

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2018

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS
Moody's: ____
S&P: ____
Fitch: ____

(See "Ratings" herein)

In the opinion of Squire Patton Boggs (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2018 Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018), and (ii) interest on the Series 2018 Bonds is exempt from State of California personal income taxes. Interest on the Series 2018 Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.



**[\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018[B]
(BRANCH LIBRARY IMPROVEMENT PROGRAM)**

Dated: Date of Delivery

Due: [June 15], as shown on the inside cover

The City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018[B] (Branch Library Improvement Program) (the "Series 2018 Bonds"), will be issued pursuant to a Master Trust Agreement, dated as of March 1, 2009 (the "Master Trust Agreement"), as amended by the First Supplemental Trust Agreement, dated as of June 1, 2018 (the "First Supplemental Trust Agreement," and together with the Master Trust Agreement, the "Trust Agreement"), by and between the City and County of San Francisco Finance Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"), and the Charter of the City and County of San Francisco (the "City"). See "INTRODUCTION – Authority for Issuance." The Series 2018 Bonds are being issued to: (i) redeem all of the Corporation's outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) (the "Refunded Bonds"), and (ii) pay costs associated with the issuance of the Series 2018 Bonds and the redemption of the Refunded Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The City owns various real property in the City (the "Sites") that will be leased by the City, as lessor, to the Corporation, as lessee, pursuant to a Facilities Lease, dated as of March 1, 2009 (the "Original Facilities Lease"), as amended by the First Amendment to Facilities Lease, dated as of June 1, 2018 (the "First Amendment to Facilities Lease," and together with the Original Facilities Lease, the "Facilities Lease"). The Sites and the improvements thereon (collectively, the "Facilities") will be leased by the Corporation, as lessor, to the City, as lessee, pursuant to a Master Lease, dated as of March 1, 2009 (the "Master Lease"), as amended by the First Amendment to Master Lease, dated as of June 1, 2018 (the "First Amendment to Master Lease," and together with the Master Lease, the "Lease").

The Series 2018 Bonds are primarily payable from rental payments to be made by the City to the Corporation pursuant to the Lease. Under the Lease, so long as the City has beneficial use and occupancy of the Facilities, the City is obligated to make Rental Payments (defined herein), in amounts sufficient, in both time and amount, to pay the principal of and interest on the Series 2018 Bonds. Under the Lease, the City has covenanted to take such action as may be necessary to include all Rental Payments due in its annual budget and to make the necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT – Lease Not a Debt of City; Covenant to Appropriate."

The Series 2018 Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2018 Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners of the Series 2018 Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the Series 2018 Bonds will be made by the Trustee, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2018 Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Series 2018 Bonds will be dated and bear interest from their date of delivery. Interest on the Series 2018 Bonds will be payable on [June 15] and [December 15] of each year, commencing [December 15, 2018]. **The Series 2018 Bonds are subject to redemption prior to their respective stated maturities.** See "THE SERIES 2018 BONDS – Redemption Provisions."

THE SERIES 2018 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT. THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE
(See inside cover)

Bids for the purchase of the Series 2018 Bonds will be received by the Corporation at ____ a.m. California time on May __, 2018, as provided in the Official Notice of Sale inviting bids dated May __, 2018, unless postponed as set forth in such Official Notice of Sale. See "Sale of the Series 2018 Bonds" herein.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2018 Bonds are offered when, as, and if issued by the Corporation and accepted by the purchaser, subject to the approval of legality by Squire Patton Boggs (UC) LLP, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, Dannis Woliver Kelley, San Diego, California, and the City by the City Attorney and Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Series 2018 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about June __, 2018.

Dated: May __, 2018.

* 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.

[\$Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018[B]
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

MATURITY SCHEDULE

Maturity Date (June 15)	Principal Amount	Interest Rate	Initial Reoffering Price or Yield**	CUSIP*** (_____)
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* Preliminary, subject to change.

** Reoffering prices/yields furnished by the initial purchaser. Neither the Corporation nor the City takes any responsibility for the accuracy thereof.

*** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Corporation take any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the City or the Corporation to give any information or to make any representations 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 or the Corporation. 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 Series 2018 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Series 2018 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein, other than that provided by the City and the Corporation, has been obtained from sources that are believed to be reliable, but 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, the Corporation, the Facilities or the Projects since the date hereof.

This Official Statement is submitted in connection with the sale of the Series 2018 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City and the Corporation. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement.

In connection with the offering of the Bonds, the purchasers may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The purchasers may offer and sell the Bonds to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the purchasers.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the Corporation. These forward-looking statements speak only as of the date of this Official Statement. The Corporation disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Corporation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The issuance and sale of the Bonds 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.

The City maintains a website. The information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2018 Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Board of Directors

_____, *President*
_____, *Chief Financial Officer*
_____, *Secretary*

CITY AND COUNTY OF SAN FRANCISCO

Mark E. Farrell, *Mayor*

Board of Supervisors

London Breed, *Board President, District 5*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Jane Kim, *District 6*

Norman Yee, *District 7*
Jeff Sheehy, *District 8*
Hillary Ronen, *District 9*
Malia Cohen, *District 10*
Ahsha Safai, *District 11*

City and County Officials

José Cisneros, *Treasurer*
Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Dennis J. Herrera, *City Attorney*
Anna Van Degna, *Director of Public Finance*

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San Francisco, California

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OFFICIAL STATEMENT

[\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018[B]
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (this “Official Statement”), provides certain information concerning the issuance of \$[Par Amount]* of the City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018[B] (Branch Library Improvement Program) (the “Series 2018 Bonds”). Any capitalized term not defined herein will have the meaning given to such term as set forth in the Trust Agreement or the Lease (each as defined herein), as applicable. See APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – DEFINITIONS.”] The references to any legal documents, instruments and the Series 2018 Bonds in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions. Copies of all legal documents are available at the principal office of the Trustee.

Authority for Issuance

The Series 2018 Bonds are issued pursuant to Ordinance No. ____, passed by the Board of Supervisors (the “Board of Supervisors”) of the City and County of San Francisco (the “City”) on ____, 2018 and signed by the Mayor on ____, 2018, Resolution No. ____ adopted by the Board of Directors of the City and County of San Francisco Finance Corporation (the “Corporation”) on ____, 2018, the Master Trust Agreement, dated as of March 1, 2009 (the “Master Trust Agreement”), as amended by the First Supplemental Trust Agreement, dated as of June 1, 2018 (the “First Supplemental Trust Agreement,” and together with the Master Trust Agreement, the “Trust Agreement”), each by and between the Corporation and U.S. Bank National Association as trustee (the “Trustee”), and the Charter of the City and County of San Francisco (the “Charter”).

At an election held on November 6, 2007, the voters of the City adopted Proposition D, amending the Charter by repealing the then-existing Library Preservation Fund, renewing the Library Preservation Fund for 15 years to provide library services and to construct, maintain and operate library facilities and authorizing the issuance of debt for such purposes, all as codified in Section 16.109 of the Charter.

The Library Preservation Fund is administered by the Library Department as directed by the Library Commission. A set-aside from the City’s share of the county-wide 1% property tax levy in an amount equal to two and one-half cents (\$0.025) for each \$100 of assessed valuation is required by the Charter to be deposited in the Library Preservation Fund. The authorization to set aside these taxes in the Library Preservation Fund commences in Fiscal Year 2008-09 and extends through July 1, 2024.

The City’s Rental Payments (as defined below) are payable from any legally available funds of the City, and may include funds in the Library Preservation Fund or other legally available funds appropriated by the Board of Supervisors for such purpose.

Purpose

The Series 2018 Bonds are being sold to provide funds to: (i) redeem all of the Corporation’s outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) (the “Refunded

* Preliminary, subject to change.

