

File No. 110729

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date July 18, 2011

Board of Supervisors Meeting Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Fiscal Agent Agreement</u> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Bond Purchase Contract</u> |
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Completed by: Alisa Somera Date July 15, 2011

Completed by: _____ Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

1 [Issuance and Sale of Special Tax Bonds - GreenFinanceSF Program - Not to Exceed
2 \$100,000,000]

3 **Resolution authorizing the issuance and sale of special tax bonds (federally taxable) in**
4 **an aggregate principal amount not to exceed \$100,000,000 and authorizing related**
5 **documents and actions in connection therewith.**
6

7 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
8 "City") has conducted proceedings under and pursuant to Chapter 43, Article X of the San
9 Francisco Administrative Code (the "Code"), which incorporates the Mello-Roos Community
10 Facilities Act of 1982 (the "Act"), to form "City and County of San Francisco Special Tax
11 District No. 2009-1 (San Francisco Sustainable Financing)" (the "Special Tax District"), to
12 authorize the levy of special taxes upon the land within the Special Tax District, and to issue
13 bonds secured by said special taxes for the purpose of financing and refinancing the
14 acquisition, installation and improvement of energy efficiency, water conservation and
15 renewable energy improvements to or on real property and in buildings, whether such real
16 property or buildings are privately owned or publicly owned (the "Facilities"), all as described
17 in those proceedings; and,
18

19 WHEREAS, On October 6, 2009, by Resolution No. 387-09, this Board of Supervisors
20 adopted a Resolution adopting local goals and policies for community facilities districts (the
21 "Goals and Policies"); and

22 WHEREAS, Pursuant to 43.10.19 of the Code, the City may, without additional
23 hearings or procedures to those required under Sections 43.10.17 and 43.10.18 of the Code,
24 designate a parcel or parcels as an improvement area within the Special Tax District; and
25

1 WHEREAS, There has been presented to this Board of Supervisors a description of a
2 program to be a part of the GreenFinanceSF program, referred to as an "owner-arranged
3 financing program," under which (i) the City will provide financing for the acquisition,
4 installation and improvement of Facilities on one or a limited number of non-residential
5 properties or residential (including, without limitation, transitional or mixed use) properties with
6 five units or more (collectively, "Non-Residential Properties") through the issuance of special
7 tax bonds payable solely from special taxes levied on such properties, (ii) each such property
8 or group of properties will be designated a unique improvement area within the Special Tax
9 District, (iii) the special tax bonds will be purchased by a financial institution or other
10 sophisticated investor with experience in providing financing to Non-Residential Properties of
11 the type participating in the GreenFinanceSF owner-arranged financing program (each, a
12 "Qualified Investor"), on a private placement basis and (iv) because City staff anticipates that
13 the City will be asked to issue numerous series of bonds for a similar number of improvement
14 areas, with the related underwriting standards and the related documentation to be uniform or
15 very similar among transactions, it has proposed that this Board of Supervisors approve such
16 documentation in the forms on file with the Clerk of the Board of Supervisors and delegate the
17 authority to approve the issuance of each series of bonds and the execution of each set of
18 related documents to the Controller's Office of Public Finance, following consultation with the
19 City Attorney and the City's bond counsel; and

20 WHEREAS, On _____, 2011, by Resolution No. _____-11, this Board of
21 Supervisors adopted a Resolution approving administrative terms and conditions of the
22 owner-arranged financing program, including the related underwriting standards; and

23 WHEREAS, The Board of Supervisors now wishes to provide for the issuance of the
24 special tax bonds and the execution and delivery of the related documents for the
25 GreenFinanceSF owner-arranged financing program; and

1 WHEREAS, All conditions, things and acts required to exist, to have happened and to
2 have been performed precedent to this approval, the issuance of the bonds pursuant to this
3 approval, and the execution and delivery of the related documents pursuant to this approval,
4 have happened and have been performed in due time, form and manner as required by the
5 laws of the State of California, including the Code; now, therefore, be it

6 RESOLVED, That pursuant to the Code and this resolution, one or more series of
7 special tax bonds in an aggregate principal amount not to exceed \$100 million (the "Bonds")
8 are hereby authorized to be issued, with the authority to approve each such series of Bonds to
9 be delegated to the Controller's Office of Public Finance, following consultation with the
10 Department of the Environment, the City Attorney and the City's bond counsel; and, be it

11 FURTHER RESOLVED, that each such series of Bonds approved as set forth in the
12 previous paragraph shall be issued by the City on behalf of the Special Tax District with
13 respect to an improvement area, and shall be designated the "Improvement Area No. ____ of
14 the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco
15 Sustainable Financing) Special Tax Bonds (Federally Taxable)". The Bonds shall be executed
16 in the form, mature, be payable in the priorities and bear interest at the rates as provided in a
17 Fiscal Agent Agreement (to be approved as set forth below) to be executed by the City and a
18 corporate trustee; and, be it

19 FURTHER RESOLVED, that the issuance of the Bonds is in compliance with the Code
20 and applicable provisions of the Goals and Policies; and, be it

21 FURTHER RESOLVED, because Section 53345.8(a) of the Act requires, with certain
22 exceptions specified in the Act, that, in connection with the issuance of bonds secured by
23 special taxes in the Special Tax District with respect to an Improvement Area, the value of the
24 real property subject to special taxes levied in the Improvement Area be at least three times
25 the principal amount of the bonds that are secured by a special tax levied on property within

1 the Improvement Area or a special assessment levied on property within the Improvement
2 Area, the City will issue bonds for the Special Tax District with respect to an Improvement
3 Area, including the Bonds, if both of the following requirements have been met:

4 (i) For each parcel that will be improved with Facilities as a result of issuance of the
5 Bonds, the value of such parcel shall be an amount acceptable to the purchaser of the Bonds,
6 who shall be a Qualified Investor.

7 (ii) The Controller's Office of Public Finance and the Department of the Environment,
8 following consultation with the City Attorney and the City's bond counsel, shall have
9 determined that the proposed issuance of Bonds should proceed, it hereby being found by the
10 Board of Supervisors that (A) the Bonds will not present unusual credit risk to their purchasers
11 because the purchasers of the bonds will be Qualified Investors, (B) the private placement of
12 the Bonds with a Qualified Investor with an independent relationship with the owner of the
13 property in the Improvement Area means that the City is protected against adverse
14 consequences of a failure by the property owner to pay special taxes, when due, and (C)
15 issuance of the Bonds will advance the public purposes specified in the Code; and, be it

16 FURTHER RESOLVED, that each of the Director of the Department of the
17 Environment, the Controller and the Director of the Controller's Office of Public Finance, or
18 such other official of the City as may be designated by such officers (each, an "Authorized
19 Officer") is hereby authorized and directed to execute and deliver the documents approved
20 herein in substantially the form on file with the Clerk of the Board of Supervisors, together with
21 such additions or changes as are approved by such Authorized Officer upon consultation with
22 the City Attorney and the City's bond counsel, including such additions or changes as are
23 necessary or advisable to permit the timely issuance, sale and delivery of the Bonds. The
24 approval of such additions or changes shall be conclusively evidenced by the execution and
25 delivery by an Authorized Officer of the documents herein specified; and, be it

