

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LISTCommittee: Budget and Finance CommitteeDate: September 7, 2011

Board of Supervisors Meeting

Date 9.13.11**Cmte Board**

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<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Budget & Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Ethics Form 126
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form (for hearings)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application

OTHER

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Property Lease

*Project Lease

*Trust Agreement, Escrow Agreement,

*Purchase Contract,

*Refunding Certificates of Participation

Completed by: Victor YoungDate: Sept 2, 2011Completed by: Victor YoungDate: 9-8-11

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

1 [Certificates of Participation - Moscone Center Refunding Project - Not to Exceed
2 \$110,000,000]

3
4 Resolution approving the execution and delivery of not to exceed \$110,000,000 aggregate
5 principal amount of Refunding Certificates of Participation for the purpose of refinancing
6 certain lease revenue refunding bonds issued by the Redevelopment Agency; approving
7 a Property Lease, Project Lease, Escrow Agreements, and a Trust Agreement; providing
8 for the manner of sale of Refunding Certificates of Participation, whether by competitive
9 or negotiated sale; approving the form of the official notice of sale and the notice of
10 intention to sell for the Refunding Certificates of Participation; directing the publication
11 of the notice of intention to sell for the Refunding Certificates of Participation;
12 approving the form of the Certificate Purchase Contract; approving the form of the
13 official statement in preliminary and final form; approving the form of the continuing
14 disclosure certificate; authorizing the acceptance by the City of certain property in
15 connection with the execution and delivery of the Refunding Certificates of
16 Participation; authorizing the payment of cost of issuance; authorizing the taking of
17 appropriate actions in connection therewith; and related matters.

18
19 WHEREAS, The Redevelopment Agency of the City and County of San Francisco (the
20 "Agency") has previously issued its Lease Revenue Refunding Bonds, Series 2002 (George
21 R. Moscone Convention Center) (the "2002 Bonds") and its Lease Revenue Refunding Bonds,
22 Series 2004 (George R. Moscone Convention Center) (the "2004 Bonds" and, together with
23 the 2002 Bonds, the "Prior Bonds") to finance and refinance the acquisition, demolition,
24 construction, reconstruction, installation, equipping, improvement or rehabilitation of various
25

1 capital improvement projects (as further described herein, the "Project") for the benefit of the
2 City; and,

3 WHEREAS, In 1976 and in 1986 the voters approved the issuance of the lease
4 revenue bonds (the "Original Bonds") to finance the costs of the Project, and the Prior Bonds
5 were issued in accordance with the Charter of the City based on voter approval; and,

6 WHEREAS, The Prior Bonds were secured primarily by base rental payments paid by
7 the City from its general fund for the City's use and occupancy of the Project; and,

8 WHEREAS, The Board of Supervisors of the City (the "Board") now intends to reduce
9 the aggregate base rental payments by refinancing, in part and/or in whole, the Prior Bonds
10 through the execution and delivery of two series of Refunding Certificates of Participation,
11 including such certificates in an aggregate principal amount not to exceed \$35,000,000 (the
12 "2011A Certificates") and certificates in an aggregate principal amount of \$75,000,000 (the
13 "2011B Certificates" and, together with the 2011A Certificates, the "2011 Certificates"); and,

14 WHEREAS, Said 2011 Certificates will be secured primarily by base rental payments to
15 be paid by the City from the City's general fund pursuant to a Project Lease by and between
16 the City and the Trustee, defined below (the "Project Lease"); and,

17 WHEREAS, In connection with the execution and delivery of the 2011 Certificates, the
18 City shall enter into a Property Lease (as defined herein), a Project Lease, a Trust Agreement
19 (as defined herein), an Escrow Agreements (as defined herein), and certain other related
20 documents (as set forth herein); and,

21 WHEREAS, It is anticipated that the 2011 Certificates will be sold by competitive sale
22 pursuant to an Official Notice of Sale (as defined herein); now, therefore, be it
23
24
25

1 RESOLVED, BY THIS BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF
2 SAN FRANCISCO AS FOLLOWS:

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

4 Section 2. Approval of 2011 Certificates; Authorization of Selection of Trustee. The
5 Board hereby approves the execution and delivery of the 2011 Certificates. The Controller or
6 the Director of Public Finance of the City or his or her designee is hereby authorized to
7 determine the manner of sale of the 2011 Certificates, whether by competitive sale or
8 negotiated sale; the sale date, the interest rate or rates, the definitive principal amount thereof
9 (not to exceed \$110,000,000) subject to the provisions of this Resolution. The 2011
10 Certificates shall be executed and delivered in accordance with the Trust Agreement by and
11 between the City and the Trustee (defined below) (the "Trust Agreement"). The 2011
12 Certificates shall be comprised of, and designated as, the "City and County of San Francisco
13 Refunding Certificates of Participation, Series 2001A (Moscone Center South Refunding
14 Project)" and as the "City and County of San Francisco Refunding Certificates of Participation,
15 Series 2011B (Moscone Center North Refunding Project)" or such other designation as
16 determined by the Director of Public Finance. The 2011A Certificates shall have an
17 aggregate principal amount not to exceed \$35,000,000, and the 2011B Certificates shall have
18 an aggregate principal amount not to exceed 75,000,000, each with an interest rate not to
19 exceed twelve percent (12%) per annum. The execution and delivery of the 2011 Certificates
20 will result in debt service savings to the City on a present value basis of at least two percent
21 (2.00%), calculated in accordance with Section 43.6.6. of the City's Administrative Code.
22 Furthermore, the Controller or Director of Public Finance or his or her designee is hereby
23 authorized to determine the final terms, amounts, maturity dates, interest rates and other
24 provisions of the 2011 Certificates subject to the provisions set forth herein; provided that the
25 execution and delivery of the 2011 Certificates would result in net debt service savings to the

1 City on a present value basis of at least 2.00 percent, calculated in accordance with Section
2 43.6.6 of the City's Administrative Code. To the extent deemed necessary by the Controller
3 or the Director of Public Finance, this Board authorizes the procurement of credit
4 enhancement for the 2011 Certificates, including, but not limited to, municipal bond insurance
5 and/or debt service reserve fund surety bond. Notwithstanding Section 13 hereof, the
6 documents authorized herein may be modified or amended to permit the procurement of
7 credit enhancement for the 2011 Certificates, to the extent deemed necessary by the
8 Controller or the Director of Public Finance, upon consultation with the City Attorney.

9 The Controller or the Director of Public Finance is hereby authorized to select a trustee
10 ("the Trustee") in accordance with City policies and procedures, including but not limited to the
11 City's policy to provide locally disadvantaged business enterprises an equal opportunity in the
12 performance of all City contracts.

13 Section 3. Approval of the Property Lease. The form of the Property Lease (the
14 "Property Lease") between the City and the Trustee, as presented to this Board, a copy of
15 which is on file with the Clerk of the Board, or her designee (together with the Clerk of the
16 Board, the "Clerk of the Board"), is hereby approved. The Mayor, or his designee (together
17 with the Mayor, the "Mayor"), is hereby authorized to execute the Property Lease, and the
18 Clerk of the Board is hereby authorized to attest to and to affix the seal of the City on the
19 Property Lease, with such changes, additions, modifications or deletions as the Mayor may
20 make or approve in accordance with Section 13 hereof.

21 Section 4. Approval of the Project Lease. The form of the Project Lease between the
22 City and the Trustee (the "Project Lease"), as presented to this Board, a copy of which is on
23 file with the Clerk of the Board, is hereby approved. The Mayor is hereby authorized to
24 execute the Project Lease, and the Clerk of the Board is hereby authorized to attest and to
25 affix the seal of the City on the Project Lease with such changes, additions, modifications or

1 deletions as the Mayor may make or approve in accordance with Section 13 hereof, provided
2 however, that the maximum Base Rental in connection with the Certificates scheduled to be
3 paid under the Project Lease in any fiscal year shall not exceed \$20,000,000 and the term of
4 the Project Lease shall not extend beyond 2051.

5 Section 5. Approval of the Trust Agreement. The form of the Trust Agreement between
6 the City and the Trustee as presented to this Board, a copy of which on file with the Clerk of
7 the Board, is hereby approved. The Mayor is hereby authorized to execute the Trust
8 Agreement, and the Clerk of the Board is hereby authorized to attest to and affix the seal of
9 the City on the Trust Agreement, with such changes, additions, modifications or deletions as
10 the Mayor may make or approve in accordance with Section 13 hereof.