Bonds”), currently outstanding in the aggregate principal amount of \$27,030,000, and (ii) pay costs associated with the issuance of the Series 2018 Bonds and the redemption of the Refunded Bonds. See “PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Security and Sources of Payment

Pursuant to the Trust Agreement, the Corporation previously issued \$34,265,000 in aggregate principal amount of the Refunded Bonds. All of the outstanding Refunded Bonds will be redeemed upon the issuance of the Series 2018 Bonds. The Corporation may in the future issue additional bonds pursuant to the Master Trust Agreement secured on a parity with the Series 2018 Bonds (the “Parity Bonds”). The Series 2018 Bonds and any Parity Bonds are referred to collectively as the “Bonds.” See “SECURITY AND SOURCES OF PAYMENT – Parity Bonds and Pre-Parity Bonds.”

The City owns various real property (each a “Site” and collectively, the “Sites”) that the City, as lessor, has leased to the Corporation, as lessee, pursuant to a Facilities Lease, dated as of March 1, 2009 (the “Original Facilities Lease”), as amended by the First Amendment to Facilities Lease, dated as of June 1, 2018 (the “First Amendment to Facilities Lease,” and together with the Original Facilities Lease, the “Facilities Lease”). The Sites and the improvements thereon (together, the “Facilities”) will be leased by the Corporation, as lessor, to the City, as lessee, pursuant to a Master Lease, dated as of March 1, 2009 (the “Master Lease”), as amended by the First Amendment to Master Lease, dated as of June 1, 2018 (the “First Amendment to Master Lease,” and together with the Master Lease, the “Lease”). Pursuant to the Lease, the City is required to pay to the Corporation specified Base Rental payments in amounts sufficient to pay, when due, the principal of and interest on the Bonds, and to pay certain Additional Rental payments (together with the Base Rental payments, the “Rental Payments”) for use and possession of the Facilities. The City will pay (but only after payment of Base Rental) as Additional Rental under the Lease such amounts of taxes, assessments administrative costs, insurance premiums, reasonable administrative costs of the Corporation related to the Facilities and other such costs as defined in the Lease. See “SECURITY AND SOURCES OF PAYMENT – Rental Payments.”

Under the Lease, the City has covenanted to take such action as may be necessary to include all Rental Payments due in its annual budget and to make the necessary annual appropriations therefor. The Lease provides that such covenants of the City are deemed by the City to be and will be construed to be duties imposed by law. See “SECURITY AND SOURCES OF PAYMENT – Lease Not a Debt of City; Covenant to Appropriate” and “CERTAIN RISK FACTORS – State Law Limitations on Appropriations.”

No Reserve Fund has been established for the Series 2018 Bonds. The Trust Agreement allows a Reserve Fund to be established for additional Bonds.

Pursuant to an Assignment Agreement, dated as of June 1, 2018 (the “Assignment Agreement”), the Corporation has assigned to the Trustee, for the benefit of the Owners of the Series 2018 Bonds, substantially all of its rights under the Lease, including its right to receive and collect the Base Rental payments from the City under such Lease and its rights as may be necessary to enforce payment of the Base Rental payments.

THE SERIES 2018 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT.

THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT OF THE ISSUANCE OF

THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

The City

For certain financial information with respect to the City, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES” and APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

The Corporation

The Corporation is a non-profit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors. The purpose of the Corporation is to provide a means to finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City’s general governmental purposes. See “THE CORPORATION.”

Risk Factors

For a discussion of certain risk factors associated with the City’s ability to make Rental Payments under the Lease and in making an investment in the Bonds, see “CERTAIN RISK FACTORS.”

Continuing Disclosure

The City has covenanted on behalf of the Corporation and for the benefit of the Owners of the Series 2018 Bonds to provide certain financial information and operating data relating to the City 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 the 2017-18 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE.”

THE SERIES 2018 BONDS

General

The Series 2018 Bonds will be executed and delivered in the aggregate principal amount of \$[Par Amount]* only as one fully registered Series 2018 Bond for each maturity. The Series 2018 Bonds will be delivered only in denominations of \$5,000 or an integral multiple thereof and interest thereon will be payable on each [June 15] and [December 15], commencing [December 15, 2018] as long as any Series 2018 Bonds are Outstanding (each an “Interest Payment Date”). Interest on the Series 2018 Bonds will be computed on the basis of a 360-day year composed of twelve months of 30 days each. Interest on the Series 2018 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover page hereof. The principal of the Series 2018 Bonds will be payable, subject to redemption, as described below, in each year of the designated years and in the principal amounts set forth on the inside cover page hereof.

The Series 2018 Bonds will be registered initially in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York (“DTC”), which has been appointed as securities

* Preliminary, subject to change.

depository for the Series 2018 Bonds. Beneficial ownership interests in the Series 2018 Bonds will be available in book-entry form only, in denominations of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2018 Bonds (“Beneficial Owners”) will not receive physical certificates representing their interests in the Series 2018 Bonds purchased. While held in book-entry only form, all payments of principal, premium and interest will be made by wire transfer to DTC or its nominee as the sole registered owner of the Series 2018 Bonds. Payments to Beneficial Owners are the sole responsibility of DTC and its Participants. See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Transfer and Exchange

The Series 2018 Bonds will be issued only as fully-registered bonds, with the privilege of transfer or exchange for Series 2018 Bonds of other denominations as set forth in the Trust Agreement. All such transfers and exchanges will be without charge to the owner, with the exception of any taxes, fees or other governmental charges. While the Series 2018 Bonds are in book-entry only form, beneficial ownership interests in the Series 2018 Bonds may only be transferred through Direct Participants and Indirect Participants as described in APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption Provisions

Extraordinary Mandatory Redemption. The Series 2018 Bonds are subject to extraordinary mandatory redemption, as a whole, or in part by lot within any maturity if less than all of the Series 2018 Bonds of such maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in the Trust Agreement, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption. The Series 2018 Bonds maturing on or before [June 15, 2026] are *not* subject to optional redemption prior to maturity. The Series 2018 Bonds maturing on or after [June 15, 2027] are subject to optional redemption prior to maturity on or after [June 15, 2026] at the option of the City, as a whole or in part on any date from such maturities as are selected by the City, from amounts deposited with the Trustee from any funds available therefor, at a redemption price equal to 100% of the principal amount of Series 2018 Bonds to be redeemed plus accrued but unpaid interest to the date fixed for redemption.

Optional redemption of the Bonds is conditioned upon the prior delivery to the Trustee and the trustees of any Parity Bonds of a Certificate of the City to the effect that the Base Rentals remaining under the Lease after the proposed redemption will be sufficient to pay when due the principal of and interest on the Bonds remaining Outstanding after such proposed redemption.

Notice of Redemption. The Trustee is required to mail notice of redemption by first class mail, postage prepaid, at least 30 but no more than 45 days prior to the redemption date, to the Owners of the Series 2018 Bonds to be redeemed, to DTC and to the Information Services.

So long as the Series 2018 Bonds are in book-entry only form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2018 Bonds, and not directly to the Beneficial Owners.

Neither failure to receive any redemption notice nor any defect in such redemption notice so given will affect the sufficiency of the proceedings for redemption of the Series 2018 Bonds.

Cancellation of Redemption. Notwithstanding any other provision of the Trust Agreement, in the event that any Series 2018 Bonds are subject to extraordinary mandatory or optional redemption in accordance with the Trust Agreement and the Trustee does not have on deposit available moneys sufficient to redeem the principal of plus the applicable premium, if any, and interest on all of the Series 2018 Bonds proposed to be redeemed on the date fixed for redemption, on such date, the redemption will be cancelled and in each and

every such case, the Corporation, the Trustee and the Owners, as the case may be, will be restored to their former positions and rights under the Trust Agreement. A cancellation of a redemption does not constitute a default under the Trust Agreement nor an event that with the passage of time of giving of notice or both will constitute a default under the Trust Agreement and the Trustee, the Corporation and the City will have no liability from such cancellation.