1 FURTHER RESOLVED, that the Board of Supervisors hereby approves the form of the
2 following documents:

3 (a) A Fiscal Agent Agreement (a "Fiscal Agent Agreement") by and between the
4 City and a banking corporation to be identified by the Director of the Controller's Office of
5 Public Finance, as fiscal agent (the "Fiscal Agent") with respect to the Bonds, in substantially
6 the form on file with the Clerk of the Board of Supervisors. A separate Fiscal Agent
7 Agreement will be executed in connection with the issuance of bonds for each improvement
8 area. The date, manner of payment, interest rate or rates, interest payment dates,
9 denominations, form, registration privileges, manner of execution, place of payment, terms of
10 redemption and other terms of the Bonds shall be as provided in the Fiscal Agent Agreements
11 as finally executed and delivered. The terms and provisions of each such Fiscal Agent
12 Agreement, as executed, are incorporated herein by this reference as if fully set forth herein.
13 An Authorized Officer is hereby authorized and directed to execute each such Fiscal Agent
14 Agreement on behalf of the City and the Clerk of the Board of Supervisors is hereby
15 authorized and directed to attest thereto, subject to the terms of this Resolution; and

16 (b) A Bond Purchase Contract (a "Bond Purchase Contract") by and between the
17 City and a Qualified Investor to be identified by the Director of the Controller's Office of Public
18 Finance, in substantially the form on file with the Clerk of the Board of Supervisors. The Bond
19 Purchase Contract shall contain representations and warranties that the purchaser of the
20 Bonds constitutes a Qualified Investor. A separate Bond Purchase Contract will be executed
21 in connection with the issuance of bonds for each improvement area as long as the Director of
22 the Controller's Office of Public Finance concludes that the Bond Purchase Contract is
23 necessary to implement the owner-arranged financing program. The terms and provisions of
24 each such Bond Purchase Contract, as executed, are incorporated herein by this reference as
25 if fully set forth herein. An Authorized Officer is hereby authorized and directed to execute

1 each such Bond Purchase Contract on behalf of the City, subject to the terms of this
2 Resolution. The Board of Supervisors hereby finds that sale of the Bonds to a Qualified
3 Investor at a private sale pursuant to a Bond Purchase Contract will result in a lower overall
4 cost than would be achieved by selling the Bonds at a public sale utilizing competitive bidding
5 and any applicable City requirements for public bidding are hereby waived; and, be it

6 FURTHER RESOLVED, that the Controller's Office of Public Finance shall provide a
7 written report to this Board of Supervisors twelve months following the initial issuance of
8 Bonds and annually thereafter through the final maturity of the last series of Bonds describing
9 the Bonds issued since commencement of the program and since the date of the last report,
10 summarizing the current status of special tax delinquencies in the Special Tax District
11 (including any foreclosure and other remedial action taken by the City), and identifying any
12 bond payment defaults or draws on debt service reserve funds; and, be it

13 FURTHER RESOLVED, that, in connection with the approval of the administrative
14 terms of the owner-arranged financing program pursuant to separate resolution, this Board of
15 Supervisors has required the Director of the Department of the Environment to regularly report
16 on certain details of the program, and the requirement for such reports is a material term of
17 the approvals set forth in this resolution; and be it

18 FURTHER RESOLVED, that this Board of Supervisors hereby finds that adoption of
19 this Resolution is not a "project" under the California Environmental Quality Act, because the
20 Resolution does not involve any commitment to a specific project which may result in a
21 potentially significant physical impact on the environment, as contemplated by Title 14,
22 California Code of Regulations, Section 15378(b)(4)); and, be it

23 FURTHER RESOLVED, that all actions heretofore taken by the officers and agents of
24 the City (including, but not limited to, the Authorized Officers) with respect to the
25 establishment of the Special Tax District and the sale and issuance of the Bonds are hereby

1 approved, confirmed and ratified, and the appropriate officers of the City are hereby
2 authorized and directed to do any and all things and take any and all actions and execute any
3 and all certificates, agreements and other documents, which they, or any of them, may deem
4 necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds
5 in accordance with this resolution, and any certificate, agreement, and other document
6 described in the documents herein approved. All actions to be taken by an Authorized Officer,
7 as defined herein, may be taken by such Authorized Officer or any designee, with the same
8 force and effect as if taken by the Authorized Officer; and be it

9 FURTHER RESOLVED, that this resolution shall take effect from and after its adoption.
10 The provisions of any previous resolutions in any way inconsistent with the provisions hereof
11 in and for the issuance of the Bonds as herein described are hereby repealed.

12
13
14 APPROVED AS TO FORM:

15 DENNIS J. HERRERA, City Attorney

16
17
18 By: 
19 MARK D. BLAKE
20 Deputy City Attorney
21
22
23
24
25



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anthony Ababon, Bond Associate
Controller's Office of Public Finance

SUBJECT: Resolution Authorizing the Issuance and Sale of Special Tax Bonds (Federally Taxable) in an Aggregate Principal Amount Not to Exceed \$100 Million

Resolution approving administrative terms and conditions for the GreenFinanceSF program

DATE: Monday, July 11, 2011

The resolution authorizing the issuance and sale of special tax bonds (the "Bond Resolution") establishes a maximum aggregate amount of bonded indebtedness not to exceed \$100 million for financing or refinancing certain facilities; establishes certain parameters for any bonded indebtedness for financing or refinancing facilities; delegates to City staff the authority to approve the issuance of each series of special tax bonds (subject to the maximum aggregate amount previously noted) and to execute each set of related documents, as described below under the heading "GreenFinanceSF Non-Residential Program"; and approves the form of i) the Fiscal Agent Agreement by and between the City and a fiscal agent and ii) the Bond Purchase Contract by and between the City and a qualified investor, further described below. The Bond Resolution directs the Controller's Office of Public Finance to report and file with the Board of Supervisors a progress report on the program within twelve months from the date of the initial issuance of special tax bonds, with annual reports thereafter through the final maturity of the last series of special tax bonds.

The resolution approving administrative terms and conditions for the GreenFinanceSF non-residential program (the "Administrative Terms Resolution") directs the establishment of the GreenFinanceSF program for non-residential properties and residential (including, without limitation, transitional or mixed use) properties with five units or more ("Non-Residential Properties"); establishes/designates the San Francisco Department of the Environment as the program administrator; establishes and publishes program terms and conditions for non-residential property owners to apply for program financing and to opt into the special tax district; and approves the form of the Loan Loss Reserve Agreement. With respect to terms and

conditions of the GreenFinanceSF program, the Administrative Terms Resolution establishes criteria and guidelines in the following program areas:

1. Application Procedures
2. Financial Terms
3. Property Eligibility Criteria
4. Project Eligibility Criteria
5. List of Eligible Improvements
6. Energy & Water Rating Requirements
7. Regulatory Compliance

The Administrative Terms Resolution directs the program administrator to report and file with the Board of Supervisors a progress report on the program within six months from the date the program begins accepting applications, with semi-annual reports thereafter.

Together the resolutions constitute the legislative approvals necessary to authorize the issuance of special tax bonds for eligible facilities in a special tax district for the purpose of financing energy and water conservation and renewable energy improvements to privately owned non-residential parcels, also known as “GreenFinanceSF.”

Please note that Rich Chien, Private Sector Green Building Coordinator at the San Francisco Department of the Environment, has provided additional briefing materials on the overall design and implementation approach of the program (the “Program Memo”).

Background

The Board of Supervisors previously has adopted legislation and completed other necessary steps to provide for the establishment of the GreenFinanceSF program, summarized below.