11 Section 6. Approval of the Escrow Agreements. The form of the escrow agreements,
12 one each for the 2002 Bonds and the 2004 Bonds, between the City and U.S. Bank National
13 Association (the "Escrow Agreements"), as presented to this Board, a copy of which is on file
14 with the Clerk of the Board, is hereby approved. The Mayor is hereby authorized to execute
15 the Escrow Agreements, and the Clerk of the Board is hereby authorized to attest to and affix
16 the seal of the City on the Escrow Agreements, with such changes, additions, modifications or
17 deletions as the Mayor may make or approve in accordance with Section 13 hereof.

18 Section 7. Acceptance of Property. To the extent deemed necessary by the Controller
19 or the Director of Public Finance, the Mayor is hereby authorized to accept a grant deed on
20 behalf of the City for Moscone South, located at 747 Howard Street, San Francisco, California
21 94103, in order to lease the property to the Trustee at no additional cost to the City.

22 Section 8. Approval of Form of Official Notice of Sale. The form of the official notice of
23 sale relating to the 2011 Certificates (the "Official Notice of Sale"), as presented to this Board,
24 a copy of which is on file with the Clerk of the Board, is hereby approved. In the event the
25 Controller or the Director of Public Finance determines to sell the 2011 Certificates pursuant

1 to a competitive sale, as provided in Section 10 below, the Controller or the Director of Public
2 Finance is hereby authorized to approve the distribution of an Official Notice of Sale, with
3 such changes, additions, modifications or deletions as the Director of Public Finance may
4 approve upon consultation with the City Attorney; such approval to be conclusively evidenced
5 by the distribution of the Official Notice of Sale to potential purchasers of the 2011
6 Certificates.

7 In the event the Controller or the Director of Public Finance determines to sell the
8 2011 Certificates by competitive sale, the Director of Public Finance, on behalf of the
9 Controller, is hereby authorized to receive bids for the purchase of the 2011 Certificates, and
10 the Controller is hereby authorized and directed to award the 2011 Certificates to the bidder
11 whose bid represents the lowest true interest cost to the City, all in accordance with the
12 procedures described in the Official Notice of Sale.

13 Section 9. Approval of Notice of Intention to Sell relating to the 2011 Certificates. The
14 form of the notice of intention to sell relating to the 2011 Certificates (the "Notice of Intention
15 to Sell"), as presented to this Board, a copy of which is on file with the Clerk of the Board, is
16 hereby approved. In the event the Controller or the Director of Public Finance determines to
17 sell the 2011 Certificates pursuant to a competitive sale, as provided in Section 10 below, the
18 Controller or the Director of Public Finance is hereby authorized to approve the publication of
19 the Notice of Intention to Sell, with such changes, additions, modifications or deletions as the
20 Controller or the Director of Public Finance may approve upon consultation with the City
21 Attorney; such approval to be conclusively evidenced by the publication of the Notice of
22 Intention to Sell.

23 Section 10. Sale of 2011 Certificates; Solicitation of Competitive Bids; Negotiated Sale.
24 This Board hereby authorizes the sale of the 2011 Certificates by either (i) solicitation of
25 competitive bids for the purchase of the 2011 Certificates on the date and at the place

1 determined in accordance with the Official Notice of Sale herein referenced or (ii) by
2 negotiated sale to underwriters, the form and manner of such sale to be determined by the
3 Controller or the Director of Public Finance. If the Controller or the Director of Public Finance
4 determines to sell the 2011 Certificates by negotiated sale, the Controller or the Director of
5 Public Finance is hereby authorized and directed to determine the terms and conditions
6 thereof and, in connection therewith, to enter into the Certificate Purchase Contract, pursuant
7 to which the 2011 Certificates will be sold to the underwriter(s) named therein (collectively,
8 together with the investment agreement referred to below, the "Certificate Purchase
9 Contract"). The Certificate Purchase Contract is hereby approved substantially in the form
10 presented to this meeting, with such additions and changes therein as the Controller or the
11 Director shall approve as being in the best interests of the City. The underwriters' discount
12 under the Certificate Purchase Contract shall not exceed one percent (1.00%) of the principal
13 amount of the 2011 Certificates. This Board hereby authorizes the sale and purchase of the
14 2011 Certificates. If the Controller or the Director of Public Finance determines to sell the
15 2011 Certificates pursuant to a private placement, the Controller or the Director of Public
16 Finance is hereby authorized and directed to determine the terms and conditions thereof and,
17 in connection therewith, to enter into an investment agreement, pursuant to which the 2011
18 Certificates will be sold to the purchasers named therein, such investment agreement to be
19 subject to the same limitations, terms and provisions as herein specified for the Certificate
20 Purchase Contract referred to in the first sentence of this Section 10.

21 Section 11. Approval of the Official Statement in Preliminary and Final Form. The form
22 of the official statement relating to the 2011 Certificates (the "Official Statement"), as
23 presented to this Board, a copy of which is on file in preliminary form with the Clerk of the
24 Board, is hereby approved. The Controller or the Director of Public Finance is hereby
25 authorized to approve the distribution of the preliminary Official Statement, with such changes,

1 additions, modifications or deletions as the Controller or the Director of Public Finance may
2 approve upon consultation with the City Attorney; such approval to be conclusively evidenced
3 by the distribution of the preliminary Official Statement to potential purchasers of the 2011
4 Certificates. The Controller of the City, or his designee (together with the Controller of the
5 City, the "Controller"), is hereby authorized to execute, and the Director of Public Finance is
6 hereby further authorized to approve the distribution of, the Official Statement in final form.

7 Section 12. Approval of the Continuing Disclosure Certificate. The form of the
8 continuing disclosure certificate of the City (the "Continuing Disclosure Certificate"), as
9 presented to this Board, a copy of which is on file with the Clerk of the Board, is hereby
10 approved. The Controller is hereby authorized to execute the Continuing Disclosure
11 Certificate, with such changes, additions, modifications or deletions as the Controller may
12 approve upon consultation with the City Attorney; such approval to be conclusively evidenced
13 by the execution and delivery of the Continuing Disclosure Certificate.

14 Section 13. Payment of Costs of Issuance. The Board hereby authorizes the
15 expenditure of a portion of the proceeds of the Certificates for the payment of certain costs of
16 issuance incurred in connection with the execution and delivery of the 2011 Certificates.

17 Section 14. General Authority. The Mayor, the City Attorney, the Controller, the City
18 Administrator, the Director of Public Finance, the Clerk of the Board and other officers of the
19 City and their duly authorized deputies and agents are hereby authorized and directed, jointly
20 and severally, to take such actions and to execute and deliver such certificates, agreements,
21 requests or other documents, as they may deem necessary or desirable to facilitate the
22 execution and delivery of the 2011 Certificates and, to obtain bond insurance or other credit
23 enhancements with respect to the 2011 Certificates and otherwise to carry out the provisions
24 of this Resolution.

25 Section 15. Modifications, Changes, Additions or Deletions. The Mayor is hereby

1 authorized to approve and make such modifications, changes, additions or deletions to the
2 Property Lease, the Project Lease, the Trust Agreement or the Escrow Agreements, including
3 but not limited to substituting the Trustee as escrow agent under the Escrow Agreements,
4 upon consultation with the City Attorney, as may be necessary or desirable in the interests of
5 the City, and which changes do not materially increase the obligations of the City under the
6 Property Lease, the Project Lease, the Trust Agreement or the Escrow Agreements. The
7 Mayor's approval of such modifications, changes, additions or deletions shall be conclusively
8 evidenced by the execution and delivery by the Mayor and the Clerk of the Board of the
9 Property Lease, the Project Lease, the Trust Agreement and the Escrow Agreements.

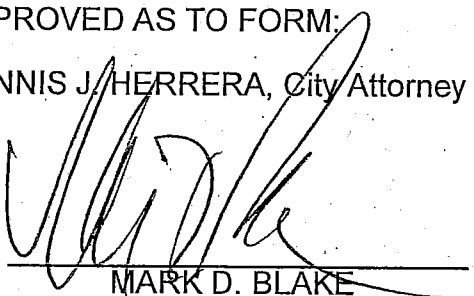
10 Section 16. Ratification of Prior Actions. All actions authorized and directed by this
11 Resolution and heretofore taken are hereby ratified, approved and confirmed by this Board.

12 Section 17. File Documents. All documents referred to as on file with the Clerk of the
13 Board are in File No. 110921.