Selection of Series 2018 Bonds for Redemption. For purposes of selecting the Series 2018 Bonds for redemption, the Series 2018 Bonds will be deemed to be composed of \$5,000 portions or any integral multiple thereof. Whenever less than all the Outstanding Series 2018 Bonds maturing on any one date are called for optional redemption pursuant to the provisions of the Trust Agreement at any one time, the Trustee will select the Series 2018 Bonds or portions thereof to be redeemed from the Outstanding Series 2018 Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate. If less than all the Outstanding Series 2018 Bonds are called for redemption pursuant to the Trust Agreement at any one time, the City will specify to the Trustee a principal amount in each maturity to be redeemed, provided that if the City specifies the Series 2018 Bonds to be redeemed in a manner that results in other than approximately equal annual debt service on the Series 2018 Bonds Outstanding following such redemption, the City is required to, at the time of such specification, deliver a Certificate of the City to the effect that the resulting Base Rental payments and Additional Rental payable during the remaining term of the Lease will not exceed the fair rental value of the Facilities during each subsequent Fiscal Year. If less than all of the Outstanding Series 2018 Bonds are called for extraordinary mandatory or optional redemption pursuant to the terms of the Trust Agreement, the City will designate the maturity or maturities of the Series 2018 Bonds to be redeemed.

Partial Redemption of Series 2018 Bonds. Upon the surrender of any Series 2018 Bond redeemed in part only, the Trustee will authenticate and deliver to the Owners thereof, at the expense of the City, a new Series 2018 Bond or Series 2018 Bonds of authorized denominations equal to the unredeemed portion of the Series 2018 Bond surrendered and of the same series, interest rate and maturity. Such partial redemption will be valid upon payment or provision for the payment of the amount required to be paid to such Owner, and the Corporation, the City and the Trustee will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. Series 2018 Bonds to be redeemed will be due and payable on the date of redemption set forth in the redemption notice with respect thereto. If on the scheduled redemption date money for the redemption of all the Series 2018 Bonds to be redeemed, together with interest to such redemption date, and if a redemption notice is given as described herein, then, from and after such redemption date, no additional interest will become due on the Series 2018 Bonds to be redeemed. All money held by or on behalf of the Trustee for the redemption of the Series 2018 Bonds will be held in trust for the account of the Owners thereof.

Purchase in Lieu of Redemption of Series 2018 Bonds. Unless expressly provided otherwise in the Trust Agreement, money held in the Revenue Fund may be used to reimburse the Corporation for the purchase of the Series 2018 Bonds that would otherwise be subject to redemption from such moneys upon the delivery of such Series 2018 Bonds to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select the Series 2018 Bonds for redemption. The purchase price of any Series 2018 Bonds purchased by the Corporation under the Trust Agreement will not exceed the applicable redemption price of the Series 2018 Bonds that would be redeemed but for the operation of this provision. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the related Series 2018 Bonds. All Series 2018 Bonds so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to redeem such Series 2018 Bonds from such moneys.

SECURITY AND SOURCES OF PAYMENT

Authority for Issuance

The Series 2018 Bonds are being issued under the authority of, and in compliance with, the Charter, the Trust Agreement, and the statutes of the State of California (the “State”) as made applicable pursuant to the Charter.

Source of Payment

The Series 2018 Bonds are special limited obligations of the Corporation payable solely from and secured solely by the Revenues pledged therefor in the Trust Agreement, together with amounts on deposit from time to time in the funds and accounts held by the Trustee (other than the Rebate Fund). “Revenues” are defined as the proceeds of the Bonds, if any, deposited in the Revenue Fund and the Reserve Fund, that portion of the Base Rental payments made by the City which are received by the Trustee for the benefit of the Owners of the Bonds, other amounts received by the Trustee for the benefit of the Owners of the Bonds, and all other revenues, proceeds, charges, income, rents, receipts, profits, and benefits derived by the Corporation as lessor of the Facilities under the Lease or otherwise from the use and operation of the Facilities or arising out of the Facilities (other than Additional Rental) and payable to the Trustee, including interest or profits from the investment of money in any fund or account created under the Trust Agreement (other than the Rebate Fund), any contributions from whatever source, and all rentals received by the Corporation as lessor of the Facilities from any additions or extensions of the Facilities acquired or constructed.

The obligation of the City to make Rental Payments under the Lease is an obligation payable from any legally available funds of the City. 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, 2017.”

THE SERIES 2018 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT. THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

Rental Payments

Under the Lease, Base Rental and Additional Rental payments are to be made by the City to the Corporation with respect to the Facilities. The City’s obligation to make Rental Payments in the amount and on the terms and conditions specified in the Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Lease regarding abatement.

Base Rental. The City has covenanted in the Lease that, so long as the City has the use and occupancy of the Facilities, it will make Base Rental payments to the Corporation from any legally available funds of the

City. The Base Rental payments are calculated to be adequate for the Corporation to pay scheduled debt service on all outstanding Bonds in each year. Base Rental payments are due and payable by the City on [June 1] and [December 1] of each year during the term of the Lease, commencing [December 1, 2018], provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Facilities. In the event that during any such period the City does not have use and occupancy of all or a portion of the Facilities due to material damage to, destruction of or condemnation of or defects in the title to the Facilities, Base Rental payments are subject to abatement. See “Base Rental Payments and 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 Lease to take such action as may be necessary to include all Rental Payments due under the Lease in its annual budget and to make necessary annual appropriations for all such Rental Payments. Neither the full faith and credit nor the taxing power of the City or the State or any of its political subdivisions is pledged to make Base Rental payments under the Lease.

Pursuant to the Assignment Agreement, the Corporation assigns to the Trustee all its rights, title and interest under the Lease, including, without limitation, the rights to receive the Base Rental payments that are made by the City pursuant to the Lease. Pursuant to the Trust Agreement, the Trustee will deposit the Base Rental payments in the Revenue Fund to be used: *first*, for the payment of the aggregate amount of interest then due and payable on the Outstanding Bonds, *second*, for the payment of principal on the Bonds then due or required to be paid, and *third*, for replenishment of any Reserve Fund in the event its balance is less than the Reserve Fund Requirement. No Reserve Fund has been established for the Series 2018 Bonds. See APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Trust Agreement – Allocation of Revenues.”]

Additional Rental. The City has agreed in the Lease to pay Additional Rental to the Corporation, but only after payment of Base Rental, to cover: (i) all taxes, assessments, or governmental charges of any type or nature charged to the Corporation or affecting the Facilities or the respective interests or estates of the Corporation or the City therein or affecting the amount available to the Corporation from rentals received thereunder for the payment of debt service on the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges); (ii) all reasonable administrative costs of the Corporation relating to the Facilities including, but not limited to, all expenses and compensation of the Trustee or any trustee, fiscal agent or paying agent under any Parity Bond Instrument payable by the Corporation under the Trust Agreement or any Parity Bond Instrument (defined in APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions”]), fees of auditors, rebate analysts, accountants, attorneys, or engineers, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Series 2018 Bonds, any Parity Bonds, the Trust Agreement, or any Parity Bond Instrument or to defend the Corporation and its members, officers, agents and employees; (iii) any amounts required to be deposited by the Corporation pursuant to the Trust Agreement or under any similar provision contained in any Parity Bond Instrument that are not otherwise available to the Corporation under the Trust Agreement; (iv) insurance premiums for all insurance required pursuant to the Lease and not obtained by the City, but only to the extent such City obligation is not otherwise satisfied under the terms specified in the Lease; and (v) all fees, costs, expenses, and other amounts due to any municipal bond insurance company that has provided an insurance policy guaranteeing the payment of the principal of and interest on any series of Bonds.

Pledge of Revenues; Revenue Fund

Under the Trust Agreement, the Corporation pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Corporation in and to all of the following, which lien and security interest, except as otherwise expressly set forth in the Trust Agreement, will be prior in right to any other pledge, lien or security interest created by the Corporation therein: (i) the Revenues, (ii) all moneys and investments (excluding moneys on deposit in the Rebate Fund) held from time

to time by the Trustee under the Trust Agreement, (iii) earnings on amounts included in provisions (i) and (ii), and (iv) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time after the date of the Trust Agreement, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Trust Agreement, for the equal and proportionate benefit and security of the Bonds, all of which, regardless of the series, time or times of their authentication and delivery or maturity, will be, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. The Revenues will not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums, for such purposes, as are expressly permitted by the provisions of the Trust Agreement with respect to the allocation of Revenues to special funds.