Mello-Roos Community Facilities Act and the City's Special Tax Financing Code

The Mello-Roos Community Facilities Act of 1982 (the “Act”) allows local governments in California to finance community facilities and services through the levy of special taxes. In August 2008, the City adopted a Special Tax Financing Code (the “Code”) that incorporates by reference the Act as a method for financing and refinancing the acquisition, installation and improvement of energy efficiency and renewable energy improvements on privately-owned property or buildings within the proposed Special Tax District (the “Facilities”), as described below. The Code authorizes the Board to establish a special tax district and to act as the legislative body for the special tax district.

The Code allows for an “opt in” special tax financing district to fund energy improvements to local buildings and is codified in Article 43.10 of the Administrative Code. The Code also provides the ability to recover the cost of improvements through a special tax lien on property owned by property owners electing to participate in the program. The proposed district would be formed under the alternate procedure for forming special tax districts established by Section 43.10.17 of the Code and any debt financing Facilities would be authorized under the alternate procedure established by Section 43.10.18 of the Code. On October 20, 2009, the Board adopted an Ordinance amending the Code to include water conservation among eligible projects and add

Section 43.10.19 to accommodate larger retrofits for affordable multifamily housing and larger commercial buildings. Pursuant to 43.10.19 of the Code, the City may, without additional hearings or procedures to those required under Sections 43.10.17 and 43.10.18 of the Code, designate a parcel or parcels as an improvement area within the special tax district (each an "Improvement Area").

Other Prior Legislation and Activities Relating to the Establishment of the Program

On October 6, 2009 the Board adopted Resolution No. 387-09 declaring its local goals and policies (the "Policies Resolution") for purposes of the Code and Act. The Policies Resolution adopting local goals and policies for community facilities districts and special tax districts provides guidance and conditions for the issuance of bonds secured by special taxes levied in a special tax district or a community facilities district established under the Code or the Act.

On November 24, 2009 the Board of Supervisors adopted Resolution No. 464-09 and 465-09 (the Resolutions of Intention) that initiated the process to create the proposed district and issue indebtedness financing facilities under the Code and the Act. The resolution forming the District financing eligible Facilities (the Formation Resolution) and the ordinance allowing for the levy of special taxes in the District (the Special Taxes Ordinances) were adopted by the Board of Supervisors on January 12, 2010 and February 2, 2010, respectively.

The Formation Resolution completed the proposed special tax district formation proceedings initiated with the adoption of the Resolutions of Intention and completed the legislative process to create the proposed district. The Formation Resolution named the proposed special tax district the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) (the "District"); approved the boundaries of the District as recorded in the Assessor-Recorder's Office on December 8, 2009; approved the Facilities to be financed or refinanced by the District including energy efficiency, water conservation and renewable energy improvements, bond related expenses, administrative fees, and other related costs or fees (each a "Facility" as described in Exhibit A: City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Description of Facilities to be Financed by the Special Tax District); and authorized the City to levy a special tax to pay directly for the Facilities, to pay principal and interest, and/or to make lease payments on any lease used to finance Facilities, all as secured by the recordation of a continuing special tax lien against real property whose owners elect to annex to the District.

Special taxes applicable to parcels located in the District would be levied and collected as provided in the proposed method of apportionment (or allotment) of special taxes (Exhibit B: City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Method of Apportionment). The Formation Resolution also approved the form of the unanimous approval (each a "Unanimous Approval", Exhibit C) that would be filed by a participating property owner authorizing the levy of the special tax upon the property and specifying the payment schedule for the special tax applicable to the parcel(s). The special tax would be levied on a parcel or parcels only with the written Unanimous Approval of the owner(s) of the parcel(s) and each Unanimous Approval of the owner(s) specifies the appropriations limit for the District, the applicable rate, the method of apportionment and manner

of collection of the special tax, and the approval and authorization to incur indebtedness financing the Facilities.

The special taxes would be levied until payment in full of any bonds financing Facilities and payment of all costs of administering the District. All of the collections of the special tax would be used as provided in the Code, in the Formation Resolution and applicable Unanimous Approval for the payment of debt service on the bonds, replenishment of a debt service reserve fund, payment of costs of the Facilities, the payment of costs of administering the District, and the costs of collecting and administering the special tax.

Residential GreenFinanceSF Program and Federal Regulatory Guidance

In spring 2010, the City established its residential GreenFinanceSF Program upon the Board of Supervisors' adoption of the above and other necessary program legislation. Prior to the City issuing any special tax bonds financing Facilities for residential property owners, however, the Federal Housing Finance Agency (FHFA) released on July 6, 2010 its "FHFA Statement on Certain Energy Retrofit Loan Programs" determining programs such as the City's residential GreenFinanceSF program "present significant safety and soundness concerns" and citing senior lien concerns regarding residential Mello Roos / Special Tax Financing programs financing the Facilities.

FHFA advised Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to revise underwriting criteria and to undertake other actions that effectively directed Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to reject mortgages on homes whose owners participate in residential GreenFinanceSF and similar programs in other jurisdictions. Since the release of the FHFA statement on residential programs, the City's residential GreenFinanceSF program has been suspended, pending any updates and/or revisions to the FHFA regulatory guidance and statement.

Also on July 6, 2010, the Office of the Comptroller of the Currency (OCC) released a bulletin addressed to national banks and bank examiners providing supervisory guidance on residential special tax financing programs like GreenFinanceSF. Specifically, the OCC bulletin directed national banks i) to be aware of the FHFA directives summarized above, ii) to take steps to mitigate exposures and protect collateral positions, and iii) to consider the impact of tax-assessed energy advances on asset valuations. With respect to non-residential special tax programs financing Facilities, the OCC bulletin provided the following supervisory guidance:

The OCC supports commercial and residential energy lending when such lending programs observe existing lien preference, ensure prudent underwriting, and comply with appropriate consumer protections.

The GreenFinanceSF Non-Residential Program contemplates the above and related concerns regarding the safety and soundness of the special tax bonds financing the Facilities on Non-Residential Properties, summarized below.

GreenFinanceSF Non-Residential Program

GreenFinanceSF assists owners of Non-Residential Property in the City with financing and refinancing of Facilities attached to their buildings. GreenFinanceSF utilizes an "owner-arranged financing" approach, pursuant to which an individual property owner will contract

directly with qualified installers / contractors and independently arrange for a qualified investor ("Bond Purchaser") to purchase a special tax bond financing the Facilities. GreenFinanceSF provides the Bond Purchaser with the security of a senior lien, subject to the property owner's obtaining the written consent of existing lienholders.

Each participating property (or group of properties) will be designated a unique Improvement Area within the District. Any special tax bonds issued to finance the Facilities for such property (or group of properties) will be payable solely from special taxes levied on such property. In addition, because City staff anticipates that the City will be asked to issue numerous series of special tax bonds for a similar number of Improvement Areas, the Bond Resolution provides for the delegation of authority to approve the issuance of each series of special tax bonds and the execution of each set of related documents to City staff, as noted above.

Property owners electing to participate in the program will pay the special tax only if they complete eligible and approved improvements as part of the program. Because the special tax will finance Facilities on private property and not publicly-owned improvements, interest on any issued bonds will be federally taxable.