14
15
16 APPROVED AS TO FORM:

17 DENNIS J. HERRERA, City Attorney

18
19
20 By:


21 MARK D. BLAKE
22 Deputy City Attorney
23
24
25

Item 20
File 11-0921

Department(s):
Controller's Office of Public Finance (OPF)
San Francisco Redevelopment Agency (SFRA)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would (a) authorize the issuance by the City of Refunding Certificates of Participation (COPs) in a not-to-exceed amount of \$110,000,000 to refinance previous San Francisco Redevelopment Agency (SFRA) lease revenue refunding bonds, (b) approve a Property Lease, Project Lease, Escrow Agreement and a Trust Agreement, (c) provide for the manner of sale of Refunding COPs, whether by competitive or negotiated sale, (d) direct the publication of the notice of intention to sell for the Refunding COPs, (e) approve the form of the official statement in preliminary and final form, (f) approve the form of the continuing disclosure certificate, (g) authorize the acceptance by the City of certain property in connection with the execution and delivery of the Refunding COPs, and (h) authorize the costs of issuance.

Fiscal Impact

- The proposed \$97,910,000 in Refunding COPs will have an estimated annual interest rate of 3.48 percent, for a total debt service over 13 years of \$116,972,684 including (a) estimated interest costs of \$19,062,684 and (b) estimated principal payments of \$97,910,000, to be repaid by the City's General Fund.
- The current interest rate on the 2002 SFRA Lease Revenue Refunding Bonds to be refinanced is 4.87 percent, such that the proposed refunding will result in a savings of 1.39 percent, and the current interest rate on the 2004 SFRA Lease Revenue Refunding Bonds to be refinanced is 5.10 percent, such that the proposed refunding will result in a savings of 1.62 percent to the City's General Fund.
- The proposed \$97,910,000 2011 Refunding COPs would result in an estimated gross total savings to the City of approximately \$5,539,892. On a net present value basis, the estimated total savings would be approximately \$5,060,356 or 5.38 percent of the \$94,075,000 total outstanding 2002 and 2004 SFRA Lease Revenue Refunding Bonds.
- The current estimated \$97,910,000 COPs to be issued is \$12,090,000 less than the proposed not-to-exceed \$110,000,000, in order to provide sufficient additional funds for potential market fluctuations between the time of approval of the COPs and the anticipated COP issuance date.

Policy Considerations

- The SFRA would likely not be able to issue SFRA bonds and achieve commensurate interest savings at the present time because of the current uncertainty of Redevelopment Agencies Statewide, based on the Governor's recent proposals to abolish Redevelopment Agencies and related pending litigation.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

According to San Francisco Charter Section 9.118, any lease with a term of over ten years or expenditures of over \$10,000,000 is subject to approval by the Board of Supervisors. The proposed not-to-exceed issuance of \$110,000,000 of Refunding Certificates of Participation requires the City to enter into a lease which exceeds ten years and \$10,000,000, due to the asset transfer model described in the Background Section below.

Background

According to Mr. Anthony Ababon, Bond Associate in the Controller's Office of Public Finance, Certificates of Participation (COPs) are a form of long-term debt which are sold to investors in consideration for a portion of the lease revenues from a specific City-owned property, such that the investors "participate" in receiving lease revenues in the form of debt service payments. Under a typical COP structure, the City leases a City-owned property to a trustee in consideration for a one-time lease payment from the trustee to the City that is equal to the proceeds from the issuance of such COPs. The trustee subsequently subleases the same City-owned property back to the City in return for semi-annual rent payments equal to the debt service (including principal and interest) due on the COPs. This lease-sublease structure is known as an asset transfer model. Under such an asset transfer model, the City-owned property leased to the trustee serves as collateral to the trustee on the issued COPs. After the COPs are fully repaid by the City, the City-owned property, previously leased to the trustee, reverts back to the City.

Mr. Ababon advises that Refunding COPs are identical to standard COPs with one difference: the proceeds from the issuance of Refunding COPs are used to refund previously issued bonds. The Budget and Legislative Analyst notes that the issuance of Refunding COPs is generally contingent upon the City realizing debt service savings based on that refinancing, when compared to the debt service costs of the original bonds.

Moscone Center Financing and Redevelopment Agency 2004 Bond Issuance

On November 2, 1976, the City's voters approved Proposition S establishing the City's policy to construct a convention exhibit hall in the Yerba Buena Center Redevelopment Project, using four percent of the revenues realized from the current total 14 percent Hotel Tax rate to finance San Francisco Redevelopment Agency (SFRA) lease revenue bonds. In March 20, 1979, the SFRA issued \$97,000,000 in lease revenue bonds (1979 Bonds) to partially finance the development and construction costs of the Moscone Convention Center (Moscone Center) in the SFRA's Yerba Buena Center Redevelopment Project. The Moscone Center was completed in August, 1982, with a contribution of \$25,000,000 in General Fund monies by the City to complete the construction of the Moscone Center South facility. On April 16, 1991, the SFRA issued \$60,540,000 of lease revenue refunding bonds (1991 Bonds) to refinance the original SFRA's 1979 Bonds and to fund \$6,000,000 of additions and improvements to the Moscone Center.

On December 21, 1994, the SFRA issued \$48,755,000 in lease revenue refunding bonds (1994 Bonds) to refinance \$43,565,000 of the SFRA's 1991 Bonds and to provide \$11,212,219 in funding for the acquisition and construction of capital improvements to the then-existing Moscone Center South. Simultaneously, the SFRA also issued Hotel Tax Revenue Bonds (Hotel Tax 1994 Bonds), which provided a portion of the monies necessary to fully refund all of the SFRA's 1991 Bonds. On June 10, 2004, \$33,565,000 in lease revenue refunding bonds were issued by the SFRA (2004 Bonds) to refinance the remaining \$38,390,000 principal amount of the SFRA's 1994 Bonds which were still outstanding at that time. As of August 1, 2011, \$28,970,000 in principal amount of the SFRA's 2004 Bonds remains outstanding.

Moscone Center Expansion and Redevelopment Agency 2002 Bond Issuance

On November 4, 1986, the City's voters approved Proposition B to provide SFRA lease revenue bond financing of a not-to-exceed \$140,000,000 for the acquisition, construction, and equipping of an expansion of the Moscone Center. On July 13, 1988, the SFRA issued \$137,631,131 of lease revenue bonds (1988 Bonds) to finance a major expansion of the Moscone Center (Expansion Project).

In February, 1992, the SFRA issued \$100,274,998 of lease revenue refunding bonds, (1992 Bonds) to refinance and redeem a portion of the 1988 Bonds and to reimburse the SFRA for prior costs of the Expansion Project. On December 17, 2002, the SFRA issued \$67,670,000 in lease revenue refunding bonds (2002 Bonds) to refinance \$63,240,000 of the principal amount of the SFRA's 1992 Bonds. As of August 1, 2011, \$65,105,000 in principal amount of the SFRA's 2002 Bonds remains outstanding.

Redevelopment Agency's 2002 and 2004 Refunding Bonds Remaining

While the repayment of debt service on the prior 2002 and 2004 SFRA Lease Revenue Refunding Bonds was originally budgeted using Hotel Tax revenues, Ms. Nadia Sesay, Director of the Office of Public Finance, advises that Hotel Taxes are not specifically pledged, assigned, or set aside as a source of payment for the prior 2002 and 2004 Bonds. San Francisco voters, when approving the original Proposition S (see above), did not set aside a dedicated four percent of the City's total Hotel Tax rate, but instead limited the amount of the annual debt service payments to be no more than the equivalent of four percent of the total current 14 percent Hotel Tax rate¹. This four percent Hotel Tax limit does not apply to the 2002 Bonds, which are payable from the City's General Fund, supported by Hotel Taxes.

Together, the estimated (a) \$28,970,000 remaining outstanding principal from the 2004 SFRA Lease Revenue Refunding Bonds and (b) \$65,105,000 of remaining outstanding principal from the 2002 SFRA Lease Revenue Refunding Bonds, or a total of \$94,075,000 could be refinanced.

¹ Based on the Controller's FY 2011-12 Revenue Letter dated June 14, 2011, at the current 14% Hotel Tax rate, total Hotel Tax revenues are estimated at \$220 million, such that four percent of the total 14 percent allocation would equal approximately \$62.86 million annually. As shown in Table 4, the annual debt service on the total proposed Refunding COPs is not anticipated to exceed \$18,505,304.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (a) authorize the issuance by the City of Refunding COPs in a not-to-exceed amount of \$110,000,00 to refinance two previous Lease Revenue Refunding Bonds (Years 2002 and 2004) issued by the SFRA, (b) approve a Property Lease, Project Lease, Escrow Agreement and a Trust Agreement, (c) provide for the manner of sale of Refunding COPS, whether by competitive or negotiated sale, (d) direct the publication of the notice of intention to sell the Refunding COPs, (e) approve the form of the official statement in preliminary and final form, (f) approve the form of the continuing disclosure certificate, (g) authorize the acceptance by the City of certain property in connection with the execution and delivery of the Refunding COPs, and (h) authorize the costs of issuance.