Except as otherwise provided in the Trust Agreement with respect to investment of moneys in funds, all Revenues to which the Corporation may at any time be entitled will be paid directly to the Trustee and all of the Revenues collected or received by the Corporation will be deemed to be held in trust and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Revenues will thereupon be deposited by the Trustee upon the receipt thereof in a special fund, designated as the “Revenue Fund,” which fund is created under the Trust Agreement. The Revenue Fund will be maintained by the Trustee, separate and apart from all other funds, so long as any of the Bonds remain Outstanding. All moneys at any time deposited in the Revenue Fund will be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds and will be disbursed, allocated and applied solely for the uses and purposes specified in the Trust Agreement. See APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS–THE TRUST AGREEMENT – Allocation of Revenues.”]

No Reserve Fund

No Reserve Fund has been established for the Series 2018 Bonds. The Trust Agreement allows a Reserve Fund to be established for additional Bonds.

Lease Not a Debt of City; Covenant to Appropriate

The obligation of the City to pay Base Rental payments when due is an obligation of the City payable from any legally available funds of the City and does not constitute a debt of the City for which the City is obligated to pledge its general fund. Under the Lease, the City has agreed to take such action as is necessary to include in its annual budget and to appropriate funds sufficient to meet all Rental Payments due under the Lease. The tax rate limitation imposed by the initiative constitutional amendment known as the Jarvis-Gann Amendment (Article XIII A) effectively eliminates the ability of the City to impose new property taxes for new obligations such as payment of rental payments to the Corporation for debt service on the Series 2018 Bonds. For information concerning the City’s revenues and expenditures see APPENDIX A – “THE CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES.”

Insurance

The Corporation is required to maintain or cause the City to maintain throughout the term of the Lease: (i) general liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Facilities in the minimum amount 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 any other liability insurance coverage maintained or caused by the City to be maintained; (ii) with respect to any Bond Financed Facilities Component, builder’s risk insurance throughout the course of construction in an amount equal to the Outstanding principal amount of the Bonds (to the extent commercially available), but in no event less than the completed value of the applicable Bond Financed Facilities Component, which insurance shall be maintained until substantial completion of such Bond

Financed Facilities Component; and (iii) all risk property insurance on all structures constituting any part of the Facilities in an amount equal to the Outstanding principal amount of the Bonds, 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, including a replacement cost endorsement. The City must also maintain (i) rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City for a period of at least 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental payments due under the Lease for the next succeeding 24 months) to insure against loss of rental income from the Facilities caused by perils covered by the insurance required by the Lease (with respect to a Bond Financed Facilities Component such insurance coverage will commence upon substantial completion of the Bond Financed Facilities Component); and (ii) 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 (with respect to a Bond Financed Facilities Component such insurance coverage will commence upon Substantial Completion).

The City is also required under the Lease to deliver to the Trustee, on the date of issuance and delivery of each Series of Bonds, evidence of the commitment of a title insurance company to issue a CLTA policy of title insurance, in an amount at least equal to the initial aggregate principal amount of such Bonds, showing a leasehold interest in the name of the City and naming the insured parties as the Trustee, for the benefit of the Owners of the Bonds.

The Lease further requires the City to maintain earthquake insurance in an amount equal to the Outstanding principal amount of the Series 2018 Bonds (to the extent commercially available) or the replacement cost of the Facilities; provided that no such earthquake insurance is required if the Risk Manager of the City 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 recommendation of the Risk Manager of the City, it has been determined not to be required to obtain earthquake insurance at this time.] *[Confirm.]*

THE CITY MAY SELF-INSURE AGAINST ANY OF THE RISKS REQUIRED TO BE INSURED AGAINST IN THE LEASE, EXCEPT FOR RENTAL INTERRUPTION AND TITLE DEFECT.

Base Rental Payments and Abatement

The Trustee will collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation must immediately be paid by the Corporation to the Trustee. All payments of Base Rental received by the Trustee under the Lease will be deposited into the Revenue Fund. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Lease regarding abatement.

Except to the extent of amounts available to the City under the Lease, including without limitation, amounts available pursuant to the Trust Agreement or any Parity Bond Instrument, from any Parity Bond (defined in APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions”]) reserve fund, and except as otherwise specifically provided in the Lease, during any period in which by reason of material non-completion of any Bond Financed Facilities Component (defined in APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions”]), material damage to or destruction of the Facilities, or condemnation of or defects in the title of the Facilities, there is substantial interference with the right to the use and occupancy by the City of any portion of the Facilities, Rental Payments due under the Lease will be abated proportionately and the Lease will continue in full force and effect. In the case of abatement relating to the Facilities, the amount of abatement will be equal to that amount by which the Rental Payments exceed the fair rental value of the Facilities. The City is required to calculate such abatement and will provide the Corporation and the Trustee

with a certificate setting forth such calculation and the basis therefor. Such abatement will continue for the period commencing with the date of material non-completion of a Bond Financed Facilities Component or the date of such damage or destruction of Facilities and ending with the substantial completion of a Bond Financed Facilities Component or of the work of repair or replacement of the Facilities so damaged or destroyed; and the term of the Lease will be extended by the period during which the rental is abated under the Lease, except that such extension will in no event extend beyond June 15, 2044.

The City has the option, but not the obligation, to deliver Substitute Facilities (defined under “Substitution of Property”) for all or a portion of the Facilities pursuant to the substitution provisions of the Lease during any period of abatement. Any abatement of Base Rental payments could affect the Corporation’s ability to pay debt service on the Series 2018 Bonds, although the Lease requires the City to maintain rental interruption insurance. See “CERTAIN RISK FACTORS – Abatement.” During any period of abatement with respect to all or any part of the Facilities, the Corporation is required to use the proceeds of the required rental interruption insurance and the moneys on deposit in any reserve funds established with respect to any Parity Bonds to make debt service payments on the Series 2018 Bonds.

Remedies on Default

The Lease provides that the Trustee will exercise any remedies on default. The Trustee is required to exercise the rights and remedies under the Trust Agreement with the same care and skill that a prudent person would exercise under the circumstances in the conduct of his or her own affairs. Upon the occurrence and continuance of the City’s failure to deposit with the Trustee any Base Rental and/or Additional Rental when due, or in the event that the City breaches any other terms, covenants, conditions or agreements contained in the Lease (and does not remedy such breach within 30-days’ notice thereof) the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Series 2018 Bonds then Outstanding, shall proceed), without any further notice (i) to re-enter the Facilities and without terminating the Lease, re-let the Facilities for library purposes in accordance with the Charter as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable; or (ii) to enforce all of its rights and remedies under the Lease, including the right to recover Base Rental payments as they become due, by pursuing any remedy available in law or in equity. See “CERTAIN RISK FACTORS – Limited Recourse on Default” and APPENDIX C – [“SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE LEASE – Defaults and Remedies.”]

Maintenance and Utilities; Changes to the Facilities

Throughout the term of the Lease, as part of the consideration for rental payments of the Facilities, all improvement, repair, landscaping and maintenance of the Facilities will be the responsibility of the City, and the City is required to pay for or otherwise arrange for the payment of all utility services supplied to the Facilities and will pay or otherwise arrange for payment of the cost of the repair and replacement of the Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof.

The City has the right during the term of the Lease to make additions, alterations or improvements to or to attach fixtures, structures or signs to the Facilities if said additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Facilities by the City. The City may remove any fixture, structure or sign added by the City; provided that such removal does not materially impair the City’s beneficial use of the Facilities, or reduce the annual fair rental value of the Facilities below the maximum annual Base Rental and Additional Rental payable under the Lease.