Furthermore to address regulatory guidance summarized above, the program limits the purchase of special tax bonds to financial institutions or other sophisticated investors with experience in providing financing to Non-Residential Properties. The sale of any special tax bond will be conducted on a private placement basis, with City involvement limited to establishment of the program, provision for the senior lien and minimum underwriting, Facilities and property criteria. Prior to the issuance of special tax bonds and their purchase by qualified investors, the program will require that the Bond Purchaser make certain representations, warranties and agreements (Exhibit C: Form of Purchase Letter to the Fiscal Agent Agreement), among them that the Bond Purchaser has made an informed decision to purchase the special tax bonds; has sought accounting, legal and tax advice it considers necessary to make an informed investment decision; understands that the special tax bonds will not be subject to initial or continuing disclosure requirements customary with the City's other securities; is able to bear the economic risk of the purchase; and understands and agrees the special tax bonds are subject to transfer restrictions.

Program Documents

Under the proposed Bond Resolution, the City will issue special tax bonds financing Facilities pursuant to the fiscal agent agreement and the bond purchase contract:

Fiscal Agent Agreement: Pursuant to a Fiscal Agent Agreement between the City and a third party fiscal agent acting on behalf and for the benefit of the Bond Purchaser for the related Improvement Area, the fiscal agent administers and disburses special tax payments and enforces the covenants and remedies in the event of a default by the property owner. The Fiscal Agent Agreement provides for the terms of the special tax bond relating to an Improvement Area (e.g., the payment schedule, redemption provisions, events of default, remedies in the event of default, and other related administrative provisions). The fiscal agent holds proceeds derived from the sale of the relevant special tax bond and disburses payments for the costs incurred for the Facilities, as directed by authorized City representatives.

Bond Purchase Contract: The Bond Purchase Contract by and between the City and a Bond Purchaser, contains representations and warranties to the effect that the Bond Purchaser constitutes a qualified investor, as well as the terms of, and conditions to, each special tax bond purchase.

In addition, program documents submitted with the Bond Resolution and Administrative Terms Resolution updates documents submitted with prior legislation described above and facilitates the owner-arranged financing approach for the GreenFinanceSF Non-Residential Program:

- Form of Unanimous Approval
- Form of Lender Consent
- Rate and Method of Apportionment of Special Tax
- Program Terms
- Program Underwriting Requirements
- List of Eligible Measures

These supporting documents are described in the Program Memo.

Fiscal and Credit Impacts of a GreenFinanceSF Non-Residential Program to the City

The program is expected neither to impact the general fund nor to involve any funding support program by non-participating property owners or residents. Administrative and financing costs, if any, will be paid from fees levied on applicants to the program or through a portion of the annual special tax assessed on participating property owners' property tax bills.

Any special tax bonds to be issued under the Code will be limited obligations of the City and will be paid from the special taxes levied and collected in the related Improvement Area. The costs of establishing any Improvement Area and of financing improvements, as well as the costs associated with issuing special tax bonds and any other administrative costs are not expected to have a direct general fund impact. Any administrative expenses in connection with the proposed district or indebtedness would be borne by affected property owners and / or will be paid from proceeds of the special tax.

Neither the faith and credit of the City nor the City's general fund is pledged to the security or repayment of special tax bonds financing the Facilities. Additionally, the City's credit quality and cost of borrowing are not expected to be affected by the performance of the special tax bonds due to the limited obligation of the City with respect to the special tax bonds.

- The City is contemplating a not-to-exceed \$100 million of special tax bonds financing Facilities. While not considered a direct obligation of the City, such debt may be included in the overlapping debt of the City and may be accounted for in debt burden ratios used to evaluate the City's financial condition.
- The issuance of special tax bonds financing the Facilities will be restricted to certain considerations including, the annual levy of a special tax at least equal to the cost of administering the Program and the principal, interest and premium, if any, due.

Participating property owners may experience fluctuations in the values of their properties and/or financial and other disruptions that could impact their decision to continue paying the annual lien, leading to delinquency in payment and foreclosure on their property.

- Delinquencies in payment and foreclosures on properties participating in non-residential GreenFinanceSF will have limited, if any, impact on the City's credit rating or deemed creditworthiness.
- While there is no City obligation to make principal and interest payments on the debt, the City will covenant for the benefit of bondholders to timely levy and collect the special taxes when due; foreclose the lien of any special tax not paid subject to certain considerations.
- While the City has not issued directly special tax bonds under the Code or the Act, the City's Redevelopment Agency has issued and outstanding approximately \$236 million in special tax bonds. In addition, the Association of Bay Area Governments or ABAG has issued and outstanding approximately \$46 million in special tax bonds financing projects located in the City. These obligations are disclosed to investors and included in the City's overlapping debt.

In designing the program, the Controller's Office of Public Finance, the Office of the City Attorney, and the San Francisco Department of the Environment are considering the above factors to strike an appropriate balance among the cost of borrowing for program participants and menu of eligible facilities, administrative and procedural efficiency, and credit and rating exposure of the City within the context of the City's broader capital financing needs. As the Program evolves, the Board of Supervisors will be provided with updates as to the progress in these and other areas, as described above.

Additional Information

The Bond Resolution and the Administrative Terms Resolution will be introduced at the Board of Supervisors meeting on Tuesday, July 12, 2011. The related financing and program documents described above will have also been submitted.

Your consideration is greatly appreciated. Please contact me at 554-6902 if you have any questions. Thank you.

CC: Angela Calvillo, Clerk of the Board of Supervisors
Jason Elliott, Legislative Director
Johanna Partin, Mayor's Office
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Nadia Sesay, Director of Public Finance
Greg Wagner, Mayor's Budget Director
Mark Blake, Deputy City Attorney



FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of _____, 20__

Relating to:

**Improvement Area No. __ of the
City and County of San Francisco
Special Tax District No. 2009-1
(San Francisco Sustainable Financing)
Special Tax Bonds**

BOND PURCHASE CONTRACT**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BOND
(FEDERALLY TAXABLE)**

_____, 20__

THIS BOND PURCHASE CONTRACT (this "**Contract**") is made and entered into as of the date identified on Exhibit A of this Contract (the "**Effective Date**"), by and between the City and County of San Francisco (the "**Issuer**"), for and on behalf of the "City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)" (the "**District**") with respect to the improvement area identified on Exhibit A of this Contract ("**Improvement Area**"), and the entity identified on Exhibit A of this Contract as the Bond Purchaser (the "**Bond Purchaser**").

RECITALS

WHEREAS, on November 24, 2009, the Board of Supervisors (the "**Board of Supervisors**") of the Issuer adopted (i) Resolution No. 464-09, entitled "Resolution of Intention to Establish Special Tax District" (the "**Resolution of Intention to Form**"), stating its intention to establish the District, pursuant to Chapter 43, Article X of the San Francisco Administrative Code (the "**Code**"), which Code incorporates the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, et. seq., of the California Government Code (the "**Act**"), and (ii) Resolution No. 465-09, entitled "Resolution of Intention to Incur Bonded Indebtedness (the "**Resolution of Intention to Incur Debt**"), stating its intention to incur bonded indebtedness for the District in an amount not to exceed \$150,000,000; and

WHEREAS, the Resolution of Intention stated the intention of the Board of Supervisors to undertake the proceedings to form the District under the alternate procedures established by Section 43.10.17 of the Code, pursuant to which a special tax district may initially consist solely of territory proposed for annexation to the special tax district in the future, with the condition that a parcel or parcels within that territory may be annexed to the special tax district and subjected to the special tax only with the unanimous approval of the owner or owners of such parcel or parcels at the time that such parcel or those parcels are annexed or pursuant to other procedures established by the Code; and