Issuance of Refunding Certificates of Participation

Ms. Sesay anticipates that the City will issue the not-to-exceed \$110,000,000 Refunding COPs as soon as possible, subsequent to Board of Supervisors approval of the proposed resolution, with the anticipated closure date of the Refunding COPs on approximately October 3, 2011 and the redemption of the 2002 and 2004 SFRA Lease Revenue Refunding Bonds on approximately November 2, 2011.

Based on an anticipated October 3, 2011 Refunding COP sale date and November 2, 2011 redemption date, as shown in Table 1 below, the estimated cost of refunding both the 2002 and 2004 SFRA Lease Revenue Refunding Bonds is \$96,817,467, which is \$2,742,467 or 2.92 percent more than the current \$94,075,000 in outstanding principal of the previously issued 2002 and 2004 SFRA Lease Revenue Refunding Bonds as of August 1, 2001. Mr. Ababon advises that this additional \$2,742,467* is due to interest expenses accruing on the 2002 and 2004 Bonds since the last interest payment on July 1, 2011 and the cost of redemption being 101 percent of the principal for the 2002 Bonds and 102 percent for the 2004 Bonds.

Table 1: Estimated Cost of Redeeming 2002 and 2004 Bonds

	Principal	Interest Expense from July 1, 2011 – November 2, 2011	Percentage of Principal Required to Redeem 2002 and 2004 Bonds	Redemption Premium in Dollars Over Principal Amount Required to Redeem 2002 and 2004 Bonds	Total Cost of Redeeming Bond Series
2002 Bonds	\$65,105,000	\$1,036,233	101%	\$651,050	\$66,792,283
2004 Bonds	28,970,000	475,784	102%	579,400	30,025,184
Total Estimated Cost	\$94,075,000	\$1,512,017*		\$1,230,450*	\$96,817,467

*\$1,512,017 plus \$1,230,450 equals \$2,742,467.

As summarized in Table 2 below, the total refunding cost is estimated to be \$101,266,000, including (a) \$96,817,467 to redeem the outstanding \$94,075,000 from the 2002 and 2004 SFRA Lease Revenue Refunding Bonds, plus (b) \$4,448,533 in financing costs, including a debt service reserve.

Table 2: Uses of Refunding COPs Proceeds	
Cost to Redeem 2002 and 2004 Previously issued SFRA Lease Revenue Refunding Bonds (see Table 1 above)	\$96,817,467
Financing Costs	
Debt Service Reserve Fund	3,012,500
Costs of Issuance	1,436,033
Subtotal	\$4,448,533
Total Refunding Costs	\$101,266,000

As shown in Table 3 below, according to Ms. Sesay, the current estimated amount of COPs to be issued is \$97,910,000, out of the requested not-to-exceed authorized amount of \$110,000,000, or \$12,090,000 less than the proposed not-to-exceed amount of \$110,000,000. Ms. Sesay noted that the requested excess amount of \$12,090,000 provides sufficient additional funds for potential market fluctuations between the time of the Board of Supervisors approval of the proposed COPs and the anticipated COP issuance date. The estimated issuance of \$97,910,000, along with the \$3,356,000 Bond Reserve² (see Table 3 below) totaling \$101,266,000 is sufficient to pay for both the \$96,817,467 for the costs to redeem the 2002 and 2004 previously issued SFRA Lease Revenue Refunding Bonds and the \$4,448,533 financing costs (see Table 2 above), also equal to \$101,266,000.

Table 3: Sources of Refunding COPs	
Issuance Amount	\$97,910,000
2004 Bond Reserve	3,356,000
Total Sources	\$101,266,000

FISCAL IMPACTS

Financing Agreements and Structure

The proposed not-to-exceed \$110,000,000 issuance of Refunding COPs by the City would use Moscone Convention South as the City-owned property to be leased to the trustee, serving as collateral under the asset transfer model described above. The proposed resolution would also approve a Property Lease, Project Lease, Escrow Agreement, and Trust Agreement pertaining to

² According to Mr. Ababon, a Bond Reserve is set aside to provide investors additional security. In the event that the City did not appropriate sufficient debt service for repayment, the investors could access the Bond Reserve.

Moscone Convention Center South to allow for the currently estimated proposed issuance of \$97,910,000 in Refunding COPs. In addition, the proposed resolution would provide for the manner of sale of the subject Refunding COPs, whether by competitive or negotiated sale. According to Ms. Sesay, the subject Refunding COPs are anticipated to be by competitive sale. Ms. Sesay advises that a negotiated sale of the proposed Refunding COPs would occur only if market conditions were to change significantly, resulting in deterioration in the City's credit.

Mr. Ababon advises that the proposed Refunding COPS would be issued simultaneously in two separate issuances, Series 2011A and Series 2011B based on the separate authorizations for the 1979 SFRA bonds (which are now the 2004 SFRA Lease Revenue Refunding Bonds) and the 1988 SFRA bonds (which are now the 2002 SFRA Lease Revenue Refunding Bonds). The 2011A issuance is estimated to be \$30,125,000 and would have an aggregate principal amount not-to-exceed \$35,000,000 to redeem the \$28,970,000 outstanding principal balance remaining on the 2004 SFRA Lease Revenue Refunding Bond. The 2011B issuance is estimated to be \$67,785,000 and would have an aggregate principal amount not-to-exceed \$75,000,000 to pay off the \$65,105,000 outstanding principal balance remaining on the 2002 SFRA Lease Revenue Refunding Bonds.

According to Mr. John Updike, Acting Director of the Real Estate Division, the Moscone Center South has an approximate value of \$139,300,000, and is sufficient to support the total not-to-exceed \$110,000,000 proposed Refunding COP debt issuance.

Anticipated Annual Debt Service and Total Costs

Ms. Sesay anticipates that the proposed \$97,910,000 Refunding COPs issuance will have an estimated annual interest rate of 3.48 percent, through FY 2024-25 for a total debt service cost over 13 years of \$116,972,684 including (a) estimated total interest costs of \$19,062,684 and (b) estimated total principal costs of \$97,910,000. The current interest rate on the 2002 SFRA Lease Revenue Refunding Bonds is 4.87 percent, such that the proposed refunding will result in a savings of 1.39 percent and the current interest rate on the 2004 SFRA Lease Revenue Refunding Bonds is 5.10 percent, such that the proposed refunding will result in a savings of 1.62 percent to the City's General Fund.

Given that the purpose of the proposed refunding is to achieve annual debt service savings, as shown in Table 4 below, Ms. Sesay estimates that the City's proposed 2011 Refunding COPs would result in an estimated gross total savings to the City of approximately \$5,539,892. On a net present value basis, the estimated total savings would be approximately \$5,060,356 or 5.38 percent of the \$94,075,000 total outstanding 2002 and 2004 SFRA Lease Revenue Refunding Bonds as of August 1, 2011.

Table 4: Estimated Debt Service Savings of 2011 Refunding COPs Issuance			
Fiscal Year	Current 2002 and 2004 SFRA Lease Revenue Refunding Bond Debt Service	Estimated Refunding of Proposed COPs Debt Service	Gross Estimated Savings
FY 2011-12	\$2,249,282*	\$1,201,739	\$1,047,543
FY 2012-13	6,126,154	5,572,941	553,213
FY 2013-14	6,208,050	5,657,366	550,684
FY 2014-15	12,284,688	11,732,527	552,161
FY 2015-16	18,935,361	18,379,164	556,198
FY 2016-17	18,941,549	18,385,378	556,171
FY 2017-18	19,009,869	18,452,917	556,952
FY 2018-19	19,057,819	18,505,304	552,515
FY 2019-20	3,266,375	3,164,880	101,495
FY 2020-21	3,362,500	3,261,414	101,087
FY 2021-22	3,381,488	3,280,127	101,361
FY 2022-23	3,370,478	3,268,389	102,089
FY 2023-24	3,363,363	3,260,232	103,131
FY 2024-25	2,955,600	2,850,308	105,292
Total	\$122,512,576	\$116,972,686	\$5,539,892

*Remaining estimated balance for debt service payments in FY 2011-12

Ms. Sesay stated that the annual debt service payments would be paid over the next 13 years with General Fund revenues appropriated annually subject to appropriation approval by the Board of Supervisors. According to Mr. Ababon, the General Fund monies will continue to be sourced, although not specifically designated, from Hotel Tax revenues.

Fiscal Year 2011-12 and Subsequent Annual Debt Service Payments

According to Mr. Ababon, the proceeds from the proposed Refunding COPs issuance totaling \$97,910,000 (see Table 3 above) were not appropriated by the Board of Supervisors in the SFRA's FY 2011-2012 budget. However, the estimated amount of debt service payments needed for both the 2002 and 2004 SFRA Lease Revenue Refunding Bonds, totaling \$6,163,564³, for FY 2011-12 was appropriated. Given that \$3,914,282 was used for the July 1, 2011 debt service payments on the 2002 and 2004 SFRA Lease Revenue Refunding Bonds, as shown in Table 4 above, \$2,249,282 remains for payment on the 2002 and 2004 SFRA Lease Revenue Refunding Bonds in FY 2011-12. As shown in Table 4 above, the proposed debt service payments for the subject 2011 Refunding COPs for the remainder of FY 2011-12 is estimated to be \$1,201,739, which is \$1,047,543 less than the remaining \$2,249,282 debt service payments for FY 2011-12 under the 2002 and 2004 SFRA Lease Revenue Refunding Bonds. As shown in Table 4 above, after FY 2011-12, the annual debt service savings would be reduced to approximately \$550,000 through FY 2018-19, and thereafter the annual debt service savings would be reduced to between approximately \$101,000 and \$105,000.

³ \$3,483,008 was previously appropriated by the Board of Supervisors for the 2002 Series and \$2,680,556 was previously appropriated by the Board of Supervisors for the 2004 Series in the FY 2011-12 Budget, or a total of \$6,163,564. According to Mr. Ababon, to date, \$3,914,282 has been expended, such that \$2,249,282 is the remaining balance of that appropriation.

POLICY CONSIDERATIONS

The Budget and Legislative Analyst notes that the proposed resolution would approve the issuance by the City of Certificates of Participation to refund previously authorized SFRA lease revenue refunding bonds. According to Mr. Ababon, the Mayor's Office, working with the Office of Public Finance, is recommending to refund the existing SFRA 2002 and 2004 lease revenue refunding bonds with the proposed City Refunding COPs due to Governor Brown's recent proposal to terminate Redevelopment Agencies Statewide. It should be noted that the California Redevelopment Agency Association is currently pursuing litigation to stop Governor Brown's proposal, such that the courts recently issued a stay of that proposal until January of 2012.

Mr. Ababon advises that if the SFRA went to market with its own debt at the present time, it would likely not be able to issue bonds and achieve refunding savings because of the current uncertainty of the future of California Redevelopment Agencies. In addition to the SFRA's uncertain future, there is also market uncertainty. According to Mr. Ababon, there is a possibility that the savings the City anticipates achieving through the proposed refinancing would no longer be possible if the City waits for the litigation related to the Statewide Redevelopment Agencies to be resolved. Therefore, the Mayor's Office working with the Office of Public Finance is recommending that the City issue the proposed Refunding COPs for Moscone Center.

RECOMMENDATION

Approve the proposed resolution.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

Memorandum

TO: Honorable Members, Board of Supervisors
FROM: Nadia Sesay, Director of Public Finance *NJS*
RE: Resolution Approving the Execution and Delivery of City and County of San Francisco Refunding Certificates of Participation, Series 2011A (Moscone Center South Refunding Project) and Series 2011B (Moscone Center North Refunding Project)
Date: August 2, 2011

Our office requests consideration of the attached Resolution by the Budget and Finance Committee of the Board of Supervisors as soon as practicable.

Background:

Under the proposed refunding, the City would issue not to exceed \$110,000,000 in aggregate principal of City and County of San Francisco Refunding Certificates of Participation, Series 2011A (Moscone Center South Refunding Project) and Series 2011B (Moscone Center North Refunding Project) (the "Certificates"). Pending market conditions, proceeds of the Certificates would partially or fully refund outstanding obligations of the Redevelopment Agency of the City and County of San Francisco (the "Agency") summarized below. The Series 2011A Certificates will be sold in an aggregate amount not to exceed \$35,000,000 and the Series 2011B Certificates will be sold in an aggregate amount not to exceed \$75,000,000.

The Agency previously issued its lease revenue refunding bonds, series 2002 (George R. Moscone Convention Center) (the "2002 Bonds") and its lease revenue refunding bonds, series 2004 (George R. Moscone Convention Center) (the "2004 Bonds" and, together with the 2002 Bonds, the "Prior Bonds") to finance and refinance the acquisition, construction, improvement, additions, and betterments of the City's Moscone Convention Center.

The 2004 Bonds

On November 2, 1976, the City's voters approved Proposition S establishing the City's policy to construct a convention exhibit hall in the Yerba Buena Center Redevelopment Project using a 4% hotel room tax to finance lease revenue bonds. In March 20, 1979, the Agency issued \$97,000,000 in lease revenue bonds (the "1979 Bonds") to partially finance the development and construction costs of the George R. Moscone Convention Center in the Agency's Yerba Buena Center Redevelopment Project. The George R. Moscone Convention Center was completed in August 1982 (the "Moscone Center South" or the "Project"), with a contribution of \$25,000,000 by the City to complete the construction of the Moscone Center South facility.

In April 16, 1991, the Agency issued \$60,540,000 of its lease revenue refunding bonds, series 1991 (the "1991 Bonds") to refinance, with certain other monies of the Agency, the Agency's 1979 Bonds and to fund the costs of additions, betterments and improvements to the Project. The refunding of the 1979 Bonds by the 1991 Bonds resulted in savings to the City in total debt service with respect to the Project.

In December 21, 1994, the Agency issued \$38,755,000 of its lease revenue bonds, series 1994 (the "1994 Bonds"), that together with other monies of the Agency, were issued to refund \$43,565,000 of the Agency's 1991 Bonds and to provide funds for the acquisition and construction of capital improvements to the then-existing Moscone Center South. Simultaneous with the issuance of the 1994 Bonds, the Agency issued its Hotel Tax Revenue Bonds, Series 1994 (the "Hotel Tax 1994 Bonds"), a portion of which, together with the 1994 Bonds, provided monies sufficient to fully refund all of the 1991 Bonds. Finally, in June 10, 2004, the 2004 Bonds were issued by the Agency to refund all \$38,390,000 in principal amount of the Agency's 1994 Bonds then outstanding. As of August 1, 2011, \$28,970,000 in principal amount of the 2004 Bonds remains outstanding.

The 2002 Bonds

On November 4, 1986, the City's voters approved Proposition B providing for lease financing of bonds in an amount not to exceed \$140,000,000 to finance the acquisition, construction and equipping of an expansion to the George R. Moscone Convention Center. On July 13, 1988, the Agency issued \$137,631,131 of its lease revenue bonds, series 1988 (the "1988 Bonds"). The 1988 Bonds financed a major expansion of the Moscone Center facility to enable the City to maintain its then-existing level of activity (the "Moscone Center North" and / or the "Expansion Project").

In February 1992, the Agency issued \$100,274,997.55 of its lease revenue bonds, series 1992 (the "1992 Bonds") to refund and redeem a portion of the Agency's 1988 Bonds and to reimburse the Agency for prior costs of the Expansion Project. A portion of the 1992 Bonds in the amount of \$6,245,975 was deposited in a construction fund and applied to pay capital costs of the Agency for the acquisition and construction of the Expansion Project and related facilities.

In December 17, 2002, the 2002 Bonds were issued by the Agency to refund \$63,240,000 in principal amount of the Agency's 1992 Bonds, with debt service savings generated from the refunding capitalized and used to pay capital improvements to Moscone Convention Center—West (the "Moscone West"). As of August 1, 2011, \$65,105,000 in principal amount of the 2002 Bonds remains outstanding.

A portion of the Agency's 1992 Bonds were issued as capital appreciation bonds that are not subject to optional redemption prior to their final maturity on July 1, 2014. The accreted value of the capital appreciation bonds as of July 1, 2011 is \$42,403,326 and the outstanding principal is \$10,834,221.

The Prior Bonds are payable solely from base rental payments made by the City to the Agency in amounts sufficient to pay principal and interest when due on the Prior Bonds. The hotel room tax is not pledged, assigned or set aside as a source of payment for the Prior Bonds or for the Certificates. Base rental payments are payable from any available monies of the City, including amounts in the City's general fund.