Substitution of Property

Whenever the City determines that the annual fair rental value of proposed substitute facilities (the “Substitute Facilities”) is at least equal to the maximum annual Base Rental payments and Additional Rental

payments yet unpaid under the Lease and that the Substitute Facilities are complete and available for beneficial use and occupancy by the City, the City may, without the consent of the Owners, amend the Lease and the definition of Facilities and Site, as applicable, to substitute (a “Substitution”) such Substitute Facilities for all or a portion of the Facilities leased under the Lease upon compliance with all of the conditions set forth in the Lease, and following a Substitution, all or a portion of the Facilities originally leased under the Lease will be released from the leasehold thereunder, as appropriate. The Corporation and the City will also make any amendments needed to be made to the Lease, and will enter into or amend or supplement any necessary site, ground or facilities leases, including, without limitation, the Facilities Lease, in connection with such Substitution. Such amendments may be made without the consent of Owners.

No substitution will take place under the Lease until the City delivers to the Corporation and the Trustee the following:

- (i) A Certificate of the City stating that: (a) the annual fair rental value of the Substitute Facilities as of the date of Substitution is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Lease at the time of such Substitution; (b) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Facilities, and (c) the useful life of the Substitute Facilities is equal to or greater than that of the Facilities being replaced;
- (ii) An Opinion of Counsel to the effect that the Lease amendment has been duly authorized, executed, and delivered and the Lease as so amended represents a valid and binding obligation of the City and the Corporation, and an Opinion of Bond Counsel to the effect that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State personal income tax; and
- (iii) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Series 2018 Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City’s leasehold interest in the Substitute Facilities under the Lease, together with an endorsement to the policy making such policy payable to the Trustee for the benefit of the Owners and to each trustee of Parity Bonds for the benefit of the Owners thereof.

Parity Bonds and Pre-Parity Bonds

Under the Trust Agreement and the Lease, the Corporation may issue additional bonds (the “Parity Bonds”) payable from Base Rental on a parity with the Series 2018 Bonds, but only to provide funds (i) for the acquisition, construction, reconstruction, rehabilitation, or improvement of components of the Project, (ii) for the completion of any components of the Project being financed with the proceeds of Bonds, or (iii) to refund Bonds. In connection with the issuance of Parity Bonds or Pre-Parity Bonds (defined below) to provide funds for the acquisition, construction, reconstruction, rehabilitation, or improvement or completion of components of the Project, the following conditions and requirements are required to be satisfied prior to such issuance:

- (i) The Corporation and the City are required to (a) amend as necessary the definition of “Facilities” attached to the Lease to reflect the addition of facilities under the Lease, or, if applicable, to reflect the addition of improvements to be financed with the proceeds of Parity Bonds or which then exist on the real property to be added to the definition of “Site,” (b) amend as necessary the definition of “Site” attached to the Lease to reflect the addition of real property to the Site under the Lease, (c) amend the Base Rental Payment Schedule attached to the Lease such that the Base Rental scheduled to be paid under the Lease is sufficient to pay debt service when due on the Bonds Outstanding after the issuance of such Parity Bonds, and (d) make any other amendments necessary in connection with the issuance of the Parity Bonds, provided that no such amendment will cause the ratings on any Outstanding Bonds to be downgraded;

- (ii) The City has delivered to the Trustee a Certificate of the City to the effect that the Base Rental scheduled to be paid under the Lease does not exceed the fair rental value of the Facilities as amended in connection with the issuance of such Parity Bonds;
- (iii) The Parity Bond Instrument pursuant to which the Parity Bonds are issued provides that the interest payment dates for such Parity Bonds will be [June 15] and [December 15] and the principal payment date for such Parity Bonds will be [June 15]; and
- (iv) The Corporation and the Trustee execute a new Assignment Agreement reflecting the issuance of the Parity Bonds.

Notwithstanding the foregoing, if Parity Bonds are issued prior to the completion of a Bond Financed Facilities Component (such bonds being herein referred to as the “Pre-Parity Bonds”), the Corporation and the City may, rather than revising the Base Rental Payment Schedule, provide a separate Base Rental Payment Schedule (the “Pre-Parity Base Rental Schedule”) relating solely to a Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. The payments scheduled to be made under such Pre-Parity Base Rental Payment Schedule, together with any available funds set aside for capitalized interest, will be sufficient to pay debt service on such Pre-Parity Bonds and will not exceed the fair rental value of a Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. Upon the delivery of the Certificate of Substantial Completion (as defined in the Lease) with respect to a Bond Financed Facilities Component being financed with the proceeds of such Pre-Parity Bonds, the Base Rental Payment Schedule relating to the Series 2018 Bonds and any previously issued Parity Bonds will then be revised as described above. Prior to the delivery of the Certificate of Substantial Completion and the revision of the Base Rental Payment Schedule as described above, the Pre-Parity Bonds will only be secured by the payments to be made under the Pre-Parity Base Rental Payment Schedule. After the delivery of the Certificate of Substantial Completion and the revision of the Base Rental Payment Schedule as set forth above, such Pre-Parity Bonds will become Parity Bonds and will be equally and ratably secured with all Outstanding Bonds by Base Rental to be paid pursuant to the Base Rental Payment Schedule.

If Parity Bonds are issued, they will be entitled, subject to the requirements set forth in the Lease, the Facilities Lease, and the Trust Agreement, to a pledge and assignment of, and security interest in, the Base Rental (including amounts received as insurance or condemnation proceeds) on a parity with the pledge and assignment of, and security interest in, the Base Rental established under the Trust Agreement for the benefit of the Owners of the Series 2018 Bonds.

City Budget and Finances

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.” The information contained in APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017” is presented for informational purposes only.

City Investment Policy

For a discussion of the City’s investment policy regarding pooled cash, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Investment of City Funds.”

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2018 Bonds are expected to be applied as follows:

Sources of Funds:

Series 2018 Bond Principal
Other City Funds
Plus: Net Original Issue Premium
Total Sources

Uses of Funds:

Deposit to Revenue Fund ⁽¹⁾
Deposit to Costs of Issuance Fund⁽²⁾
Purchaser's Discount
Total Uses

-
- ⁽¹⁾ Amounts deposited in the Revenue Fund will be used to redeem the Refunded Bonds on _____, 2018.
 - ⁽²⁾ Includes amounts for legal fees, Trustee fees, Municipal Advisor fees, rating agency fees, printing costs and other issuance costs.

DEBT SERVICE SCHEDULE

The Lease requires the City to make Base Rental payments on each [June 1] and [December 1] during the term of the Lease, commencing [December 1, 2018]. Base Rental will be for the use and occupancy of the Facilities for the Fiscal Year in which such [June 1] or [December 1] occurs, provided that the Base Rental paid on any [June 1] or [December 1] will be only for that portion of the applicable period and to the extent that the City has use and occupancy of the Facilities.

The Trust Agreement requires that Base Rental payments be deposited in the Revenue Fund maintained by the Trustee. Pursuant to the Trust Agreement, on [June 15] and [December 15] of each year, commencing on [December 15, 2018], the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments with respect to the Series 2018 Bonds as the same will become due and payable, in the following table:

**Debt Service Schedule
City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2018[B]
(Branch Library Improvement Program)**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year Total</u>
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PLAN OF REFUNDING

The Corporation will apply a portion of the proceeds of the Series 2018 Bonds to redeem in full the Refunded Bonds, currently outstanding in the aggregate principal amount of \$27,030,000, on _____, 2018. The proceeds of the Refunded Bonds were used to finance the design, construction, renovation and installation of the following Projects:

Anza Branch Library

Anza Branch Library, built in 1932, is located at 550 37th Avenue (Supervisorial District 1) in the Outer Richmond neighborhood of the City. The Project consisted of renovation of this two-story building include making it seismically safe, fully accessible, and technologically updated.

Bayview/Anna E. Waden Branch Library

The Bayview Branch Library is located at 5075 3rd Street (Supervisorial District 10) in the Bayview Hunters Point neighborhood of the City. The Project consisted of purchasing an adjacent property, demolishing the then-existing building, and building a new one-story, approximately 8,000 – 9,500 square-foot, branch library building.

Golden Gate Valley Branch Library

The Golden Gate Valley Branch Library, built in 1917, is located at 1801 Green Street (Supervisorial District 2) in the Pacific Heights neighborhood of the City. The Project consisted of renovation of the one-story building with a basement, making it seismically safe, fully accessible, and technologically updated.