WHEREAS, on January 12, 2010, the Board of Supervisors held noticed public hearings as required by the Code on the issues of (i) the determination to proceed with the formation of the District and the method of apportionment of the special tax to be levied within the District to finance a portion of the costs of the facilities and (ii) the issuance of not to exceed \$150,000,000 of bonded indebtedness for the District; and

WHEREAS, on January 12, 2010, the Board of Supervisors adopted (i) Resolution No. 06-10 (the "**Resolution of Formation**"), which established the District, authorized the levy of a special tax with the District and defined the facilities to be financed by the District, being the acquisition, installation and improvement of energy efficiency, water conservation and renewable energy improvements to or on real property and in buildings, whether such real

property or buildings are privately or publicly owned (the "**Facilities**"), and (ii) Resolution No. 07-10 (the "**Resolution of Necessity**"), which determined the necessity to incur bonded indebtedness in the District, respectively; and

WHEREAS, pursuant to 43.10.19 of the Code, the Issuer may, without additional hearings or procedures to those required under Sections 43.10.17 and 43.10.18 of the Code, designate a parcel or parcels as an improvement area within the District, and the Issuer has made such a designation with respect to the Improvement Area; and

WHEREAS, on February 2, 2010, the Board of Supervisors adopted Ordinance No. 16-10, pursuant to which the Board levied the special taxes in the District, including all improvement areas established in the District (the "**Ordinance**"), which Ordinance was signed by the Mayor on February 8, 2010; and

WHEREAS, on _____, 20__ the Board of Supervisors adopted Resolution No. ___-___, (the "**Bond Resolution**"; together, the Resolution of Intention to Form, the Resolution of Intention to Incur Debt, the Resolution of Necessity, the Bond Resolution and the Resolution of Formation are referred to in this Contract as the "**Resolutions**") delegating approval of the issuance of bonds for the Special Tax District to the Controller's Office of Public Finance and approving a form of fiscal agent agreement and a form of purchase contract relating to such bonds; and

WHEREAS, the Bond Purchaser wishes to purchase a bond issued by the Issuer on behalf of the District with respect to the Improvement Area (the "**Bond**"), and the Issuer wishes to sell the Bond to the Bond Purchaser, and this Contract sets forth the terms under which the Bond will be sold by the Issuer to the Bond Purchaser.

AGREEMENT

Section 1. Definitions. Terms not otherwise defined in this Contract shall have the same meanings as set forth in that certain Fiscal Agent Agreement dated as of the date identified on Exhibit A of this Contract (the "**Fiscal Agent Agreement**"), between the Issuer and Wells Fargo Bank, National Association, as fiscal agent (the "**Fiscal Agent**").

Section 2. Agreement to Purchase. Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Bond Purchaser hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell the Bond to the Bond Purchaser at a purchase price equal to the initial principal amount of the Bond.

Section 3. Description of the Bond. The Bond will be issued as a single bond, will mature on the date and in the principal amount, will bear interest at the interest rate, and will be subject to redemption prior to maturity as set forth on Exhibit A of this Contract.

The Bond will be registered in the name of the Bond Purchaser, and will not initially be held in book-entry only form.

Section 4. Purpose for the Bond. The Bond will be issued by the Issuer for and on behalf of the District pursuant to the Code for the purpose of financing or refinancing the acquisition and installation of Facilities on property that is taxable pursuant to a Special Tax levy in the Improvement Area (the "**Taxable Property**"). The Taxable Property is owned by the entity identified on Exhibit A of this Contract (the "**Property Owner**").

Section 5. Security for the Bond. The Property Owner executed a Unanimous Approval (the "**Unanimous Approval**"), pursuant to which it voted in favor of (i) the annexation of the Taxable Property to the District, (ii) the levy of special taxes (the "**Special Taxes**") on the Taxable Property to finance the Facilities according to the Rate and Method of Apportionment of Special Tax (the "**Rate and Method**"), which Rate and Method was attached to the Unanimous Approval as Appendix 2, and (iii) the issuance of bonded indebtedness for the Improvement Area in an aggregate principal amount identified on Exhibit A of this Contract and an appropriations limit identified on Exhibit A of this Contract. Also in the Unanimous Approval, among other things, the Property Owner acknowledged that the Taxable Property constitutes the Improvement Area.

On the date of issuance of the Bond, the Special Taxes will be secured by a lien on the Taxable Property established by recordation of a notice of special tax lien (the "**Notice of Special Tax Lien**") as an encumbrance on the Taxable Property in the real property records of City and County of San Francisco. The date and time of the recordation of the Notice of Special Tax Lien, along with other available recordation information, is set forth on Exhibit A of this Contract.

A deposit to a debt service reserve fund established under the Fiscal Agent Agreement and held by the Fiscal Agent will be made on the date of issuance of the Bond, in the amount set forth on Exhibit A of this Contract (the "**Reserve Fund Deposit Amount**", as defined in the Fiscal Agent Agreement). Amounts deposited into the debt service reserve fund will be available to pay debt service on the Bond in the event of delinquencies in the payment of Special Taxes.

Section 6. Representations and Warranties of the Issuer. The Issuer represents and warrants to the Bond Purchaser as follows as of the Effective Date:

(a) The Issuer is duly organized and validly existing under the laws of the State of California (the "**State**").

(b) The Board of Supervisors, as the legislative body of the District, has the full legal right, power and authority to adopt the Resolutions and the Ordinance, and the Issuer has the full legal right, power and authority for and on behalf of the District with respect to the Improvement Area (i) to enter into this Contract and the Fiscal Agent Agreement (collectively, the "**Issuer Documents**"), (ii) upon satisfaction of the conditions in this Contract and the Fiscal Agent Agreement, to issue, sell and deliver the Bond to the Bond Purchaser, (iii) to secure the Bond in the manner contemplated in the Fiscal Agent Agreement and (iv) to carry out and consummate all other transactions on its part contemplated by the Issuer Documents, and the Issuer and the Board of Supervisors have complied with all provisions of applicable law, including the Code, in all matters relating to such transactions.

(c) The Issuer has duly authorized (i) the execution and delivery by the Issuer for and on behalf of the District of the Bond and the execution, delivery and due performance by the Issuer of its obligations under the Issuer Documents and (ii) the taking of any and all such action as may be required on the part of the Issuer to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the Issuer in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The Resolutions and the Ordinance have been duly adopted by the Board of Supervisors, acting as legislative body of the District, at meetings that were called and held in accordance with law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions and the Ordinance are in full force and effect and have not been amended or repealed; and the Fiscal Agent Agreement, when executed and delivered by the Issuer and the other party thereto (if any), will constitute a legal, valid and binding obligation of the Issuer for and on behalf of the District enforceable against the Issuer in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) When delivered to the Bond Purchaser, the Bond will have been duly authorized by the Board of Supervisors and duly executed, issued and delivered by the Issuer and will constitute legal, valid and binding obligations of the Issuer for and on behalf of the District enforceable against the Issuer in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and will be entitled to the benefit and security of the Fiscal Agent Agreement.

(f) Neither the adoption of the Resolutions or the Ordinance, the execution and delivery of the Issuer Documents, nor the consummation of the transactions on the part of the Issuer contemplated herein or therein or the compliance by the Issuer with the provisions hereof or thereof will conflict with, or constitute on the part of the Issuer, a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the Issuer is a party or by which it is bound, (ii) any provision of the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Issuer (or the members of the Board of Supervisors or any of its officers in their respective capacities as such) is subject, that would have a material adverse effect on the ability of the Issuer to perform its obligations under the Issuer Documents.