Financing Structure:

The financing will be structured as an abatable lease-leaseback or asset transfer by and between the City and a third-party trustee pursuant to a property lease and project lease. Under the proposed refinancing, the proposed leased assets will be transferred as collateral for the Certificates to secure the City's repayment obligations. The City-owned Moscone Convention Center South (the "Leased Asset") may serve as the leased assets for the transaction. The above proposed Leased Asset served as the collateral which partially secured the Agency's Prior Bonds, with proceeds of the Prior Bonds financing the Project

and Expansion Project described above. It is anticipated that the Leased Asset included in the lease structure would have a value approximately equal to the par amount of the proposed Certificates.

Pursuant to the property lease the City leases to the third-party trustee and pursuant to the project lease the third-party trustee leases to the City the above Leased Asset. The third-party trustee, as the lessee under the property lease, is required to make advance nominal rental payments to the City, as lessor under the property lease, in consideration for the Leased Asset over the term of the property lease. The City, as lessee under the project lease, is required to make base rental payments on each February 25 and October 25 to the third-party trustee, as lessor under the project lease, during the term of the project lease, commencing on February 25, 2012, in an amount sufficient to pay total debt service due for the applicable period.

A trust agreement between the City and a third-party trustee requires that the base rental payments be deposited in the debt service fund maintained by the third-party trustee. Pursuant to the trust agreement, on March 1 and September 1 of each year, commencing March 1, 2012, the trustee will apply such amounts in the debt service fund as is necessary to make principal and interest payments with respect to the Certificates.

Financing Parameters:

At the interest rate environment of July 29, the City could issue \$97.91 million in Certificates that together with other monies would refund all \$94,075,000 of outstanding Prior Bonds. The Certificates will be sold at an interest rate not to exceed 12% and is expected to have a final maturity of September 1, 2024, or 13 years. The not to exceed 12% interest rate is based on the ceiling for interest rate payments provided by State law. A reserve fund or separate reserve funds will be established under the trust agreement for the benefit of the owners of the Certificates and will be funded with Certificates and other proceeds in the amount of approximately \$3.01 million.

Additionally, approximately \$1.43 million will be allotted for costs of issuance associated with the execution and delivery of the Certificates. This includes amounts for underwriter fees, legal fees, financial advisory fees, rating agency fees, printing cost, bond insurance, and other issuance costs. Table 2 below outlines anticipated sources and uses for the Certificates.

Table 1. Estimated Sources and Uses for the Certificates.

Sources	2011A Certificates (Moscone South, 2004 Refunding)	2011B Certificates (Moscone North, 2002 Refunding)	Total
Par Amount	\$30,125,000	\$67,785,000	\$97,910,000
Prior Reserve	3,356,000	0	3,356,000
Total Sources	\$33,481,000	\$67,785,000	\$101,266,000
Uses			
Escrow Deposit	\$30,025,184	\$66,792,283	\$96,817,467
Debt Service Reserve Fund	3,012,500	0	3,012,500
Cost of Issuance	443,316	992,717	1,436,033
Total Uses	\$33,481,000	\$67,785,000	\$101,266,000

Based on current market conditions, the transaction is estimated to result in aggregate savings to the City of about \$5.54 million on a gross basis. On a net present value basis, we estimate the debt service savings to be approximately \$5.06 million or 5.38% of the Certificates to be refunded. We will continue to

monitor market conditions and have reserved the right to amend the par amount of the Certificates up to the day before the sale, provided that the maximum amount of Certificates delivered will not exceed \$110.00 million.

Based upon conservative estimates given current market conditions, the Controller's Office estimates that the overall effective interest rate on the Certificates will be approximately 3.48% resulting in total debt service of approximately \$116.97 million over the life of the Certificates and maximum annual debt service of approximately \$18.51 million.

Escrow Agreement: The Resolution approves the form of Escrow Agreement. Should the transaction and market conditions warrant, the Escrow Agreement allows for the creation of escrow funds to pay the principal, interest and any premium due on the Prior Bonds. The escrow agent will hold any escrow obligations pursuant to the Escrow Agreement in an irrevocable trust fund account for the City for the benefit of the owners of the Prior Bonds.

The Official Statement: The Resolution also approves the form of Preliminary and final Official Statement relating to the Certificates (the "Official Statement"). The information contained in the Appendix A to the Official Statement was updated as of April 2011 and was prepared by City staff for inclusion in the Official Statement. Prior to the dissemination of the Official Statement, City staff will update the Official Statement to include the City's Five Year Financial Plan, the City's adopted fiscal year 2011-12 budget, the Controller's Revenue Letter, and other relevant and material updates to the City's financial condition.

Federal securities laws impose on the City the obligation to ensure that its offering documents such as the Official Statement are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the disclosure documents as well as City staff charged with preparing the documents. The Official Statement is attached for your review prior to its publication. The Resolution delegates to Controller and the Director of Public finance to finalize the official statement.

Method of Sale: In connection with the execution and delivery of the Certificates, the Resolution delegates to the Controller or the Director of Public Finance the authority to sell the Certificates by either a competitive or negotiated sale, subject to the Controller's or the Director of Public Finance's determination that a negotiated sale will result in the lowest borrowing cost to the City.

In April 2009, the City established through a competitive process a pool of qualified firms to provide underwriter and other investment banking services from which the City may select underwriters in connection with the City's issuance of various short- and long-term obligations. The Resolution authorizes the sale of the Certificates by negotiated sale pursuant to a Purchase Contract, if a negotiated sale is expected to provide the lower cost of borrowing as compared to a competitive sale method. If a negotiated sale method is pursued, one or more firms from the pool will be selected to serve as underwriter(s) for the Certificates.

Financing Timeline:

The sale of the Certificates is tentatively scheduled in October 2011. Schedule milestones in connection with the financing may be summarized as follows:

<u>Milestone</u>	<u>Date*</u>
Introduction of Resolution and supporting documents to the Board	August 2, 2011
Consideration by the Budget & Finance Committee	TBD
Consideration by the full Board of Supervisors	TBD
Expected Certificates Sale	TBD

*Please note that dates are estimated unless otherwise noted.

Additional Information:

The Resolution will be introduced to the Board of Supervisors on Tuesday, August 2, 2011. The related financing documents—including the Property Lease, Project Lease, Trust Agreement, Escrow Agreement, Official Notice of Sale, Notice of Intention to Sell, Purchase Contract, and Official Statement—have also been submitted.

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the Certificates, should the City pursue a competitive sale. Such Notice of Intention to Sell will be published once in “The Bond Buyer” or another financial publication generally circulated throughout the State of California.

The Official Notices of Sale announces the date and time of the competitive sale for the Certificates, including the terms relating to the Certificates; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Certificates. Pursuant to the Resolution, the Controller is authorized to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

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

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

Please let me know if you have any questions or concerns. Thank you.

CC: Angela Calvillo, Clerk of the Board
(via email) Jason Elliott, Mayor’s Liaison
Manish Goyal, Mayor’s Budget Office
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Greg Wagner, Mayor’s Budget Director
Rick Wilson, Mayor’s Budget Office
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Kenneth Roux

PROPERTY LEASE

Between the

**CITY AND COUNTY OF SAN FRANCISCO,
as Lessor**

and

**[TRUSTEE],
as Lessee**

Dated as of September 1, 2011

NO DOCUMENTARY TRANSFER TAX

This Property Lease is exempt pursuant to Section 6103 of the California Government Code.

PROPERTY LEASE

This PROPERTY LEASE (this "Property Lease") dated as of September 1, 2011, is between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under and by virtue of its charter and the Constitution and laws of the State of California (the "City"), as lessor, and [TRUSTEE], a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee (the "Trustee").

AGREEMENT

In consideration of the mutual promises and agreements herein contained, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined will have the meanings given to such terms in that certain Project Lease, dated as of September 1, 2011 (the "Project Lease"), between the Trustee and the City, and that certain Trust Agreement, dated as of September 1, 2011 (the "Trust Agreement"), between the City and the Trustee.

Section 2. Lease of Leased Property. The City hereby leases to the Trustee the real property located in the City and County of San Francisco, California and described in Exhibit A attached hereto (the "Site"), together with all buildings and improvements now situated or hereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms hereof and (ii) to Permitted Encumbrances.

Section 3. Ownership. The City represents that it is the sole owner of and holds (or with respect to uncompleted improvements or portions thereof, will hold, when completed) fee title to the Leased Property, subject to Permitted Encumbrances.

Section 4. Term.

(a) This Property Lease will commence on the Closing Date and end on the date of the termination of the Project Lease.

(b) Upon termination of this Property Lease, all of the Trustee's interest in the Leased Property will vest with the City.

Section 5. Rent. The Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2011 Certificates as prepaid rental and rent of \$1 per year as consideration for this Property Lease over its term.

Section 6. Purpose. The Trustee will use the Leased Property only for the purposes described in the Project Lease and for such other purposes as may be incidental thereto.

Section 7. Assignment and Project Lease. As long as the Project Lease is in effect and there has been no event of default under the Project Lease, the Trustee will not assign, mortgage, hypothecate or otherwise encumber this Property Lease or any rights hereunder or the leasehold created hereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the Leased Property, in all cases, without the written consent of the City.

The City hereby expressly approves and consents to the Project Lease and the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments payable thereunder.

Section 8. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time.

Section 9. Expiration. The Trustee agrees, upon the expiration of this Property Lease, to quit and surrender the Leased Property together with all improvements thereon; it being the understanding of the parties hereto that upon termination of this Property Lease title to the Leased Property will vest in the City free and clear of any interest of the Trustee or any assignee of the Trustee.

Section 10. Quiet Enjoyment. The Trustee at all times during the term of this Property Lease will peaceably and quietly have, hold and enjoy all of the Leased Property.

Section 11. Taxes. The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon the Leased Property and all buildings and improvements thereon.

Section 12. Eminent Domain. If the whole or any part of the Leased Property is taken under the power of eminent domain, the interest of the Trustee will be recognized and is hereby determined to be the aggregate amount of unpaid Base Rental payments under the Project Lease through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds will be paid to the Trustee, as assignee of the interest of the Trustee hereunder, in accordance with the terms of the Project Lease and the Trust Agreement.

Section 13. Default. In the event that the Trustee or its assignee is in default in the performance of any obligation on its part to be performed under the terms of this Property Lease, the City may exercise any and all remedies granted by law, except that no merger of this Property Lease and of the Project Lease will be deemed to occur as a result thereof; provided, however, that the City will have no power to terminate this Property Lease by reason of any default on the part of the Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Trustee or any successor in interest to the Trustee will duly perform the terms and conditions of this Property Lease, such assignee will be deemed to be and will become the tenant of the City hereunder and will be entitled to all of the rights and privileges granted under any such assignment.

Section 14. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party to the other will be in writing and will be sufficiently given and served upon the other party, if delivered by hand directly to the offices named below or sent by first-class mail, postage prepaid, overnight courier or telecopier, addressed as follows:

City: City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102
Attn: City Controller

with a copy to:

City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, CA 94102
Attn: Director of Public Finance

And

Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attn: Special Projects/Finance Team

Trustee: [Trustee]
[to come]
Attn: Corporate Trust

or to such other address or addresses as such party may designate to the other by notice given in accordance with the provisions of this Section 14.

Section 15. Non-Liability of City Officials, Employees and Agents. No elective or appointive board, commission, member, officer or other agent of the City will be personally liable to the Trustee, its successors and assigns, in the event of any default or breach by the City or for any amount which may become due to the Trustee, its successors and assigns, or for any obligation of the City hereunder.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of this Property Lease is, to any extent, adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Property Lease will not be affected thereby, and will be valid and enforceable to the fullest extent permitted by law.

Section 17. Governing Law. This Property Lease will be governed by the laws of the State of California.

Section 18. Amendment. This Property Lease may be amended only in accordance with and as permitted by the terms of Section 7.02 of the Trust Agreement and Section 20 of the Project Lease.

Section 19. Execution in Counterparts. This Property Lease may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same agreement.

Section 20. Conflict of Interest. Through its execution of this Property Lease, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and

certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Property Lease.

Section 21. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Property Lease or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by the City to the Trustee will be held in confidence and used only in performance of the Property Lease provided that, notwithstanding anything in this Property Lease to the contrary, the foregoing will not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by the Trustee from sources other than the other parties to this Property Lease, (ii) disclosure of any and all information (A) if reasonably required to do so by any applicable city, state or federal rule or regulation, (B) to any government agency or regulatory body having or reasonably claiming authority to regulate or oversee any aspects of Trustee's business or that of its affiliates, (C) pursuant to any valid subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration relating to this Property Lease to which Trustee or any affiliate or an officer, director, employer or shareholder is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Trustee having a need to know the same, provided that Trustee advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Property Lease. The Trustee will exercise the same standard of care to protect such information as a reasonably prudent Trustee would use to protect its own proprietary data.

Section 22. Ownership of Results. Any interest of the Trustee or its Subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Trustee except for information proprietary or confidential to the Trustee or its subcontractors in connection with services to be performed under this Property Lease, will become the property of and will be transmitted to the City. However, the Trustee may retain and use copies for reference and as documentation of its experience and capabilities.

Section 23. Works for Hire. If, in connection with services performed under this Property Lease, the Trustee or its subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship will be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Trustee or its subcontractors under this Property Lease are not works for hire under U.S. law, the Trustee hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Trustee may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 24. Audit and Inspection of Records. The Trustee agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Property Lease. The Trustee will permit the City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other

matters covered by this Property Lease, whether funded in whole or in part under this Property Lease except to the extent such information is proprietary or confidential to the Trustee. The Trustee will maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Property Lease or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Property Lease will have the same rights conferred upon the City by this Section.

Section 25. Subcontracting. The Trustee is prohibited from subcontracting this Property Lease or any part of it unless such subcontracting is first approved by the City in writing. Neither party will, on the basis of this Property Lease, contract on behalf of or in the name of the other party. An agreement made in violation of this provision will confer no rights on any party and will be null and void.

Section 26. Assignment. Subject to Section 6.03 of the Trust Agreement, the services to be performed by the Trustee are personal in character and neither this Property Lease nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Property Lease.

Section 27. Earned Income Credit (EIC) Forms. Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) The Trustee will provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Property Lease becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Property Lease.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section will constitute a material breach by the Trustee of the terms of this Property Lease. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Property Lease or under applicable law.

(c) Any Subcontract entered into by the Trustee will require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section.

(d) Capitalized terms used in this Section and not defined in this Property Lease will have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

Section 28. Local Business Enterprise Utilization; Liquidated Damages.

(a) *The LBE Ordinance.* The Trustee, will comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase the Trustee's obligations or liabilities, or materially diminish the Trustee's rights, under this Property Lease. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Property Lease as though fully set forth in this Section. The Trustee's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Trustee's obligations under this Property Lease and will entitle the City, subject to any applicable notice and cure provisions set forth in this Property Lease, to exercise any of the remedies provided for under this Property Lease, under the LBE Ordinance or otherwise available at law or in equity, which remedies will be cumulative unless this Property Lease expressly provides that any remedy is exclusive. In addition, the Trustee will comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) *Compliance and Enforcement.* If the Trustee willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Property Lease pertaining to LBE participation, the Trustee will be liable for liquidated damages in an amount equal to the Trustee's net profit on this Property Lease, or 10% of the total amount of this Property Lease, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against the Trustee authorized in the LBE Ordinance, including declaring the Trustee to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Trustee's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code Section 14B.17.

By entering into this Property Lease, the Trustee acknowledges and agrees that any liquidated damages assessed by the Director of the HRC will be payable to the City upon demand. The Trustee further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Trustee on any contract with the City.

The Trustee agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Property Lease, and will make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 29. Nondiscrimination; Penalties.

(a) *Trustee Will Not Discriminate.* In the performance of this Property Lease, the Trustee agrees not to discriminate against any employee, City and County employee working with such Trustee or subcontractor, applicant for employment with such Trustee or subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) *Subcontracts.* The Trustee will incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and will require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection will constitute a material breach of this Property Lease.

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

(d) *Condition to Contract.* As a condition to this Property Lease, the Trustee will execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Property Lease as though fully set forth herein. Trustee will comply fully with and be bound by all of the provisions that apply to this Property Lease under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to Sections 12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Property Lease may be assessed against Trustee and/or deducted from any payments due Trustee.

Section 30. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code Section 12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with

corporations that abide by the MacBride Principles. By signing below, the person executing this Property Lease on behalf of Trustee acknowledges and agrees that he or she has read and understood this Section.

Section 31. Tropical Hardwood Ban. Pursuant to Section 804(b) of the San Francisco Environment Code, the City urges Trustees not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 32. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on the City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Property Lease.

Section 33. Resource Conservation. Chapter 5 of the San Francisco Environment Code ("Resource Conservation") is incorporated herein by reference. Failure by Trustee to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

Section 34. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Trustee, must be accessible to the disabled public. The Trustee will provide the services specified in this Property Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Property Lease and further agrees that any violation of this prohibition on the part of Trustee, its employees, agents or assigns will constitute a material breach of this Property Lease.

Section 35. Sunshine Ordinance. In accordance with San Francisco Administrative Code Section 67.24(e), contracts, the Trustees' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 36. Public Access to Meetings and Records. Only if the Trustee receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, the Trustee will comply with and be bound by all the applicable provisions of that Chapter and this Section 36. By executing this Property Lease, the Trustee agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. The Trustee further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. The Trustee acknowledges that its material failure to comply with any of the provisions of this paragraph will constitute a material breach of this Property Lease. The

Trustee further acknowledges that such material breach of the Property Lease will be grounds for the City to terminate and/or not renew the Property Lease, partially or in its entirety.

Section 37. Limitations on Contributions. Through execution of this Property Lease, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code ("Section 1.126"), which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (a) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, the chief executive officer, the chief financial officer and the chief operating officer; any person with an ownership interest of more than 20 % in Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

Section 38. Requiring Minimum Compensation for Covered Employees.

(a) The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in San Francisco Administrative Code Chapter 12P ("Chapter 12P"), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Property Lease as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee will require the subcontractor to comply with the requirements of the MCO and will contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Property Lease comply with the requirements of the MCO. If any subcontractor under this Property Lease fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(c) The Trustee will not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within ninety days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(d) The Trustee will maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it will be presumed that the Trustee paid no more than the minimum wage required under State law.

(e) The City is authorized to inspect the Trustee's job sites and conduct interviews with employees and conduct audits of the Trustee

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

(g) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City will have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within thirty days after receiving written notice of a breach of this Property Lease for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City will have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies will be exercisable individually or in combination with any other rights or remedies available to the City.

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

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

Section 39. Requiring Health Benefits for Covered Employees. Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q ("Chapter 12Q"), including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Property Lease as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Property Lease will have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it will have no obligation to comply with part (a) above.

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

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

(e) The Trustee will not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

(g) The Trustee will maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) The Trustee will keep itself informed of the current requirements of the HCAO.

(i) The Trustee will provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) The Trustee will provide the City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

(k) The Trustee will allow the City to inspect Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(l) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. Trustee agrees to cooperate with City when it conducts such audits.

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

Section 40. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Property Lease. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event The Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Property Lease, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 41. Preservative-treated Wood Containing Arsenic. The Trustee may not purchase preservative-treated wood products containing arsenic in the performance of this Property Lease unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" will mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. The Trustee may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude the Trustee from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" will mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

Section 42. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of Contractor to comply with the requirements of Section 12M.2 of this Chapter will be a material breach of the Contract provided that, notwithstanding anything herein or in the Administrative Code to the contrary, the foregoing will not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by the Trustee from sources other than the other parties hereto, (ii)

disclosure of any and all information (A) if reasonably required to do so by any applicable city, state or federal rule or regulation, (B) to any government agency or regulatory body having or reasonably claiming authority to regulate or oversee any aspects of Trustee's business or that of its affiliates, (C) pursuant to any valid subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration relating to this Property Lease to which Trustee or any affiliate or an officer, director, employer or shareholder thereof is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Trustee having a need to know the same, provided that Trustee advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Property Lease. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 43. Food Service Waste Reduction Requirements. Effective June 1, 2007, the Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Property Lease as though fully set forth. This provision is a material term of this Property Lease. By entering into this Property Lease, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Property Lease was made. Such amount will not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 44. Concerning the Trustee. The Trustee is executing this Property Lease solely in its capacity as Trustee under the Trust Agreement, subject to the protections, indemnities and limitations from liability afforded to the Trustee thereunder, nothing contained herein will be construed as creating any liability on the Trustee, individually or personally, to perform any covenant, duty or obligation of any kind contained in this Property Lease, and under no circumstances will the Trustee be liable for the payment of any fees, costs, indebtedness or expenses related to or arising from this Property Lease or any documents related hereto except from amounts held under the Trust Agreement. Other than as expressly provided herein and in the Project Lease and the Trust Agreement, the Trustee will not be deemed an owner of the Leased Property or the Site, or appear in the chain of title thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Property Lease to be executed and attested by their proper officers thereunto duly authorized, as of the day and year first above written.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Signatory

[SEAL]

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Gavin Newsom
Mayor

Attest:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

EXHIBIT A

DESCRIPTION OF THE SITE

The site of the property generally known as the George R. Moscone Convention Center (North) located in the City and County of San Francisco on the real property described as follows:

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____ 20_____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Notary Public

[Seal]

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Kenneth Roux

** Complete copy of document is
located in

File No. 110921

PROJECT LEASE

between

**[TRUSTEE],
as Lessor**

and

**CITY AND COUNTY OF SAN FRANCISCO,
as Lessee**

Dated as of September 1, 2011

NO DOCUMENTARY TRANSFER TAX DUE

This Project Lease is exempt pursuant to Section 27383
of the California Government Code.

** Complete copy of document is
located in

File No. 110921

TRUST AGREEMENT

between the

CITY AND COUNTY OF SAN FRANCISCO

and

**[TRUSTEE],
as Trustee**

Dated as of September 1, 2011

Relating to:

**\$ _____
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2011A
(Moscone Center South Refunding Project)**

and

**\$ _____
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2011B
(Moscone Center North Refunding Project)**

ESCROW AGREEMENT

between

CITY AND COUNTY OF SAN FRANCISCO

and

**U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent**

relating to

**REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO
LEASE REVENUE REFUNDING BONDS, SERIES 2002
(GEORGE R. MOSCONE CONVENTION CENTER)**

Dated as of September 1, 2011

**** Complete copy of document is
located in**

File No. 110921

** Complete copy of document is
located in

File No. 110921

ESCROW AGREEMENT

between

CITY AND COUNTY OF SAN FRANCISCO

and

**U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent**

relating to

**REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO
LEASE REVENUE REFUNDING BONDS, SERIES 2004
(GEORGE R. MOSCONE CONVENTION CENTER)**

Dated as of September 1, 2011

** Complete copy of document is
located in

File No. 11692

DRAFT of 08/01/2011

\$ _____

\$ _____ CITY AND COUNTY OF SAN FRANCISCO REFUNDING
CERTIFICATES OF PARTICIPATION, SERIES 2011A
(MOSCONE CENTER SOUTH REFUNDING PROJECT)

\$ _____ CITY AND COUNTY OF SAN FRANCISCO REFUNDING
CERTIFICATES OF PARTICIPATION, SERIES 2011B
(MOSCONE CENTER NORTH REFUNDING PROJECT)

PURCHASE CONTRACT

_____, 2011

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

Ladies and Gentlemen:

The undersigned _____, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into this agreement (the "Purchase Contract") with the City and County of San Francisco (the "City"). Upon the acceptance of this offer by the execution and delivery of this Purchase Contract by the City to the Representative, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Certificates (as hereinafter defined) is otherwise terminated pursuant to Section 10 hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(b) hereof, and the City shall be free to sell the Certificates to any other party. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement and the Leases (as hereinafter defined).

Inasmuch as this purchase and sale represents a negotiated transaction, the City understands, and hereby confirms, that the Underwriters are not acting as a fiduciary of the City, but rather are acting solely in their capacity as Underwriters for their own account. The Representative represents and warrants to the City that it has been duly authorized to enter into

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2011

** Complete copy of document is
located in

File No. 110921

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

In the opinion of Jones Hall, A PROFESSIONAL Law Corporation, San Francisco, California, and Rosales Law Partners LLP, San Francisco, California, Co-Special Counsel to the City, subject, however to certain qualifications described herein, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Co-Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.



\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION

\$[2011A Par Amount]*
(MOSCONE CENTER SOUTH
REFUNDING PROJECT)
SERIES 2011A

\$[2011B Par Amount]*
(MOSCONE CENTER NORTH
REFUNDING PROJECT)
SERIES 2011B

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

Dated: Date of Delivery

Due: September 1, as shown on the inside cover

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

The Certificates captioned above (the "Certificates") will be sold to provide funds to: (i) refund certain outstanding bonds of the Redevelopment Agency of the City and County of San Francisco (the "Redevelopment Agency") as described herein; (ii) fund the 2011 Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (iii) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2011 (the "Trust Agreement"), between the City and County of San Francisco (the "City") and [Name of Trustee], as trustee (the "Trustee"), and in accordance with the Charter of the City. See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease dated as of September 1, 2011 (the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on March 1 and September 1 of each year, commencing March 1, 2012. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

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

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY WILL BE

* Preliminary, subject to change.