Merced Branch Library

The Merced Branch Library, built in 1958, is located at 155 Winston Drive (Supervisorial District 7) in the Stonestown neighborhood of the City. The Project consisted of renovating this one-story building to make the branch seismically safe, fully accessible, and technologically updated.

North Beach Branch Library

The North Beach Branch Library Project consisted of building a new two-story library of approximately 8,500 – 8,900 square feet.

Ortega Branch Library

The Ortega Branch Library is located at 3223 Ortega Street (Supervisorial District 4) in the Sunset neighborhood of the City. The Project consisted of demolishing the then-existing building and building a new one-story library of approximately 9,000 square feet.

THE FACILITIES

[Under review.] [The Facilities consist of portions of the San Francisco Main Library building (consisting of approximately _____ square feet of usable space on the ground and first floor) located at Civic Center Plaza, which is owned by the City. The City will lease the Facilities to the Corporation pursuant to the Facilities Lease, and the Corporation will lease the Facilities back to the City pursuant to the Lease. The Facilities include easements of access necessary and convenient to the use of the leased portion of the Main Library building. The City has covenanted in the Lease that it will use the Facilities, or cause them to be used, for library purposes throughout the term of the Lease.]

Construction of the Main Library building was completed in 1995 at a cost of approximately \$140 million, funded principally from a special general obligation bond measure approved by the voters of the City in 1988. The Main Library is the principal operating library and information resources facility of the City's library system. The Main Library housed _____ books and periodicals in fiscal year 2016-17 and provides library services to over ____ million in-person visitors, in addition to remote users, every year. The Main Library is operated by the Library Commission, which oversees the Library Department.

Pursuant to the Lease, the City may substitute other real property for part of the Facilities from time to time upon making certain filings with the Corporation and the Trustee. See "SECURITY AND SOURCES OF PAYMENT – Substitution of Property."]

Seismic Issues

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to the property located at or near the center of such seismic activity. Each of the Facilities was designed to the seismic standards existing at the later of the time of original construction or renovation. The Lease only requires the City to maintain earthquake insurance with respect to the Facilities if such insurance is obtainable in reasonable amounts at reasonable costs. See also "SECURITY AND SOURCES OF PAYMENT – Insurance," "CERTAIN RISK FACTORS – Abatement" and "– Seismic Risks."

CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

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. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by State voters in June 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 to reflect the inflation rate, as shown by the consumer price index 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: (i) any indebtedness approved by the voters prior to July 1, 1978; (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (iii) 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.

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 disabled persons 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 of the California Constitution 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.

See APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017” for information on the City's appropriations limit.

Articles XIII C and XIII D of the California Constitution

Proposition 218, 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. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. 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 either have been 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 not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Other City Tax Revenues” for a discussion of other City taxes that could be affected by Proposition 218.

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 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 matters, 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, (ii) that any new or increased special purpose tax (defined as taxes levied for other than general governmental purposes) be approved by a two-thirds vote of the voters, and (iii) that the revenues from a special tax be used for the purposes or for the services for which the special tax was imposed.

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 or not it should be applied retroactively. In *McBrearty v. City of Brawley* (1997) 59 Cal. App. 4th 1441, the Fourth District Court of Appeal 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 Court of Appeals have held that certain provisions of Proposition 62 do not apply to charter cities. See, *Fiedler v. City of Los Angeles* (1993) 14 Cal. App. 4th 137 and *Fisher v. County of Alameda* (1993) 20 Cal. App. 4th 120.

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, Proposition 62 is subordinate to the authority of charter cities, derived from the State Constitution, to impose taxes. Proposition 218, however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution. For a discussion of taxes affected by Proposition 218 see "Articles XIII C and XIII D of the California Constitution."

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure would be insignificant. 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. 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 a requirement in 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. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Other City Tax Revenues."

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the State's Fiscal Year 2004-05 Budget, 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. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by a two-thirds vote of both houses of the State 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 a two-thirds vote of both houses of the State Legislature 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 currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, beginning July 1, 2005, 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 spending on other State programs or other action, 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. 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.

Proposition 26

Proposition 26 (“Proposition 26”), which was approved by California voters in November 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many State and local fees as taxes.

Proposition 26 requires the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature 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; (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.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. 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.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution, Proposition 62, Proposition 1A, Proposition 22 and Proposition 26 were all adopted pursuant to the State’s initiative process. The limitations imposed upon the City by these provisions hinder the City’s ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. The City expects that other initiative measures will be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City’s financial condition.

California law permits citizens to effect changes to the State’s Constitution and statutes, without involvement by the legislature, through the initiative process. Under this process, initiative supporters submit petitions to State election officials, who are required to submit the initiative to voters if the petitions meet statutory requirements. Many provisions of State law have been added or affected by initiatives. Some of these types of initiatives have materially adversely affected the City’s ability to raise revenues or spend money.

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 statute governing the issue), and that local claims presentation ordinances were without effect as to these actions. 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.

CERTAIN RISK FACTORS

The following risk factors should be considered, along with all other information in this Official Statement, by potential investors in evaluating the risks inherent in the purchase of the Series 2018 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2018 Bonds. 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 Series 2018 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rental Payments Not a Debt of the City

The obligation of the City to pay Base Rental does not constitute an obligation of the City 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 Rental Payments from any legally available funds of the City 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.

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 Series 2018 Bonds. 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 – Overlapping Debt,” “– Tax Supported Debt Service,” 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, 2017.”

Abatement

The obligation of the City under the Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Facilities. The obligation of the City to make Base Rental payments may be abated in whole or in part if the City does not have full use and right of occupancy of the Facilities.

In the event Base Rental payments are abated, no assurances can be given that moneys on deposit in the Base Rental Fund or that the proceeds of rental interruption insurance will be sufficient to pay the debt service on the Series 2018 Bonds.

The amount of Base Rental payments due under the Lease will be abated proportionately during any period in which by reason of damage, destruction, condemnation or title defect there is substantial interference with the use and right of occupancy of the Facilities or any portion thereof. The amount of rental abatement will be that amount by which the Rental Payments exceed the fair rental value of the Facilities. Such abatement will continue for the period commencing with the date of material non-completion of a Bond Financed Facilities Component or the date of such damage or destruction of Facilities and ending with the substantial completion of a Bond Financed Facilities Component or of the work of repair or replacement of the Facilities so damaged or destroyed; and the term of the Lease will be extended by the period during which the rental is abated under the Lease, but in no event beyond June 15, 2044. The Trustee may use proceeds of rental interruption insurance to make payments with respect to the Series 2018 Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest on the Series 2018 Bonds as such amounts become due; however, there can be no assurance that such proceeds will be sufficient to pay debt service on the Series 2018 Bonds.

If damage, destruction, condemnation or title defect with respect to the Facilities or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with any moneys in a Reserve Fund for Parity Bonds and available insurance proceeds, are insufficient to make all payments with respect to the Series 2018 Bonds during the period that the Facilities, or a portion thereof, are being restored, then such payments may not be made in full and no remedy is available to the Trustee or the Owners under the Lease or Trust Agreement for nonpayment under such

circumstances. Failure to pay principal of, premium, if any, or interest on, the Series 2018 Bonds as a result of abatement of the City's obligation to make Rental Payments under the Lease is not an event of default under the Trust Agreement or the Lease. See "SECURITY AND SOURCES OF PAYMENT – Insurance" and " – Maintenance and Utilities; Changes to Facilities" for additional provisions governing damage to the Facilities.

It is not possible to predict the circumstances under which an abatement of Base Rental may occur. In addition, there is no statute, case law or other law specifying how such an abatement of Base Rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease or at the time of the abatement. If the latter, it may be that the value of the Facilities is substantially higher or lower than its value at the time of issuance of the Series 2018 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2018 Bonds.

Notwithstanding the provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the City's failure to have use and possession of the Project, 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 that portion of the remaining principal and interest with respect to the Series 2018 Bonds.