(g) Other than the Fiscal Agent Agreement, the Issuer has not entered into any contract or arrangement of any kind that might give rise to any lien or encumbrance on the Special Taxes.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the Issuer or the District has been served with process or threatened, which in any way questions the powers of the Board of Supervisors or the Issuer referred to in paragraph (b) above, or the validity of any proceeding taken by the Board of Supervisors in connection with the issuance of the Bond, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the Issuer Documents, or which, in any way, could adversely affect the validity or enforceability of the Resolutions, the Ordinance, the Issuer Documents or the Bond, or the imposition or collection of the Special Tax, or its priority of payment, or, to the knowledge of the Issuer, which in any way questions the status of the Bond under State tax laws or regulations.

(i) Any certificate signed by an official of the Issuer authorized to execute such certificate and delivered to the Bond Purchaser in connection with the transactions contemplated by the Issuer Documents shall be deemed a representation and warranty by the Issuer to the Bond Purchaser as to the truth of the statements therein contained.

(j) The Bond will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the Issuer and moneys held in certain funds and accounts established under the Fiscal Agent Agreement. The Fiscal Agent Agreement creates a valid pledge of, and first lien upon the Special Tax Revenues deposited thereunder, and the moneys in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(k) The Special Taxes may lawfully be levied in accordance with the Ordinance and the Rate and Method, and, when levied, will be secured by a lien on the Taxable Property pursuant to the Notice of Special Tax Lien.

Section 7. Representations and Warranties of the Bond Purchaser. The Bond Purchaser represents and warrants to the Issuer as follows:

(a) The Bond Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and has the full legal right, power and authority to execute this Contract and to undertake its obligations provided in this Contract.

(b) The Bond Purchaser is:

(i) an "accredited investor" (an "**Accredited Investor**") as such term is defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "**Securities Act**").

(ii) a "qualified institutional buyer" as such term is defined in Rule 144A promulgated under the Securities Act;

(iii) a bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any qualified institutional buyer or on its own behalf); or

(iv) a trust, custodial or similar arrangement the ownership interests in which are to be distributed through the issuance of (A) securities that are registered under the Securities Act and/or are exempt from the registration requirements of the Securities Act, and are rated "A" or "A2" by S&P or Moody's, respectively, (or an equivalent rating by another nationally recognized rating agency) or better, without respect to modifier, or securities the pass-through payments on which are guaranteed by an insurer or guarantor, the unsecured long-term obligations of which are rated "A" or "A2" by S&P or Moody's, respectively, (or an equivalent rating by another nationally recognized rating agency) or better, without respect to modifier, or (B) non-investment-grade securities representing a residual interest in such trust, custodial or similar arrangement that may only be transferred in transactions that are exempt from the registration requirements of the Securities Act.

(c) The Bond Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other obligations similar to the Bond, to be capable of evaluating the merits and risks of

an investment in the Bond, and the Bond Purchaser is able to bear the economic risks of such an investment.

(d) The Bond Purchaser is not purchasing the Bond for more than one account or with a view to distributing the Purchased Bond.

(e) The Bond Purchaser recognizes that an investment in the Bond involves significant risks, that there is no established market for the Bond and that none is likely to develop and, accordingly, that the Bond Purchaser must bear the economic risk of an investment in the Bond for an indefinite period of time.

(f) The Bond Purchaser understands and agrees that the Bond will be subject to transfer restrictions as set forth in the Fiscal Agent Agreement.

(g) The Bond Purchaser understands and acknowledges that, if and to the extent and subject to the conditions set forth in the Fiscal Agent Agreement, the Issuer may issue subsequent series of bonds secured by Special Tax Revenues in the Improvement Area on a parity with the Bond.

(h) The Bond Purchaser (i) has conducted its own independent inquiry, examination and analysis with respect to the Improvement Area (including the parcel(s) in the Improvement Area and the owner(s) of such parcel(s)) and the Bond, (ii) has had an opportunity to ask questions of and receive answers from the Issuer regarding the Improvement Area, the Bond (including the security therefor) and the matters, transactions and documents relating to the foregoing, (iii) has been provided by the Issuer with all documents and information regarding the Improvement Area, the Bond (including the security therefor) and the matters, transactions and documents relating to the foregoing that it has requested, and (iv) the Bond Purchaser has been provided with information sufficient to allow the Bond Purchaser to make an informed decision to purchase the Bond.

(i) The Bond Purchaser (i) is not relying upon the Issuer, or any of its affiliates, officers, employees or agents, for advice as to the merits and risks of investment in the Bond, and (ii) has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(j) The Bond Purchaser understands and acknowledges (i) that the offering of the Bond is not subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), (ii) that, in connection with the purchase of the Bond by the Bond Purchaser, the Issuer has not prepared or caused to be prepared, and is not delivering, a deemed final official statement with respect to the Bond and has not undertaken to provide to or for the benefit of holders of the Bond financial or operating data or any other information with respect to the Improvement Area or the Bond on an ongoing basis.

(k) The Bond Purchaser is able to bear the economic risk of the investment represented by its purchase of the Bond.

(l) The Bond Purchaser is aware of the following: If the Taxable Property is owned by a federal governmental entity, or a private deed of trust secured by the Taxable Property is owned by a federal governmental entity, the ability to foreclose on the parcel to collect delinquent Special Taxes may be limited. Federal courts have held

that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal governmental entity owns the Taxable Property but does not pay taxes and assessments levied on the parcel (including the Special Taxes), the Issuer cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the Taxable Property and the Issuer wishes to foreclose on the parcel as a result of delinquent Special Taxes, the Taxable Property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest.

(m) The Bond Purchaser acknowledges that Jones Hall, A Professional Law Corporation ("**Bond Counsel**") is acting as bond counsel to the Issuer, that Bond Counsel has no attorney-client relationship with the Bond Purchaser, and that the Bond Purchaser has sought legal advice from its own counsel to the extent it concluded legal advice was necessary.

Section 8. Issuance of the Bond. On the date set forth on Exhibit A of this Contract (the "**Closing Date**") or at such other time and/or date as shall have been mutually agreed upon by the Issuer and the Bond Purchaser, the Issuer will deliver or cause to be delivered to the Bond Purchaser the Bond in definitive form duly executed and authenticated by the Fiscal Agent together with the other documents mentioned in Section 10 hereof; and the Bond Purchaser will accept such delivery and pay the Purchase Price of the Bond by delivering to the Fiscal Agent for the account of the Issuer a check payable in federal funds or making a wire transfer in federal funds payable to the order of the Fiscal Agent.

The activities relating to the final execution and delivery of the Bond and the Fiscal Agent Agreement and the payment therefor and the delivery of the certificates, opinions and other instruments as described in Section 10 of this Contract shall occur at the offices of Bond Counsel. The payment for the Bond and simultaneous delivery of the Bond to the Bond Purchaser is herein referred to as the "**Closing**."

Section 9. Termination Events. The Bond Purchaser shall have the right to cancel its obligations to purchase the Bond if between the date hereof and the date of Closing:

(i) Either federal or state legislation shall have been enacted causing interest on obligations of the general character of the Bond, to be includable in California personal income, and such legislation, in the Bond Purchaser's reasonable opinion after consultation with the City, materially adversely affects the market price of the Bond.

(ii) Legislation shall have been enacted, or actively considered for enactment with an effective date prior to the Closing, or a decision by a court of the United States shall have been rendered, the effect of which is that the Bond, including any underlying obligations, or the Fiscal Agent Agreement, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect.

