plazas and a limited amount of parking. The project will trigger the Mission Bay master developer's construction of a new 3.5 acre Bay Front Park between the new arena and the Bay. Environmental review is currently underway with the goal of opening in time for the 2018-2019 basketball season.

Transbay

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Transbay Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the Transit Center, was approved by the Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Transbay Transit Center. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open by the end of 2017. Demolition of existing structures on the site was completed in August 2011.

The area surrounding the Transbay Transit Center is being redeveloped with plans for 4,500 new homes, 1,200 to be affordable below-market rate homes, 6 million square feet of new office space, over 11 acres of new parks and open space, and a new retail boulevard on Folsom Street. Much of this new development will occur on the publicly-owned parcels within the district. Recently completed in the neighborhood is Rene Cazenave Apartments which is 120 units of permanent affordable housing for formerly homeless individuals. There are over 470 units currently under construction on Folsom and Beale Streets, with three new construction projects along Folsom Street totaling over 1,800 units expected to break ground within the next two years. There is also over 2 million square feet of commercial space currently under construction, with several new projects expected to break ground in the coming years.

The Pelli Clarke Pelli Architects-designed Transit Center will serve more than 100,000 people per day through nine transportation systems, including future California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The Center is designed to embrace the goals of green architecture and sustainability. The heart of the Transbay Transit Center, "City Park," a 5.4-acre public park that will sit atop the facility, and there will be a living green roof for the transit facility. The Center will have a LEED rating of Silver. The project is estimated to create more than 48,000 jobs in its first phase of construction, which will last seven years. The $4.2 billion Transbay Transit Center Project is funded by various public and private funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, and AC Transit, among others. In March 2013, the TJPA sold the TJPA property adjacent to the Transbay Transit Center to Hines Corporation and Boston Properties, paving the way for construction of the 61-story Transbay Transit Tower, which will contain 1.4 million square feet of office space, for $190 million.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,400 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 50% complete.

Over 4,067 units have been completed with an additional 900 units under construction, along with several new parks. Another 550 housing units, a 250-room hotel and several new commercial buildings will break ground in 2015. As discussed above, the design development process has also begun for that Golden State Warriors project.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a proposed mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 25 acres. The Port, OEWD in its capacity as lead negotiator, and Mission Rock's competitively-selected master developer, Seawall Lot 337 Associates, LLC, have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock set forth in the term sheet includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; 650 to 1,500 new housing units, 15 percent of which will be affordable to low-income households; 1.3 to 1.7 million square feet of commercial space; 150,000 to 250,000 square feet of retail space, approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve San Francisco Giants baseball team patrons as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48 as a new brewery/distillery for Anchor Steam Brewing Company.

In the wake of the passage of Proposition B on the June 2013 ballot, the developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders to further refine the project plan. The environmental review process was initiated in January 2014 and is expected to last until early to mid-2016. That process will be accompanied by negotiation of transaction agreements and approval of any needed height limit and zoning changes which will likely determine the final approval schedule (currently expected on or after early 2017).

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, and OEWD, in its capacity as lead negotiator, have initiated preliminary negotiations with Forest City, the developer selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. The parties have agreed on a development concept and corresponding financial terms for the Waterfront Site, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following community and environmental review. In November 2014, Proposition F was approved by the voters, authorizing an increase of height limits on Pier 70 from 40 feet to 90 feet.

Current development plans for the Pier 70 Waterfront Site call for 7 acres of parks and up to 3.25 million square feet of above-grade construction (not including parking) which may include up to 1.7 million square feet of office space; up to 400,000 square feet of retail, small-scale production, arts space intended to establish the new district as destination with unique character; and between 935 and 1825 housing units, with as many as 30% percent of them made available to low- and middle- income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development.

Cruise Terminal

On September 25, 2014 the Port opened the new James R. Herman cruise ship terminal at Pier 27. Formerly the base for the America's Cup races in the summer of 2013, the Cruise Terminal includes 91,000 square feet in a two-story building with views to the Bay Bridge and back to the City skyline and Telegraph Hill. Sized for 2,600 passengers and able to handle ships with up to 4,000 passengers, the Cruise Terminal is designed for the evolving trends in the passenger cruise industry. It includes the latest passenger and perimeter security features while also transitioning to an event center for the City on non-cruise days. The site also includes a 2.5 acre Cruise Terminal Plaza along the Embarcadero, creating a new open space amenity and strengthening connection between the Bay and the base of Telegraph Hill.

The James R. Herman Cruise Terminal has been designed to meet modern ship and operational requirements of the cruise industry and expects to receive a LEED Silver designation for its environmental design.

The Cruise Terminal contributes to San Francisco's economy by attracting 40-80 cruise calls a year, bringing visitors and tax revenue to the City's General Fund. It is estimated that the cruise industry in San Francisco supports $31.2 million annually in economic activity and generates 300 jobs within San Francisco. The facility will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ship festivals and visits by oceanic research vessels. When there are no cruise calls, the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events.
San Francisco Public Works, along with the Port were responsible for construction management of the new cruise terminal. Contractor for the construction project was Turner Construction and Designers/Architects were KMD Kaplan McLaughlin Diaz, Pfau Long Architecture, JV Bermello Ajamil & Partners and cruise terminal design consultants.

Moscone Convention Center

The Moscone Center Expansion Project will add approximately 300,000 square feet and repurpose an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and repurposed building support area.

In addition to adding new rentable square footage, the project architects propose an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian entrance from Third St and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City would lose up to $2 billion in foregone revenue over the next decade if Moscone was not expanded. The project allows the City to recover approximately $734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. Pre-construction began in December 2014 with major construction scheduled to begin in the spring of 2015 and continue intermittently around existing convention reservations through 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIII A) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the next two years.

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes, and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the *"Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley,* 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles,* 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIIIA and XIIIC of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State statue governing the issue), and that local ordinances were without effect. The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2014, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management Division within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City's policy in this regard is based on its analysis that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's property risk management approach varies depending on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the City's risk exposure. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, MTA, the SF Public Utilities Commission, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination with the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee
RE: Taxable and/or Tax Exempt Certificates of Participation--- Affordable Housing Projects – Not to Exceed $95,000,000
DATE: December 1, 2015

Attached for introduction to the Board of Supervisors is an ordinance authorizing the execution and delivery of Certificates of Participation in an aggregate principal amount not to exceed $95,000,000 to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects; approving the form of a Supplemental Trust Agreement between the City and County of San Francisco and the Trustee named therein (including certain indemnities contained therein); approving the form of a Supplemental Property Lease between the City, as lessor, and the Trustee, as lessee; approving the form of a Supplemental Project Lease between the Trustee, as lessor, and the City, as lessee; approving the form of an Official Notice of Sale and Notice of Intention to Sell for the Certificates of Participation, if sold by competitive sale; authorizing certain actions relating to the Certificates of Participation, if sold by negotiated sale, including approving the form of a Purchase Contract between the City and the underwriter(s) selected in accordance City policies; approving the form of an official statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Certificates of Participation; approving modifications to documents; and ratifying previous actions taken in connection therewith.

I respectfully request that this item be heard in Budget & Finance Committee.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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