Limited Recourse on Default

The Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may take possession of and re-let the Facilities, provided that the Facilities may only be re-let for library purposes in accordance with the Charter, which might make such remedy impractical. The amounts received from such re-letting may be insufficient to pay the scheduled principal and interest on the Series 2018 Bonds when due. The enforcement of any remedies provided in the Lease and in the Trust Agreement could prove to be both expensive and time-consuming.

The Lease provides that upon the failure of the City to deposit with the Trustee any Base Rental within five calendar days after the same becomes due, or any Additional Rental within 30 calendar days after the same becomes due, or in the event that the City fails to keep, observe or perform any term, covenant, conditions or agreement contained in the Lease (and does not remedy such breach within 30 days or such additional time reasonably required to correct such default following notice thereof by the Corporation to the City), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Series 2018 Bonds then Outstanding, shall proceed), without any further notice (i) to terminate the Lease, notwithstanding any re-entry or re-letting of the Facilities, and re-enter the Facilities and remove all persons, possessions and personal property therein; or (ii) without terminating the Lease, to collect each installment of Base Rental payments and exercise the right of entry or re-entry and re-let the Facilities, provided that any such re-letting is for library purposes in accordance with the Charter; and (iii) to enforce all of its rights and remedies under the Lease by pursuing any remedy available in law or in equity.

Courts may also be unwilling to enforce any remedies against the City that would compel the City to lease a public facility, such as the Main Library, to a private party, even if for library purposes.

In addition to the limitations on remedies contained in the Lease and the Trust Agreement, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights.

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments for the term of the Lease. The Trustee's remedy would be to either terminate the Lease and re-let the Facilities, or to retain the Lease and sue the City each year for Base Rental due in the year. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Limitations on Remedies and Bankruptcy

The rights of the Owners of the Series 2018 Bonds are subject to certain limitations on legal remedies against counties and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2018 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) 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.

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 Series 2018 Bonds 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 Series 2018 Bonds; 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 Series 2018 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Series 2018 Bonds if the bankruptcy court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The City can provide no assurances about the outcome of any bankruptcy case or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, if the 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 Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the Series 2018 Bonds, 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 Series 2018 Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the 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 Series 2018 Bonds.

Among other qualifications, the legal opinions to be delivered concurrently with the delivery of the Series 2018 Bonds will be qualified, as to the enforceability of the Series 2018 Bonds, the Trust Agreement, the 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 joint powers authorities and counties in the State.

Substitution, Release and Addition of Leased Property

The Lease permits the release of portions of the Facilities or the substitution of other real property for all or a portion of the Facilities under specified conditions. See "SECURITY AND SOURCES OF PAYMENT – Substitution of Property" and APPENDIX C – ["SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Lease – Substitution, Release and Addition of Leased Property."] Although the Lease requires that the Substitute Facilities have an annual fair rental value upon becoming part of the Facilities equal to the maximum annual amount of the Base Rental payments and Additional Rental Payments yet unpaid under the Lease remaining due with respect to the Facilities being replaced, it does not require that such Substitute Facilities have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Facilities or portion thereof being replaced. In addition, such Substitute Facilities could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Facilities could have an adverse effect on the security for the Series 2018 Bonds.

City Long-Term Financial 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 10-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$11 billion in capital needs are deferred from the capital plan's 10-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.

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. 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 its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last four 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 in this Official Statement 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, 2017.”

Seismic Risks

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

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. 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.

In early 2016, the Port Commission of the City and County of San Francisco commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as \$3 billion, with another \$2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately \$1.6 billion in Port assets and \$2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall.

The Lease requires earthquake insurance only to the extent it is obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies (see “SECURITY AND SOURCES OF PAYMENT – Insurance”). [The City does not currently anticipate obtaining earthquake insurance for the Facilities.] In addition, in the event any Facilities were damaged or destroyed in an earthquake, the rental interruption insurance would not provide coverage for any abatement of Base Rental. Accordingly, the risk that the Facilities may be damaged or destroyed by an earthquake and that Base Rental payments would consequently be abated in whole or in part should be considered. Further, an earthquake could have a material adverse impact on the finances of the City, which in turn could impair the ability of the City to make Base Rental payments under the Lease.

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that sea levels will rise given the increasing temperature of the oceans and growing ocean volume, as land ice melts and runs off into the ocean. Over the past century, the sea level has risen about eight inches around the San Francisco Bay and along the Pacific coast. Such scientific studies also project accelerating sea level rise due to climate change over the coming century. As a result, coastal areas like San Francisco are at risk of substantial flood damage over time and this will affect private development as well as public infrastructure, including roads, utilities, emergency services, schools and parks. The City could lose considerable tax revenues and many residents, businesses and governmental operations along the waterfront could be displaced.

The City, including its Port, Department of the Environment and various other departments and agencies, have been preparing for these impacts for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled “Sea Level Rise Action Plan,” identifying geographic zones at risk of sea level rise and providing a framework for adaption strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise plus temporary flooding due to 100-year storm of up to 108 inches above 2015 average high tide. The City is working on a citywide adaption plan that will likely be finalized and released in the summer 2018. The goal of the adaption plan is to establish a long-term comprehensive planning framework, identify funding sources and prioritize investments.

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

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port’s seawall from sea level rise, including an initial investment of about \$8 million during 2017-2018 and consideration of financing options. The City expects short term upgrades to cost over \$500 million and long term upgrades to cost more than \$5 billion.

A scientific report issued in March 2018 by professors at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking of soil, known as subsidence. The risk of subsidence affects certain parts of San Francisco built on landfill as well as the San Francisco International Airport. Under the new projections in this report, damage due to flooding could be worse than estimated under earlier climate change studies.

Projections of the impacts of global climate change on San Francisco are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast the amount and timing of sea level rise and its adverse impacts, including flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse impacts of climate change (e.g., the occurrence and frequency of 100 year storm events and king tides) will occur. In particular the City cannot predict the timing or precise magnitude of adverse economic

effects, including, without limitation, material adverse impacts on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the impacts of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures.

The City has filed a lawsuit against the five largest investor-owned oil companies that is pending in the United States District Court, Northern District of California, Case No. 3:17-cv-06012-WHA, entitled *The People of the State of California, acting by and through the San Francisco City Attorney, Dennis J. Herrera, v. BP P.L.C, et al.* In that lawsuit, the City Attorney is seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts or contributions to the abatement fund from the defendant oil companies.

The Lease does not require flood insurance for the Facilities, and [the City does not currently anticipate obtaining flood insurance for the Facilities.] In the event any Facilities were damaged or destroyed in a flooding event, the rental interruption insurance would not provide coverage for any abatement of Base Rental. Accordingly, the risk that the Facilities may be damaged or destroyed by a flooding event and that Base Rental payments would consequently be abated in whole or in part should be considered.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Therefore, the attack did not interrupt Muni train services nor did it compromise customer privacy or transaction information. The SFMTA, however, took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy will be reviewed periodically.

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City's Systems Technology and cause material disruption to the City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Risk Management and Insurance

The Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Facilities for repair or replacement in the event of damage or destruction to the Facilities. The City is also required to maintain rental interruption insurance in an amount at least equal to 24 months of Base Rental payments. The Lease allows the City to insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as self-insurance. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the 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 on the Series 2018 Bonds when due.

The City employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. For information concerning the self-insurance and risk management programs of the City, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Litigation and Risk Management."

State Law Limitations on Appropriations

Article XIII B of the California 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 State may increase the appropriation limit of counties in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS – Article XIII B of the California Constitution."

Change in Law

The City cannot provide any assurance that the State Legislature or the City's Board of Supervisors will not enact legislation that will 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" herein.

The security for payment of the principal and interest evidenced and represented by the Certificates also may 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. 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 over which the City has no control. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances.”

Federal Funding

The City receives substantial federal funds for assistance payments, social service programs and other programs. 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. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City’s financial condition may also be impacted by the withholding of federal grants or other funds flowing to “sanctuary jurisdictions.” The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Government on Local Finances.”