(iii) There shall have occurred any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Bond Purchaser after consultation with the City, would materially adversely affect the market for or market price of the Bond, and such circumstances continue for 120 days.

(iv) An amendment to the federal or State constitution shall be enacted or action taken by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the validity or enforceability of the Special Taxes or the ability of the Issuer to issue the Bond and levy the Special Taxes as contemplated by the Fiscal Agent Agreement and the Rate and Method.

Section 10. Issuer Closing Conditions. The obligation of the Bond Purchaser to purchase the Bond shall be subject (a) to the performance by the Issuer of its obligations to be performed by it hereunder at and prior to the Closing, (b) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the Issuer herein, and (c) to the following conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance satisfactory to the Bond Purchaser:

(a) At the time of Closing, (i) this Contract and the Fiscal Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Bond Purchaser, and (ii) the Issuer shall have duly adopted and there shall be in full force and effect such resolutions and ordinances (including, but not limited to, the Resolutions and the Ordinance) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) Receipt of the Bond, executed by the Issuer and authenticated by the Fiscal Agent, at or prior to the Closing. The terms of the Bond, when delivered, shall in all instances be as described in Exhibit A of this Contract.

(c) At or prior to the Closing, the Bond Purchaser shall receive the following documents in such number of counterparts as shall be mutually agreeable to the Bond Purchaser and the Issuer:

(i) A final approving opinion of Bond Counsel addressed to the Bond Purchaser dated the Closing Date in the form attached hereto as Exhibit B.

(ii) Certified copies of the Resolutions and the Ordinance.

(iii) Evidence of recordation in the real property records of the City and County of San Francisco of the Notice of Special Tax Lien.

(iv) An opinion of the City Attorney to the effect that the Code, the Ordinance and the Resolutions were duly adopted at meetings of the Board of Supervisors called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Code, the Ordinance and the Resolutions are in full force and effect and have not been modified, amended or rescinded.

(v) A copy of the Unanimous Approval.

(vi) A certificate, in form and substance as set forth in Exhibit C, of the Issuer, dated as of the Closing Date.

(vii) With respect to each Taxable Parcel: (A) a copy of a final invoice from an installer that qualifies under the Issuer's then-existing program terms and conditions; and (B) evidence satisfactory to the Issuer and the Bond Purchaser that the Taxable Property has the minimum value set forth on Exhibit A of this Contract.

(viii) A certificate of the Fiscal Agent in form and substance as set forth in Exhibit D.

(ix) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Bond Purchaser or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of such Closing, of the respective representations of the Issuer herein contained and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Bond Purchaser contained in this Contract, or if the obligations of the Bond Purchaser to purchase and accept delivery of the Bond shall be terminated for any reason permitted by this Contract, this Contract shall terminate and neither the Bond Purchaser nor the Issuer shall be under further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 12 hereof shall continue in full force and effect.

Section 11. Bond Purchaser Closing Conditions. The obligations of the Issuer to issue and deliver the Bond on the Closing Date shall be subject, at the option of the Issuer, to the performance by the Bond Purchaser of the following obligations at or prior to the Closing Date:

(a) Delivery of the Purchase Price in immediately available funds.

(b) Receipt from the Bond Purchaser of the certificate in the form attached hereto as Exhibit E.

Section 12. Expenses. The Issuer shall pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Contract, including, but not limited to, delivery of the Bond, costs of printing the Bond, fees and disbursements of Bond Counsel, any financial advisor and other consultants engaged by the Issuer, including the fees and expenses of the special tax consultant and fees of the Fiscal Agent.

The Bond Purchaser shall pay all expenses incurred by it in connection with its purchase of the Bond, including fees and expenses of its counsel, if any, and fees of the California Debt Investment and Advisory Commission (if any).

Section 13. Notice. Any notice or other communication to be given to the parties to this Contract may be given by delivering the same in writing by the means identified below to the locations identified below, or at such other location of a party that such party may expressly notify the other party is the location for the receipt of notices under this Agreement:

City and County of San Francisco

1 Dr. Carlton B. Goodlett Place
City Hall, Room 316
San Francisco, CA 94102
Attn: Director of the Office of Public Finance
Fax: 415-554-4864
E-mail: nadia.sesay@sfgov.org

With a copy to the City Attorney

With a copy to the Program Administrator/City
Treasurer

Bond Purchaser

See Exhibit A of this Contract

Notice shall be deemed to have been received by a party (i) if the notice was sent by overnight mail, on the Business Day after it was sent and (ii) if the notice was sent by U.S. Mail for normal delivery, on the second Business Day after it was sent.

Section 14. Benefit of this Contract.

(a) This Contract is made solely for the benefit of the Issuer and the Bond Purchaser (or any transferee of any Bond) and no other person shall acquire or have any right hereunder or by virtue hereof.

(b) The Bond Purchaser may assign all of its rights and obligations under this Contract only with the prior written consent of the Issuer, which shall be subject to its sole and absolute discretion.

Section 15. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of California.

Section 16. Waiver. A waiver by the Issuer or the Bond Purchaser of any default or breach of contract by the other party shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Issuer or the Bond Purchaser to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Issuer or the Bond Purchaser may be enforced and exercised from time to time and as often as shall be deemed expedient by the Issuer or the Bond Purchaser.

Section 17. Counterpart. This Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Issuer and the Bond Purchaser have caused this Contract to be signed in their name by authorized representatives, all as of the Effective Date.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of City and County of San
Francisco Special Tax District No. 2009-1
(San Francisco Sustainable Financing)

By: _____
Authorized Representative

[BOND PURCHASER]

By: _____
Authorized Representative

Acknowledged and agreed:

[PROPERTY OWNER]

By: _____
Authorized Representative

EXHIBIT A

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BOND
(FEDERALLY TAXABLE)**

BOND PURCHASE CONTRACT TERMS

Name of Bond: _____

Bond Purchaser: _____

Bond Purchaser Address: _____

Improvement Area No.: _____

Authorized Principal Amount: _____

Appropriations Limit: _____

Taxable Property (APN): _____

Property Owner: _____

Notice of Special Tax Lien Recording Information: _____

Minimum Value: _____

Effective Date: _____

Closing Date: _____

Principal Amount: _____

Interest Rate: _____

Date of Fiscal Agent Agreement: _____

Reserve Fund Deposit Amount: _____

Redemption Provisions: [to come]

CUSIP No. _____

EXHIBIT B

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BOND
(FEDERALLY TAXABLE)**

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall
San Francisco, CA 94102

[Bond Purchaser]

OPINION: \$_____ Improvement Area No. ___ of the City and County of San Francisco
Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special
Tax Bond, Series _____ (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City and County of San Francisco (the "City") of the above-referenced bond (the "Bond") pursuant to Chapter 43, Article X of the San Francisco Administrative Code (the "Code"), a resolution of the City adopted _____, 20__ (the "Resolution") and a Fiscal Agent Agreement, dated as of _____, 20__ (the "Fiscal Agent Agreement"), by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. This opinion is being delivered in our capacity as bond counsel to the City and not as counsel to the purchaser of the Bond.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Resolution, the Fiscal Agent Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and chartered city with the power to adopt the Resolution, to enter into the Fiscal Agent Agreement, and to perform the agreements on its part contained therein and issue the Bond.

2. The Fiscal Agent Agreement has been duly approved by the City and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

3. Pursuant to the Code, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bond.

4. The Bond has been duly authorized, executed and delivered by the City and is a valid and binding limited obligation of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bond is exempt from personal income taxation imposed by the State of California.

6. The City has duly and validly executed the Bond Purchase Contract relating to the Bond, and the Bond Purchase Contract constitutes the legal, valid and binding agreement of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases.

7. The Bond is exempt from registration under the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

The rights of the owner of the Bond and the enforceability of the Bond, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

The owner of the Bond shall be entitled to rely on this opinion.

Respectfully submitted,

A Professional Law Corporation

EXHIBIT C

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BOND
(FEDERALLY TAXABLE)

ISSUER CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am the Director of the Controller's Office of Public Finance of the City and County of San Francisco (the "**Issuer**"), the Board of Supervisors of which is the legislative body for City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) (the "**Special Tax District**"), a special tax district duly organized and existing under Chapter 43, Article X of the San Francisco Administrative Code and that as such, I am authorized to execute this Certificate on behalf of the Issuer in connection with the issuance of the above-referenced Special Tax Bond (the "**Bond**").

I hereby further certify on behalf of the Issuer that:

(A) I am an "Authorized Officer," as such term is defined in the Fiscal Agent Agreement, dated as of _____, 20__, relating to the Bond (the "**Fiscal Agent Agreement**"),

(B) to my best knowledge, after reasonable inquiry, no litigation is pending with respect to which the Issuer has been served with process or threatened (1) to restrain or enjoin the issuance of the Bond or the collection of Special Tax Revenues pledged under the Fiscal Agent Agreement; (2) in any way contesting or affecting the authority for the issuance of the Bond or the validity or enforceability of the Bond, the Fiscal Agent Agreement or the Bond Purchase Contract; (3) in any way contesting the existence or powers of the Issuer or (4) in any way contesting or affecting the priority of the lien of the Special Taxes;

(C) the representations and warranties made by the Issuer in the Issuer Documents are true and correct in all material respects on the Closing Date, with the same effect as if made on the Closing Date;

(D) as of the date hereof, the Code, the Ordinance, the Resolutions and the Fiscal Agent Agreement are in full force and effect in accordance with their respective terms and have not been amended, modified or supplemented except in such case as may have been agreed to by the Bond Purchaser;

(E) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Fiscal Agent Agreement and the Bond Purchase Contract prior to issuance of the Bond;

(F) pursuant to Section 3.01 of the Fiscal Agent Agreement, the Fiscal Agent is hereby requested and authorized to authenticate the Bond, dated the date hereof and issued in the principal amount of \$ _____, substantially in the form attached as Exhibit A to the Fiscal Agent Agreement, and to deliver the Bond to the Bond Purchaser, upon receipt on the date hereof by the Fiscal Agent from the Bond Purchaser of (i) the

Closing Certificate of the Bond Purchaser and (ii) the purchase price of the Bond in the amount of \$_____;

(G) the purchase price of the Bond shall be deposited by the Fiscal Agent on the date hereof as follows:

(i) \$_____ shall be deposited into the Costs of Issuance Fund held by the Fiscal Agent;

(ii) \$_____ shall be deposited into the Administrative Expense Fund held by the Fiscal Agent;

(iii) \$_____ shall be deposited into the Improvement Fund held by the City;

(iv) \$_____ shall be transferred to the Fiscal Agent for deposit into the Series A Capitalized Interest Account of the Bond Fund held by the Fiscal Agent and shall be used by the Fiscal Agent to pay interest on the Bond on the following dates: (i) XXX in the amount of \$_____ and (ii) XXXX in the amount of \$_____; and

[(v) \$_____ shall be deposited into the Bond Proceeds Account of the Reserve Fund, constituting [a portion of] the Reserve Fund Deposit Amount for the Bond;]

[(H) the amount of \$_____, constituting [a portion of] the Reserve Fund Deposit Amount for the Bond, shall be transferred by the Fiscal Agent from amounts held by the Fiscal Agent pursuant to a Loan Loss Reserve Agreement to the Grant Amounts Account of the Reserve Fund;]

(I) the Issuer hereby requests the Fiscal Agent to invest, on the date hereof, the amounts deposited on the date hereof into the various funds described above in the investments described in clause (h) of the definition of "Permitted Investments" set forth in the Fiscal Agent Agreement.

Capitalized terms not defined herein shall have the same meaning set forth in the Bond Purchase Contract dated _____, 20__, between the Issuer and _____.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date hereinbelow set forth.

Dated: [Closing Date]

CITY AND COUNTY OF SAN FRANCISCO, for and on behalf of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing)

By: _____
Director of the Office of Public Finance

EXHIBIT D

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BOND
(FEDERALLY TAXABLE)**

FISCAL AGENT CLOSING CERTIFICATE

The undersigned hereby states and certifies that the undersigned is an authorized officer of Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent") under the Fiscal Agent Agreement dated as of _____, 20__ (the "Fiscal Agent Agreement") between the Fiscal Agent and the City and County of San Francisco (the "Issuer") relating to the captioned bond (the "Bond"); and as such, is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Fiscal Agent:

- (1) The Fiscal Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Fiscal Agent Agreement.
- (2) The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and the Bond has been authenticated by a duly authorized representative of the Fiscal Agent in accordance with the Fiscal Agent Agreement.
- (3) There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Fiscal Agent or threatened against the Fiscal Agent which in the reasonable judgment of the Fiscal Agent would affect the existence of the Fiscal Agent or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement or contesting the powers of the Fiscal Agent or its authority to enter into and perform its obligation under the Fiscal Agent Agreement.
- (4) The Fiscal Agent is in receipt of the various amounts described in the Issuer Closing Certificate and has deposited those amounts in the funds and accounts directed by the Issuer in the Issuer Closing Certificate and has invested those amounts in the Permitted Investments directed by the Issuer.
- (5) The Fiscal Agent is in receipt of the Bond Purchaser Closing Certificate.

Dated: [closing date]

WELLS FARGO BANK, NATIONAL
ASSOCIATION,
as Fiscal Agent

By _____
Authorized Officer

EXHIBIT E

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2009-1
(SAN FRANCISCO SUSTAINABLE FINANCING)
SPECIAL TAX BOND
(FEDERALLY TAXABLE)**

BOND PURCHASER CLOSING CERTIFICATE

I, the undersigned, hereby certify that I am an authorized representative of _____, a _____ company (the "Bond Purchaser"), and that, as such, I am authorized to execute this Certificate on behalf of the Bond Purchaser in connection with the issuance by the City and County of San Francisco (the "Issuer") of the above-referenced bond (the "Bond") in the initial principal amount of \$_____. Capitalized terms used herein but not defined have the meaning given them in the Bond Purchase Contract dated _____, 20__ between the Issuer and the Bond Purchaser (the "Bond Purchase Contract").

I hereby further certify on behalf of the Bond Purchaser that:

(A) the representations and warranties made by the Bond Purchaser in the Bond Purchase Contract are true and correct in all material respects on the date hereof, with the same effect as if made on the date hereof; and

(B) the Bond Purchaser hereby acknowledges receipt of the Bond dated as of the date hereof, duly authenticated by Wells Fargo Bank, National Association, as fiscal agent; and

(C) the conditions to issuance of the Bond set forth in Section 10 of the Bond Purchase Contract have either been satisfied to the Bond Purchaser's satisfaction or are hereby waived by the Bond Purchaser.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date hereinbelow set forth.

Dated: [Closing Date]

[BOND PURCHASER]

By: _____
Authorized Representative