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may damage City infrastructure and adversely impact the City’s ability to provide municipal services. For example, 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. 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

For information about the City, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES.” The City is not obligated to make Rental Payments from the General Fund. Certain financial information with respect to the City is presented for informational purposes only in APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017.” The information in these appendices has been supplied by the City.

The Series 2018 Bonds are payable solely from Base Rental payments made by the City pursuant to the Lease and certain other amounts held in certain funds or accounts 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.

NEITHER THE SERIES 2018 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors of the City. The purpose of the Corporation is to provide a means to finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes. The Corporation cannot issue obligations or enter into leases without the City's consent and participation.

The Corporation is governed by a three-member Board of Directors. The initial Board of Directors was appointed by the Chief Administrative Officer of the City. Successive members of the Board of Directors are appointed by the existing Board of Directors to indefinite terms and serve without compensation. The Corporation has no employees. Pursuant to an Administrative Services Agreement dated May 23, 1997, between the City and the Corporation, the City provides administrative services to the Corporation.

Name

Date of Appointment

Outstanding Debt

In addition to the Series 2018 Bonds, the Corporation has issued other bonds secured by separate leases with the City. Additional bonds secured by separate leases with the City may be issued by the Corporation from time to time. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Overlapping Debt” and “– Lease Payments and Other Long-Term Obligations.” No amount received by or on behalf of the Corporation with respect to any other bonds issued by the Corporation is available to secure payment of the Bonds.

Limited Obligation

THE SERIES 2018 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT. THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION IN RESPECT OF THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL

PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel, under existing law: (i) interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2018 Bonds is included in the calculation of a corporation’s adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018); and (ii) interest on the Series 2018 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion as to any other tax consequences regarding the Series 2018 Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City and the Corporation contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2018 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the City’s and the Corporation’s certifications and representations or the continuing compliance with the City’s and the Corporation’s covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel’s legal judgment as to exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Co-Bond Counsel express no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City or the Corporation may cause loss of such status and result in the interest on the Series 2018 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018 Bonds. The City and the Corporation have each covenanted to take the actions required of it for the interest on the Series 2018 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2018 Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds or the market value of the Series 2018 Bonds.

Interest on the Series 2018 Bonds is included in the calculation of a corporation’s adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). In addition, interest on the Series 2018 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals

otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2018 Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2018 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2018 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Bond Counsel's engagement with respect to the Series 2018 Bonds ends with the issuance of the Series 2018 Bonds, and, unless separately engaged, Co-Bond Counsel are not obligated to defend the City or the Corporation, or the owners of the Series 2018 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2018 Bonds, under current IRS procedures, the IRS will treat the City and the Corporation as the taxpayer and the beneficial owners of the Series 2018 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2018 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2018 Bonds.

Prospective purchasers of the Series 2018 Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Series 2018 Bonds at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel express no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2018 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2018 Bonds will not have an adverse effect on the tax status of interest on the Series 2018 Bonds or the market value or marketability of the Series 2018 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2018 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for taxable years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. Additionally, investors in the Series 2018 Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Series 2018 Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2018 Bonds may be affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Series 2018 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2018 Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2018 Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the Series 2018 Bonds (“Discount Series 2018 Bonds”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Series 2018 Bond. The issue price of a Discount Series 2018 Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Series 2018 Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Series 2018 Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Series 2018 Bond (i) is interest excluded from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2018 Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Series 2018 Bond. The amount of OID that accrues each year to a corporate owner of a Discount Series 2018 Bond is included in the calculation of the corporation’s adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). A purchaser of a Discount Series 2018 Bond in the initial public offering at the issue price (described above) for that Discount Series 2018 Bond who holds that Discount Series 2018 Bond to maturity will realize no gain or loss upon the retirement of that Discount Series 2018 Bond.

Certain of the Series 2018 Bonds (“Premium Series 2018 Bonds”) may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2018 Bond, based on the yield to maturity of that Premium Series 2018 Bond (or, in the case of a Premium Series 2018 Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2018 Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Series 2018 Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2018 Bond, the owner’s tax basis in the Premium Series 2018 Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2018 Bond for an amount equal to or less than the amount paid by the owner for that Premium Series 2018 Bond. A purchaser of a Premium Series 2018 Bond in the initial public offering who holds that Premium Series 2018 Bond to maturity (or, in the case of a callable Premium Series 2018 Bond, to its earlier call date that results in the lowest yield on that Premium Series 2018 Bond) will realize no gain or loss upon the retirement of that Premium Series 2018 Bond.

Owners of Discount and Premium Series 2018 Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or bond premium, the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Series 2018 Bonds, other federal tax consequences in respect of OID and bond premium, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2018 Bonds and with regard to the tax status of the interest on the Bonds (see “TAX MATTERS” herein) are subject to the separate legal opinions of Squire Patton Boggs (US) LLP, San Francisco, California and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Series 2018

Bonds, will be delivered to the initial purchaser of the Series 2018 Bonds at the time of original delivery of the Series 2018 Bonds.

The proposed form of the legal opinions of Co-Bond Counsel is set forth in APPENDIX F hereto. The text of the legal opinions to be delivered may vary 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 the opinions by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or expresses any opinion concerning any of the matters referred to in the opinions subsequent to their date. In rendering their separate opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

Co-Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the Corporation by Dannis Woliver Kelley, San Diego, California. 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 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 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 Series 2018 Bonds, Disclosure Counsel will deliver a letter to the City and the Corporation which advises the City and the Corporation, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to 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 Series 2018 Bonds 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 light of the circumstances under which they were made, not misleading. No purchaser or holder of the Series 2018 Bonds, or other person or party other than the City and the Corporation, 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.

PROFESSIONALS INVOLVED IN THE OFFERING

Backstrom McCarley Berry & Co., LLC, San Francisco, California and Kitahata & Company, San Francisco, California have served as Co-Municipal Advisors to the City with respect to the sale of the Series 2018 Bonds. The Co-Municipal 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 Series 2018 Bonds. The Co-Municipal 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-Municipal Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City for services rendered in connection with the Series 2018 Bonds contingent upon the sale and delivery of the Series 2018 Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2018 Bonds 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 2017-18, which is due not later than March 27, 2019, 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 enumerated events is summarized in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the purchaser of the Series 2018 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The ratings on certain obligations of the City were upgraded by Fitch Ratings on March 28, 2013. Under certain continuing disclosure undertakings of the City, the City was required to file a notice of such upgrade with the Electronic Municipal Market Access system of the MSRB by April 11, 2013. The City filed such notice on May 17, 2013.

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.

NO LITIGATION

The opinions of the Counsel to the Corporation, which will be addressed solely to the City and the Corporation, will be furnished to the initial purchaser at the time of the original delivery of the Series 2018 Bonds.

Corporation

No litigation is pending with service of process having been accomplished or, to the knowledge of the Counsel to the Corporation, threatened, concerning the validity of the Series 2018 Bonds, the Trust Agreement, the Lease, the Facilities Lease or the Assignment Agreement, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Series 2018 Bonds and other documents and certificates in connection therewith.

City

No litigation is pending or threatened concerning the validity of the Series 2018 Bonds, the Lease, the Facilities 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 other documents and certificates in connection with the Series 2018 Bonds.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”), S&P Global Ratings (“S&P”), and Fitch Ratings (“Fitch”), have assigned municipal bond ratings of “___,” “___,” and “___,” respectively, to the Series 2018 Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Series 2018 Bonds. The ratings reflect only the views of each rating agency, and 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.spratings.com; and Fitch, at www.fitchratings.com. The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. 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 of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price or marketability of the Series 2018 Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF SERIES 2018 BONDS

The Series 2018 Bonds are scheduled to be sold at competitive bid on May ____, 2018, as provided in the Official Notice of Sale, dated May ____, 2018 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Series 2018 Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The Purchaser will represent to the City that the Series 2018 Bonds have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 among the City, the Corporation and the purchasers or Owners of any of the Series 2018 Bonds. The preparation and distribution of this Official Statement have been authorized by the City and the Corporation.

The execution and delivery of this Official Statement has been authorized by the Corporation and the City.

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By: _____
President

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller