

File No. 140727

Committee Item No. 6
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date July 16, 2014

Board of Supervisors Meeting

Date _____

Cmte Board

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OTHER (Use back side if additional space is needed)

Completed by: Linda Wong **Date:** July 11, 2014

Completed by: _____ **Date:** _____

1 [General Obligation Bonds - Seismic Safety Loan Program - Not to Exceed \$24,000,000]

2

3 **Resolution authorizing and directing the sale of not to exceed \$24,000,000 aggregate**
4 **principal amount of City and County of San Francisco Taxable General Obligation**
5 **Bonds (Seismic Safety Loan Program, 1992), Series 2014C in one or more series;**
6 **prescribing the form and terms of said bonds; authorizing the execution,**
7 **authentication, and registration of said bonds; providing for the appointment of**
8 **depositories and other agents for said bonds; providing for the establishment of**
9 **accounts related to said bonds; providing for the manner of sale of said bonds by**
10 **competitive sale or negotiated sale; approving the forms of official notice of sale, a**
11 **notice of intention to sell bonds, and a bond purchase contract; directing the**
12 **publication of the notice of intention to sell bonds in the event of a competitive sale;**
13 **authorizing the selection of underwriters in the event of a negotiated sale; approving**
14 **the form of the preliminary official statement and authorizing the execution of the**
15 **official statement relating to the sale of said bonds; approving the form of the**
16 **continuing disclosure certificate; authorizing and approving modifications to**
17 **documents; ratifying certain actions previously taken; and granting general authority**
18 **to City officials to take necessary actions in connection with the authorization,**
19 **issuance, sale, and delivery of said bonds.**

20

21 WHEREAS, In November 1992 the voters of the City and County of San Francisco (the
22 "City") approved Proposition A ("Proposition A"), which authorized the issuance of
23 \$350,000,000 aggregate principal amount of general obligation bonds (the "Bonds") to provide
24 funds for loans to finance the seismic strengthening of unreinforced masonry buildings in the
25 City, of which (a) \$150,000,000 was allocated to affordable housing below market-rate loans,

1 of which \$60,000,000 was allocated for deferred loans, and (b) \$200,000,000 was allocated to
2 market-rate loans for residential, commercial and institutional buildings; and

3 WHEREAS, On February 22, 1994, the Board of Supervisors (the "Board") adopted
4 Resolution No. 160-94 (the "Authorizing Resolution"), which was signed by the Mayor of the
5 City (the "Mayor") on February 25, 1994, and pursuant to which the City authorized the
6 issuance of the Bonds in the aggregate principal amount of \$350,000,000 and the sale of the
7 first series of not to exceed \$35,000,000 aggregate principal amount of said Bonds; and

8 WHEREAS, Pursuant to the Authorizing Resolution, the City issued \$35,000,000 of its
9 Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 1994A (the
10 "Series 1994A Bonds"); and

11 WHEREAS, On February 6, 2007, the Board adopted Resolution No. 65-07, which was
12 signed by the Mayor on February 26, 2007, and pursuant to which the City issued
13 \$30,315,450 of its Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992),
14 Series 2007A (the "Series 2007A Bonds"); and

15 WHEREAS, The City has issued and sold, to the date hereof, a total of \$65,315,450 in
16 aggregate principal amount of the Bonds; and there remains \$284,684,550 of authorized but
17 unissued Bonds; and

18 WHEREAS, It is necessary and desirable to issue an additional aggregate principal
19 amount of the Bonds in one or more series to be entitled City and County of San Francisco
20 Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C (the
21 "Series 2014C Bonds"), in an amount not to exceed \$24,000,000, the proceeds of which shall
22 be used to make one or more loans for seismic strengthening of unreinforced masonry
23 buildings in accordance with Proposition A; and

24 WHEREAS, To the extent that proceeds of the Series 2014C Bonds are used to make
25 loans to finance seismic strengthening of unreinforced masonry buildings associated with the

1 project known as 20th Street Historic Buildings at Pier 70 Project (the "Pier 70 Project"), the
2 sale and issuance of the Series 2014C Bonds and such use of bond proceeds represents
3 implementation of the Pier 70 Project; and

4 WHEREAS, The Pier 70 Project is located within the Eastern Neighborhoods
5 Community Plan Area, for which the San Francisco Planning Commission certified the
6 Eastern Neighborhoods Rezoning and Area Plans Final EIR ("EN FEIR") (Planning
7 Department Case No. 2004.0160E); and

8 WHEREAS, The San Francisco Planning Department prepared a Community Plan
9 Exemption under CEQA Guidelines Section 15183 for the Pier 70 Project, upon which the San
10 Francisco Port Commission relied in its approval of the Pier 70 Project on May 13, 2014; and

11 WHEREAS The Planning Department determined that the Project is within the scope of
12 the EN FEIR and would not have any additional or significant adverse effects that were not
13 examined in the EN FEIR, nor has any new or additional information come to light that will
14 alter the conclusions of the EN FEIR and the proposed Project will not have any new effects
15 on the environment that were not previously identified in the EN FEIR, nor will any
16 environmental impacts be substantially greater than described in the EN FEIR and no
17 mitigation measures previously found infeasible have been determined to be feasible, nor
18 have any new mitigation measures or alternatives been identified but rejected by the project
19 sponsors; and

20 WHEREAS, A copy of the Pier 70 Project Community Plan Exemption is on file with the
21 Clerk of the Board in File No. 140727; and

22 WHEREAS, All applicable mitigation measures from the EN FEIR have been
23 incorporated into the Pier 70 Project and the Port Commission has imposed them as
24 conditions of approval through the adoption of a Mitigation Monitoring and Reporting Program
25 ("MMRP") on file with the Clerk of the Board in File No. 140727; and

1 WHEREAS, To the extent that proceeds of the Series 2014C Bonds are used to make
2 loans to finance seismic strengthening of unreinforced masonry buildings that are not within
3 the Pier 70 Project, the sale and issuance of the Series 2014C Bonds are a funding
4 mechanism of the City that does not constitute a "project" as defined by CEQA Guidelines 14
5 Cal. Code Regs. Section 15378(b)(4), because it does not involve commitment to any
6 particular project or projects, each of which may be subject to CEQA review, as appropriate,
7 when the project or projects are known; now, therefore, be it

8 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
9 follows:

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

11 2. Conditions Precedent. All conditions, things and acts required by law to exist, to
12 happen and to be performed precedent to and in connection with the issuance of the Series
13 2014C Bonds exist, have happened and have been performed in due time, form and manner
14 in accordance with applicable law, and the City is now authorized pursuant to its Charter and
15 applicable law to incur indebtedness in the manner and form provided in this Resolution.

16 3. Documents. The documents presented to this Board (which are an Official Notice
17 of Sale, a Notice of Intention to Sell Bonds, a Bond Purchase Contract, a Preliminary Official
18 Statement, and a Continuing Disclosure Certificate) and on file with the Clerk of the Board of
19 Supervisors, or his or her designee (the "Clerk of the Board of Supervisors") are contained in
20 File No. 140727.

21 4. Issuance and Sale of Series 2014C Bonds; Determination of Certain Terms;
22 Designation. The Board hereby authorizes the issuance and sale of not to exceed
23 \$24,000,000 principal amount of Bonds in one or more series to be designated as "City and
24 County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program,
25 1992), Series 2014C" for the purposes set forth in Proposition A approved by the voters on

1 November 3, 1992. Each of the Controller of the City or his or her designee (the "Controller")
2 and the Director of Public Finance of the City or his or her designee (the "Director of Public
3 Finance"), acting singly, is hereby authorized to determine for each series of the Series 2014C
4 Bonds, the sale date, the interest rates, the definitive principal; amount, the maturity dates and
5 the redemption dates, if any, and the terms of any optional or mandatory redemption, subject
6 to other specific provisions of this Resolution, including the following terms and conditions: (i)
7 the Series 2014C Bonds shall not have a true interest cost in excess of 12%; and (ii) the
8 Series 2014C Bonds shall not have a final maturity date more than twenty-five (25) years after
9 the date of issuance of the Series 2014C Bonds. Each of the Controller and the Director of
10 Public Finance, acting singly, is further authorized to give the Series 2014C Bonds such
11 additional or other series designation, or to modify such series designation, as may be
12 necessary or appropriate to distinguish such series from every other series and from other
13 bonds issued by the City.

14 5. Execution, Authentication and Registration of the Series 2014C Bonds. The
15 Series 2014C Bonds shall be in fully registered form without coupons in denominations of
16 \$5,000 or any integral multiple of that amount. The officers of the City are hereby directed to
17 cause the Series 2014C Bonds to be prepared in sufficient quantity for delivery to or for the
18 account of the purchaser thereof and the Controller is hereby directed to cause the blanks to
19 be completed in accordance with the Authorizing Resolution and the Bond Award (as defined
20 in Section 15) or the Bond Purchase Contract (as defined in Section 17), to procure their
21 execution by the proper officers of the City (including by facsimile signature if necessary or
22 convenient) and authentication as provided in this Section 5, and to deliver the Series 2014C
23 Bonds when so executed and authenticated to said purchaser in exchange for the purchase
24 price thereof, all in accordance with the Authorizing Resolution.

25 The Series 2014C Bonds and the certificate of authentication and registration of the

1 Treasurer or his or her designee (the "Treasurer") and the form of assignment to appear
2 thereon shall be substantially in the form attached hereto as Exhibit A (a copy of which is on
3 file with the Clerk of the Board and which is hereby declared to be part of this Resolution as if
4 fully set forth herein) with necessary or appropriate variations, omissions and insertions as
5 permitted or required by this Resolution.

6 Only such of the Series 2014C Bonds as shall bear thereon a certificate of
7 authentication and registration in the form herein recited, executed by the Treasurer, shall be
8 valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such
9 certificate of the Treasurer, executed as herein provided, shall be conclusive evidence that the
10 Series 2014C Bonds so authenticated have been duly authenticated and delivered hereunder
11 and are entitled to the benefits of this Resolution.

12 The Controller shall assign a distinctive letter, or number, or letter and number to each
13 Series 2014C Bond authenticated and registered by him or her and shall maintain a record
14 thereof which shall be available for inspection.

15 6. Registration Books. The Treasurer shall keep or cause to be kept, at the office
16 of the Treasurer or at the designated office of any registrar appointed by the Treasurer,
17 sufficient books for the registration and transfer of the Series 2014C Bonds, which shall at all
18 times be open to inspection, and upon presentation for such purpose, the Treasurer shall,
19 under such reasonable regulations as he or she may prescribe under the terms of this
20 Resolution, register or transfer or cause to be registered or transferred, on said books, the
21 Series 2014C Bonds as herein provided. The City and the Treasurer may treat the registered
22 owners of the Series 2014C Bonds as the absolute owners thereof for all purposes, and the
23 City and the Treasurer shall not be affected by any notice to the contrary.

24 7. Transfer or Exchange of Bonds. Any Series 2014C Bond may, in accordance
25 with its terms, be transferred upon the books required to be kept pursuant to the provisions of

1 Section 6 hereof, by the person in whose name it is registered, in person or by the duly
2 authorized attorney of such person in writing, upon surrender of such Series 2014C Bond for
3 cancellation, accompanied by delivery of a duly executed written instrument of transfer in a
4 form approved by the Treasurer.

5 Any Series 2014C Bonds may be exchanged at the office of the Treasurer for a like
6 aggregate principal amount of other authorized denominations of the same interest rate and
7 maturity.

8 Whenever any Series 2014C Bond shall be surrendered for transfer or exchange, the
9 designated City officials shall execute (as provided in Section 5 hereof) and the Treasurer
10 shall authenticate and deliver a new Series 2014C Bond of the same interest rate or rates and
11 maturity in a like aggregate principal amount. The Treasurer shall require the payment by any
12 bond owner requesting any such transfer of any tax or other governmental charge required to
13 be paid with respect to such transfer or exchange.

14 No transfer or exchange of Series of 2014 Bonds shall be required to be made by the
15 Treasurer during the period from the Record Date (as defined in subsection (b) of Section 8)
16 next preceding each interest payment date to such interest payment date or after a notice of
17 redemption shall have been mailed with respect to such Series 2014C Bonds.

18 8. Terms of the Bonds; General Redemption Provisions.

19 (a) Date of the Series 2014C Bonds. The Series 2014C Bonds shall
20 be dated the date of their delivery or such other date (the "Dated Date") as specified in the
21 Bond Award or the Bond Purchase Contract.

22 (b) Payment of the Series 2014C Bonds. The principal of the Series
23 2014C Bonds shall be payable in lawful money of the United States of America to their
24 owners, upon surrender at maturity or earlier redemption at the office of the Treasurer. The
25 interest on the Series 2014C Bonds shall be payable in like lawful money to the person whose

1 name appears on the bond registration books of the Treasurer as the owner as of the close of
2 business on the last day of the month immediately preceding an interest payment date (the
3 "Record Date"), whether or not such day is a Business Day (as defined below).

4 Except as may be otherwise provided in connection with any book-entry only system
5 applicable to the Series 2014C Bonds, payment of the interest on any Series 2014C Bond
6 shall be made by check mailed on the interest payment date to such owner at such owner's
7 address as it appears on the registration books as of the Record Date; provided, that if any
8 interest payment date occurs on a day that banks in California or New York are closed for
9 business or the New York Stock Exchange is closed for business, then such payment shall be
10 made on the next succeeding day that banks in both California and New York are open for
11 business and the New York Stock Exchange is open for business (each, a "Business Day");
12 and provided, further, that the registered owner of an aggregate principal amount of at least
13 \$1,000,000 of Series 2014C Bonds may submit a written request to the Treasurer on or
14 before a Record Date preceding an interest payment date for payment of interest on the next
15 succeeding interest payment date and thereafter by wire transfer to a commercial bank
16 located within the United States of America.

17 For so long as any Series 2014C Bonds are held in book-entry form by a securities
18 depository selected by the City pursuant to Section 13, payment shall be made to the
19 registered owner of the Series 2014C Bonds designated by such securities depository by wire
20 transfer of immediately available funds.

21 (c) Interest on the Series 2014C Bonds. The Series 2014C Bonds
22 shall bear interest at rates to be determined upon the sale of the Series 2014C Bonds,
23 calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on
24 December 15, 2014 (or such other date as may be designated in the Bond Award or the Bond
25 Purchase Contract), and semiannually thereafter on June 15 and December 15 of each year.

1 Each Series 2014C Bond shall bear interest from the interest payment date next preceding
2 the date of its authentication unless it is authenticated as of a day during the period from the
3 Record Date next preceding any interest payment date to the interest payment date, inclusive,
4 in which event it shall bear interest from such interest payment date, or unless it is
5 authenticated on or before the first Record Date, in which event it shall bear interest from the
6 Dated Date; provided, that if, at the time of authentication of any Series 2014C Bond, interest
7 is in default on the Series 2014C Bonds, such Series 2014C Bond shall bear interest from the
8 interest payment date to which interest has previously been paid or made available for
9 payment on the Series 2014C Bonds or from the Dated Date if the first interest payment is not
10 made

11 (d) Optional Redemption. The Series 2014C Bonds shall be subject
12 to optional redemption prior to maturity as provided in the Official Notice of Sale or the Bond
13 Award or the Bond Purchase Contract.

14 (e) Mandatory Redemption. The Series 2014C Bonds shall be subject
15 to mandatory redemption at par, by lot, in any year in which the purchaser has designated that
16 the principal amount payable with respect to that year shall constitute a mandatory sinking
17 fund payment as permitted by the Official Notice of Sale. Any Series 2014C Bonds subject to
18 mandatory redemption shall be designated as such in the Official Notice of Sale or the Bond
19 Award or the Bond Purchase Contract.

20 The principal of and interest on the Series 2014C Bonds subject to mandatory
21 redemption shall be paid from the Series 2014C Bond Account (as defined in Section 9),
22 pursuant to Section 9. In lieu of any such mandatory redemption for Series 2014C Bonds, at
23 any time prior to the selection of Series 2014C Bonds for mandatory redemption, the City may
24 apply amounts on deposit in the Series 2014C Bond Account to make such payment to the
25 purchase, at public or private sale, of Series 2014C Bonds subject to such mandatory

1 redemption, and when and at such prices not in excess of the principal amount thereof
2 (including sales commission and other charges but excluding accrued interest), as the City
3 may determine.

4 (f) Selection of Series 2014C Bonds for Redemption. Whenever less
5 than all of the outstanding Series 2014C Bonds are called for redemption on any date, the
6 Treasurer will select the maturities of the Series 2014C Bonds to be redeemed in the sole
7 discretion of the Treasurer. Whenever less than all of the outstanding Series 2014C Bonds
8 maturing on any one date are called for redemption on any one date, (i) if the Series 2014C
9 Bonds are not registered in book-entry only form, the Treasurer will select the Series 2014C
10 Bonds or portions thereof, in denominations of \$5,000 or any integral multiple thereof, to be
11 redeemed from the outstanding Series 2014C Bonds maturing on such date not previously
12 selected for redemption, by lot, in any manner which the Treasurer deems fair; and (ii) if the
13 Series 2014C Bonds are registered in book-entry only form and so long as DTC (as defined in
14 Section 13) or a successor securities depository is the sole registered owner of the Series
15 2014C Bonds, the particular Series 2014C Bonds or portions thereof to be redeemed shall be
16 selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC
17 procedures and with the operational arrangements of DTC then in effect that currently provide
18 for adjustment of the principal by a factor provided pursuant to DTC operational
19 arrangements, and if the Treasurer does not provide the necessary information and identify
20 the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series
21 2014C Bonds shall be selected for redemption by lot in accordance with DTC procedures; in
22 each case unless otherwise provided in the Notice of Sale, the Bond Award or the Bond
23 Purchase Contract.

24 (g) Notice of Redemption. The date on which Series 2014C Bonds
25 that are called for redemption are to be presented for redemption is called the "Redemption

1 Date." The Treasurer shall mail, or cause to be mailed, notice of any redemption of Series
2 2014C Bonds, postage prepaid, to the respective registered owners at the addresses
3 appearing on the bond registration books not less than twenty (20) nor more than sixty (60)
4 days prior to the Redemption Date. The notice of redemption shall (i) state the Redemption
5 Date; (ii) state the redemption price; (iii) state the maturity dates of the Series 2014C Bonds to
6 be redeemed and, if less than all of any such maturity is called for redemption, the distinctive
7 numbers of the Series 2014C Bonds of such maturity to be redeemed, and in the case of any
8 Series 2014C Bonds to be redeemed in part only, the respective portions of the principal
9 amount to be redeemed; (iv) state the CUSIP number, if any, of each Series 2014C Bond to
10 be redeemed; (v) require that such Series 2014C Bonds be surrendered by the owners at the
11 office of the Treasurer or his or her agent; and (vi) give notice that interest on such Series
12 2014C Bonds or portions of Series 2014C Bonds to be redeemed will cease to accrue after
13 the Redemption Date. Notice of optional redemption may be conditional upon receipt of funds
14 or other event specified in the notice of redemption as provided in subsection (j) of this
15 Section 8.

16 The actual receipt by the owner of any Series 2014C Bond of notice of such
17 redemption shall not be a condition precedent to redemption, and failure to receive such
18 notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings
19 for the redemption of such Series 2014C Bonds or the cessation of accrual of interest on such
20 Series 2014C Bonds on the Redemption Date.

21 Notice of redemption also shall be given, or caused to be given by the Treasurer, by (i)
22 registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii)
23 overnight delivery service, or (iv) to the extent acceptable to the intended recipient, email or
24 similar electronic means, to (A) all organizations registered with the Securities and Exchange
25

1 Commission as securities depositories and (B) such other services or organizations as may
2 be required in accordance with the Continuing Disclosure Certificate described in Section 20.

3 The notice or notices required for redemption shall be given by the Treasurer or any
4 agent appointed by the City. A certificate of the Treasurer or such other appointed agent of
5 the City that notice of redemption has been given to the owner of any Series 2014C Bond to
6 be redeemed in accordance with this Resolution shall be conclusive against all parties.

7 (h) Series 2014C Redemption Account. At the time the Treasurer or
8 the Controller determines to optionally call and redeem any of the Series 2014C Bonds, the
9 Treasurer or his or her agent shall establish a redemption account to be described or known
10 as the "Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series
11 2014C Redemption Account" (the "Series 2014C Redemption Account"), and prior to or on the
12 Redemption Date there must be set aside in the Series 2014C Redemption Account moneys
13 available for the purpose and sufficient to redeem, as provided in this Resolution, the Series
14 2014C Bonds designated in said notice of redemption, subject to the provisions of subsection
15 (j) of this Section 8. Said moneys must be set aside in the Series 2014C Redemption Account
16 solely for the purpose of, and shall be applied on or after the Redemption Date to, payment of
17 the redemption price of the Series 2014C Bonds to be redeemed upon presentation and
18 surrender of such Series 2014C Bonds. Any interest due on or prior to the Redemption Date
19 may be paid from the Series 2014C Bond Account as provided in Section 9 or from the Series
20 2014C Redemption Account. Moneys held from time to time in the Series 2014C Redemption
21 Account shall be invested by the Treasurer pursuant to the City's policies and guidelines for
22 investment of moneys in the General Fund of the City. If, after all of the Series 2014C Bonds
23 have been redeemed and canceled or paid and canceled, there are moneys remaining in the
24 Series 2014C Redemption Account, said moneys shall be transferred to the General Fund of
25 the City or to such other fund or account as required by applicable law; provided, that if said

1 moneys are part of the proceeds of refunding bonds, said moneys shall be transferred
2 pursuant to the resolution authorizing such refunding bonds.

3 (i) Effect of Redemption. When notice of optional redemption has
4 been given substantially as provided in this Resolution, and when the amount necessary for
5 the redemption of the Series 2014C Bonds called for redemption (principal, premium, if any,
6 and accrued interest to such Redemption Date) is set aside for that purpose in the Series
7 2014C Redemption Account, the Series 2014C Bonds designated for redemption shall
8 become due and payable on the Redemption Date, and upon presentation and surrender of
9 said Series 2014C Bonds at the place specified in the notice of redemption, such Series
10 2014C Bonds shall be redeemed and paid at said redemption price out of said Series 2014C
11 Redemption Account. No interest will accrue on such Series 2014C Bonds called for
12 redemption after the Redemption Date and the registered owners of such Series 2014C
13 Bonds shall look for payment of such Series 2014C Bonds only to the Series 2014C
14 Redemption Account. All Series 2014C Bonds redeemed shall be canceled immediately by
15 the Treasurer and shall not be reissued.

16 (j) Conditional Notice of Redemption; Rescission of Redemption. Any
17 notice of optional redemption given as provided in subsection (g) of this Section 8 may
18 provide that such redemption is conditioned upon: (i) deposit in the Series 2014C Redemption
19 Account of sufficient moneys to redeem the Series 2014C Bonds called for optional
20 redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event
21 specified in the notice of redemption. If conditional notice of redemption has been given
22 substantially as provided in this subsection (j), and on the scheduled Redemption Date (i)
23 sufficient moneys to redeem the Series 2014C Bonds called for optional redemption on the
24 Redemption Date have not been deposited in the Series 2014C Redemption Account, or (ii)
25 any other event specified in the notice of redemption as a condition to the redemption has not

1 occurred, then (y) the Series 2014C Bonds for which conditional notice of redemption was
2 given shall not be redeemed on the anticipated Redemption Date and shall remain
3 Outstanding for all purposes of this Resolution, and (z) the redemption not occurring shall not
4 constitute a default under this Resolution or the Authorizing Resolution.

5 (k) The City may rescind any optional redemption and notice of it for
6 any reason on any date prior to any Redemption Date by causing written notice of the
7 rescission to be given to the owners of all Series 2014C Bonds so called for redemption.
8 Notice of any such rescission of redemption shall be given in the same manner notice of
9 redemption was originally given. The actual receipt by the owner of any Series 2014C Bond
10 of notice of such rescission shall not be a condition precedent to rescission, and failure to
11 receive such notice or any defect in such notice so mailed shall not affect the validity of the
12 rescission.

13 9. Series 2014C Bond Account. There is hereby established with the Treasurer a
14 special account in the Taxable General Obligation Bonds (Seismic Safety Loan Program)
15 Bond Fund (the "Bond Fund") created pursuant to Section 4 of the Authorizing Resolution, to
16 be designated the "Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992),
17 Series 2014C Bond Account" (the "Series 2014C Bond Account"), to be held separate and
18 apart from all other accounts of the City. All interest earned on amounts on deposit in the
19 Series 2014C Bond Account shall be retained in the Series 2014C Bond Account.

20 On or prior to the date on which any payment of principal or interest on the Series
21 2014C Bonds is due, including any Series 2014C Bonds subject to mandatory redemption or
22 prepayment on said date, the Treasurer shall allocate to and deposit in the Series 2014C
23 Bond Account, from amounts held in the Bond Fund pursuant to Section 4 of the Authorizing
24 Resolution, an amount which, when added to any available moneys contained in the Series
25 2014C Bond Account, is sufficient to pay principal and interest on the Series 2014C Bonds on

1 such date.

2 On or prior to the date on which any Series 2014C Bonds are to be redeemed or
3 prepaid at the option of the City pursuant to this Resolution, the Treasurer may allocate to and
4 deposit in the Series 2014C Redemption Account, from amounts held in the Bond Fund
5 pursuant to Section 4 of the Authorizing Resolution, an amount which, when added to any
6 available moneys contained in the Series 2014C Redemption Account, is sufficient to pay
7 principal, interest and premium, if any, on such Series 2014C Bonds on such date. The
8 Treasurer may make such other provision for the payment of principal and interest and any
9 premium on the Series 2014C Bonds as is necessary or convenient to permit the optional
10 redemption or prepayment of the Series 2014C Bonds.

11 Amounts in the Series 2014C Bond Account may be invested in any investment of the
12 City in which moneys in the General Fund of the City are invested. The Treasurer may
13 commingle any of the moneys held in the Series 2014C Bond Account with other City moneys
14 or deposit amounts credited to the Series 2014C Bond Account into a separate fund or funds
15 for investment purposes only; provided, however, that all of the moneys held in the Series
16 2014C Bond Account hereunder shall be accounted for separately notwithstanding any such
17 commingling or separate deposit by the Treasurer. Any premium or accrued interest received
18 upon the sale of the Series 2014C Bonds shall be deposited into the Series 2014C Bond
19 Account.

20 10. Series 2014C Loan Repayment Account. There is hereby established with the
21 Treasurer a special loan repayment account in the Taxable General Obligation Bonds
22 (Seismic Safety Loan Program, 1992) Loan Repayment Fund (the "Loan Repayment Fund")
23 created pursuant to Section 5 of the Authorizing Resolution, to be designated the "Taxable
24 General Obligation Bonds (Seismic Safety Loan Program, 1992) Series 2014C Loan
25 Repayment Account" (the "Series 2014C Loan Repayment Account") to be held separate and

1 apart from all other accounts of the City. All regularly scheduled loan repayments received
2 from loans the proceeds of which were derived from the Series 2014C Bonds (other than
3 prepayments, which shall be deposited in the hereinafter defined Series 2014C Prepayment
4 Account) shall be deposited upon receipt by the Treasurer in the Series 2014C Loan
5 Repayment Account.

6 So long as any of the Series 2014C Bonds are outstanding, moneys in the Series
7 2014C Loan Repayment Account shall be used solely for the purpose of paying the principal
8 of and interest on the Series 2014C Bonds as such principal and interest shall become due
9 and payable or upon prior redemption, provided, however, that when all then outstanding
10 Series 2014C Bonds are paid, any moneys in the Series 2014C Loan Repayment Account
11 may be used for paying the principal of and interest on any Bonds as such principal and
12 interest shall become due and payable or upon redemption. If no Bonds are then outstanding
13 or authorized but unissued, any balance of money then remaining in said fund may be used
14 for any lawful purpose, including, but not limited to, making additional loans for seismic
15 strengthening of unreinforced masonry buildings and the payment of debt service or the
16 redemption of other outstanding general obligation bonds of the City, as shall be determined
17 by the Director of Public Finance, in consultation with the City Attorney.

18 11. Series 2014C Loan Account and Series 2014C Costs of Issuance Account. There is
19 hereby established with the Treasurer a special loan account in the Seismic Safety Loan Fund
20 (the "Loan Fund") created pursuant to Section 14 of the Authorizing Resolution, to be
21 designated the "Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992),
22 Series 2014C Loan Account" (the "Series 2014C Loan Account") and a special costs of
23 issuance account to be designated as the "Taxable General Obligation Bonds (Seismic Safety
24 Loan Program, 1992), Series 2014C Costs of Issuance Account" (the "Series 2014C Cost of
25 Issuance Account"). Such Series 2014C Loan Account and Series 2014C Costs of Issuance

1 Account shall be kept separate and apart from all other funds and accounts. All proceeds from
2 the sale of the Series 2014C Bonds (except any premium and/or accrued interest on such
3 sale which shall be deposited in the Series 2014C Bond Account pursuant to Section 9 of this
4 Resolution) shall be deposited by the Treasurer in the Series 2014C Loan Account and Series
5 2014C Costs of Issuance Account as directed by the Director of Public Finance.

6 All moneys in the Series 2014C Loan Account shall be applied exclusively to the object
7 and purpose specified in the proposition set forth in Section 3 of the Authorizing Resolution.

8 All moneys in the Series 2014C Costs of Issuance Account shall be applied to the payment of
9 costs of issuance associated with the Series 2014C Bonds. Costs of issuance of the Series
10 2014C Bonds shall include, without limitation, bond and financial printing expenses, mailing
11 and publication expenses, rating agency fees, the fees and expenses of paying agents,
12 registrars, financial consultants, disclosure counsel and co-bond counsel, and the
13 reimbursement of City departmental expenses in connection with the issuance of the Series
14 2014C Bonds. Any moneys remaining in the Series 2014C Costs of Issuance Account when
15 all such costs have been paid shall be transferred to the Series 2014C Loan Account as
16 directed by the Director of Public Finance. Any moneys remaining in the Series 2014C Loan
17 Account when the object and purpose set forth above have been accomplished shall be
18 transferred to the Series 2014C Bond Account or the Series 2014C Redemption Account as
19 the Director of Public Finance shall direct in writing.

20 12. Prepayment Fund. There is hereby established with the Treasurer a special
21 account in the Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992)
22 Prepayment Fund (the "Prepayment Fund") created pursuant to Section 15 of the Authorizing
23 Resolution, to be designated as the "Taxable General Obligation Bonds (Seismic Safety Loan
24 Program, 1992), Series 2014C Prepayment Account" (the "Series 2014C Prepayment
25 Account"), to be held separate and apart from all other accounts of the City. All loan

1 prepayments received from loans the proceeds of which were derived from the Series 2014C
2 Bonds shall be deposited upon receipt by the Treasurer in the Series 2014C Prepayment
3 Account. All interest earned on amounts on deposit in the Series 2014C Prepayment Account
4 shall be retained in the Series 2014C Prepayment Account.

5 So long as any of the Series 2014C Bonds are outstanding, moneys in the Series
6 2014C Prepayment Account shall be used solely for the purpose of redeeming or prepaying
7 Series 2014C Bonds or for paying principal of or interest on the Series 2014C Bonds as the
8 same becomes due on or before their maturity date or prior redemption date, as the Director
9 of Public Finance may direct in writing, provided, however, that when all then outstanding
10 Series 2014C Bonds are paid, any moneys in the Series 2014C Prepayment Account may be
11 used for the purpose of redeeming or prepaying any Bonds or for paying principal of or
12 interest on any Bonds as the same becomes due on or before their maturity date or prior
13 redemption date, as the Director of Public Finance may direct in writing. If no Bonds are then
14 outstanding or authorized but unissued, any balance of money then remaining in said fund
15 may be used for any lawful purpose, including, but not limited to, making additional loans for
16 seismic strengthening of unreinforced masonry buildings and the payment of debt service or
17 the redemption of other outstanding general obligation bonds of the City, as shall be
18 determined by the Director of Public Finance, in consultation with the City Attorney.

19 13. Appointment of Depositories and Other Agents. The Treasurer is hereby authorized
20 and directed to appoint one or more depositories as he or she may deem necessary or
21 desirable and may modify the procedures set forth in Section 6, Section 7 and Section 8
22 relating to registration of ownership of the Series 2014C Bonds and payments and redemption
23 notices to owners of the Series 2014C Bonds to comply with the policies and procedures of
24 such depository.

25 The City will not have any responsibility or obligation to any purchaser of a beneficial

1 ownership interest in any Series 2014C Bonds or to any participants in such a depository with
2 respect to (i) the accuracy of any records maintained by such securities depository or any
3 participant therein; (ii) any notice that is permitted or required to be given to the owners of
4 Series 2014C Bonds under this Resolution; (iii) the selection by such securities depository or
5 any participant therein of any person to receive payment in the event of a partial redemption
6 of Series 2014C Bonds; (iv) the payment by such securities depository or any participant
7 therein of any amount with respect to the principal or redemption premium, if any, or interest
8 due with respect to Series 2014C Bonds; (v) any consent given or other action taken by such
9 securities depository as the owner of Series 2014C Bonds; or (vi) any other matter.

10 The Depository Trust Company ("DTC") is appointed as depository for the Series
11 2014C Bonds. The Series 2014C Bonds shall be initially issued in book-entry form. Upon
12 initial issuance, the ownership of each Series 2014C Bond shall be registered in the bond
13 register in the name of Cede & Co., as nominee of DTC. So long as each Series 2014C Bond
14 is registered in book-entry form, each Series 2014C Bond shall be registered in the name of
15 Cede & Co. or in the name of such successor nominee as may be designated from time to
16 time by DTC or any successor as depository.

17 The Treasurer is also authorized and directed to appoint one or more agents as he or
18 she may deem necessary or desirable. To the extent permitted by applicable law and under
19 the supervision of the Treasurer, such agents may serve as paying agent, fiscal agent, rebate
20 calculation agent or escrow agent or registrar for the Series 2014C Bond or may assist the
21 Treasurer in performing any or all of such functions and such other duties as the Treasurer
22 shall determine. Such agents shall serve under such terms and conditions as the Treasurer
23 shall determine. The Treasurer may remove or replace agents appointed pursuant to this
24 paragraph at any time.

14. Defeasance Provisions. Payment of all or any portion of the Series 2014C Bonds may be provided for prior to such Series 2014C Bonds' respective stated maturities by irrevocably depositing with the Treasurer (or any commercial bank or trust company designated by the Treasurer to act as escrow agent with respect thereto):

(a) An amount of cash equal to the principal amount of all of such Series 2014C Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Series 2014C Bonds which are to be redeemed prior to such Series 2014C Bonds' respective stated maturities and in respect of which notice of such redemption shall have been given as provided in Section 8 hereof or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the redemption date, and any premium due on such redemption date; or

(b) Defeasance Securities (as herein defined) not subject to call, except as provided below in the definition thereof, maturing and paying interest at such times and in such amounts; together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the redemption date, as the case may be, and any premium due on the Series 2014C Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Series 2014C Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as provided in Section 8 hereof or an irrevocable election to give such notice shall have been made by the City; then, all obligations of the City with respect to said outstanding Series 2014C Bonds shall cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited pursuant to paragraphs (a) or (b) of this Section 14, to the owners of said Series 2014C Bonds all sums due with respect thereto; provided, that the City shall have

1 received an opinion of nationally recognized bond counsel, that provision for the payment of
2 said Series 2014C Bonds has been made in accordance with this Section 14.

3 For purpose of this Section 14, "Defeasance Securities" shall mean any of the following
4 which at the time are legal investments under the laws of the State of California for the
5 moneys proposed to be invested therein:

6 (i) United States Obligations (as herein defined); and

7 (ii) Pre-refunded fixed interest rate municipal obligations meeting the
8 following conditions: (a) the municipal obligations are not subject to redemption prior to
9 maturity, or the trustee has been given irrevocable instructions concerning their calling and
10 redemption and the issuer has covenanted not to redeem such obligations other than as set
11 forth in such instructions; (b) the municipal obligations are secured by cash and/or United
12 States Obligations; (c) the principal of and interest on the United States Obligations (plus any
13 cash in the escrow fund or the redemption account) are sufficient to meet the liabilities of the
14 municipal obligations; (d) the United States Obligations serving as security for the municipal
15 obligations are held by an escrow agent or trustee; (e) the United States Obligations are not
16 available to satisfy any other claims, including those against the trustee or escrow agent; and
17 (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus
18 sign or other modifier), at the time of original deposit to the escrow fund, by any two of the
19 three Rating Agencies (as defined herein) not lower than the rating then maintained by the
20 respective Rating Agency on United States Obligations.

21 For purposes of this Section 14, "United States Obligations" shall mean (i) direct and
22 general obligations of the United States of America, or obligations that are unconditionally
23 guaranteed as to principal and interest by the United States of America, including without
24 limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds
25 which have been stripped by request to the Federal Reserve Bank of New York in book-entry

1 form or (ii) any security issued by an agency or instrumentality of the United States of America
2 which is selected by the Director of Public Finance that results in the escrow fund being rated
3 by any two of the three Rating Agencies (as defined herein), at the time of the initial deposit to
4 the escrow fund and upon any substitution or subsequent deposit to the escrow fund, no lower
5 than the rating then maintained by the respective Rating Agency on United States Obligations
6 described in (i) herein.

7 For purposes of this Section 14, "Rating Agencies" shall mean Moody's Investors
8 Service Inc. , Fitch Ratings , and Standard and Poor's Rating Services, a division of The
9 McGraw-Hill Companies, Inc. , or any other nationally-recognized bond rating agency which is
10 the successor to any of the foregoing rating agencies.

11 15. Official Notice of Sale; Receipt of Bids; Bond Award.

12 (a) Official Notice of Sale. The form of proposed Official Notice of Sale
13 inviting bids for the Series 2014C Bonds (the "Official Notice of Sale") submitted to the Board
14 is approved as the Official Notice of Sale inviting bids for the Series 2014C Bonds, with such
15 changes, additions and modifications as may be made in accordance with Section 21. The
16 Director of Public Finance is authorized and, subject to a determination as to method of sale
17 pursuant to Section 17, directed to cause to be mailed or otherwise circulated to prospective
18 bidders for the Series 2014C Bonds copies of the Official Notice of Sale, subject to such
19 corrections, revisions or additions as may be acceptable to the Director of Public Finance.

20 (b) Receipt of Bids. In the event of a competitive sale, bids shall be
21 received on the date designated by the Director of Public Finance pursuant to Section 4.

22 (c) Bond Award. As provided in the Official Notice of Sale, the City may
23 reject any and all bids received for any reason. The Controller is authorized to award the
24 Series 2014C Bonds to the responsible bidder whose bid (a) is timely received and conforms
25 to the Official Notice of Sale, except to the extent informalities and irregularities are waived by

1 the Controller, in consultation with the City Attorney as permitted by the Official Notice of Sale,
2 and (b) represents the lowest true interest cost to the City in accordance with the procedures
3 described in the Official Notice of Sale. The award, if made, shall be set forth in a certificate
4 signed by the Controller setting forth the terms of the Series 2014C Bonds and the original
5 purchasers (the "Bond Award"). The Controller shall provide a copy of the Bond Award as
6 soon as practicable to the Clerk of the Board of Supervisors and the Director of Public
7 Finance; provided, that failure to provide such copy shall not affect the validity of the Bond
8 Award.

9 16. Publication of Notice of Intention to Sell Bonds. The form of proposed Notice of
10 Intention to Sell the Series 2014C Bonds (the "Notice of Intention to Sell Bonds") submitted to
11 the Board is approved as the Notice of Intention to Sell the Series 2014C Bonds, and the
12 Director of Public Finance is authorized and, subject to a determination as to method of sale
13 pursuant to Section 17, directed to cause the Notice of Intention to Sell Bonds, subject to such
14 corrections, revisions or additions as may be made in accordance with Section 21, to be
15 published once in The Bond Buyer or another financial publication generally circulated
16 throughout the State of California.

17 17. Sale of Series 2014C Bonds; Solicitation of Competitive Bids; Negotiated Sale.

18 (a) Solicitation of Competitive Bids. The Board authorizes the sale of the
19 Series 2014C Bonds by solicitation of competitive bids for the purchase of the Series 2014C
20 Bonds on the date and at the place determined in accordance with the Official Notice of Sale
21 and Section 4.

22 (b) Negotiated Sale. In the alternative, each of the Controller and the
23 Director of Public Finance, acting singly, is authorized to sell the Series 2014C Bonds by
24 negotiated sale pursuant to the form of Bond Purchase Contract (the "Bond Purchase
25 Contract") submitted with this Resolution and on file with the Clerk, if the Controller, upon the

1 advice of the Director of Public Finance, determines that a negotiated sale is expected to
2 provide a lower cost of financing or more flexibility than a competitive sale. The form of the
3 Bond Purchase Contract submitted to the Board is approved as the Bond Purchase Contract
4 for the Series 2014C Bonds, with such changes, additions and modifications as may be made
5 in accordance with Section 21. In connection with any negotiated sale, each of the Controller
6 and the Director of Public Finance, acting singly, is further authorized to select one or more
7 underwriters for the sale of the Series 2014C Bonds at a compensation not to exceed 0.5% of
8 the principal amount of the Series 2014C Bonds sold. Costs associated with the issuance of
9 the Series 2014C Bonds, described in more detail in Section 11, are estimated to range from
10 approximately \$250,000 to approximately \$500,000. The Controller or the Director of Public
11 Finance shall provide the name of the underwriter or underwriters selected for any negotiated
12 sale at the earliest practical Board meeting occurring after the selection thereof, together with
13 the results of the sale in accordance with Government Code Section 53509.5.

14 18. Disposition of Proceeds of Sale. The proceeds of sale of the Series 2014C
15 Bonds shall be applied by the Treasurer as follows: (a) accrued interest, if any, shall be
16 deposited into the Series 2014C Bond Account; (b) premium, if any, shall be deposited into
17 the Series 2014C Bond Account; and (iii) remaining proceeds of sale shall be deposited into
18 the Series 2014C Loan Account and 2014 Costs of Issuance Account as directed by the
19 Director of Public Finance.

20 19. Official Statement. The form of proposed Preliminary Official Statement
21 describing the Series 2014C Bonds (the "Preliminary Official Statement") submitted to the
22 Board is hereby approved as the Preliminary Official Statement describing the Series 2014C
23 Bonds, with such additions, corrections and revisions as may be determined to be necessary
24 or desirable made in accordance with Section 21. The Controller is authorized to cause the
25 distribution of a Preliminary Official Statement deemed final for purposes of Securities and

1 Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of
2 1934, as amended (the "Rule"), and to sign a certificate to that effect. The Director of Public
3 Finance is authorized and directed to cause to be printed and mailed or electronically
4 distributed to prospective bidders for the Series 2014C Bonds the Preliminary Official
5 Statement in substantially the form of the Preliminary Official Statement approved by this
6 Resolution, as completed, supplemented, corrected or revised. The Controller is authorized
7 and directed to approve, execute, and deliver the final Official Statement with respect to the
8 Series 2014C Bonds, which final Official Statement shall be in the form of the Preliminary
9 Official Statement, with such additions, corrections and revisions as may be determined to be
10 necessary or desirable made in accordance with Section 21 and as are permitted under the
11 Rule. The Director of Public Finance is authorized and directed to cause to be printed and
12 mailed or electronically distributed the final Official Statement to all actual initial purchasers of
13 the Series 2014C Bonds.

14 20. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate
15 (the "Continuing Disclosure Certificate"), to be executed by the City to permit the original
16 purchasers of the Series 2014C Bonds to comply with the Rule, submitted to the Board is
17 hereby approved as the Continuing Disclosure Certificate, with such additions, corrections
18 and revisions as may be determined to be necessary or desirable made in accordance with
19 Section 21. The Controller is authorized and directed to execute the Continuing Disclosure
20 Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to the original
21 purchasers of the Series 2014C Bonds.

22 21. Modification to Documents. Any City official authorized by this Resolution to
23 execute any document is hereby further authorized, in consultation with the City Attorney, to
24 approve and make such changes, additions, amendments or modifications to the document or
25 documents such official is authorized to execute as may be necessary or advisable (provided

1 that such changes, additions, amendments or modifications shall not authorize an aggregate
2 principal amount of Series 2014C Bonds in excess of \$24,000,000 or conflict with the terms of
3 Proposition A or the provisions of Section 4 hereof). The approval of any change, addition,
4 amendment or modification to any of the aforementioned documents shall be evidenced
5 conclusively by the execution and delivery of the document in question.

6 22. Ratification. All actions heretofore taken by officials, employees and agents of the
7 City with respect to the sale and issuance of the Series 2014C Bonds are hereby approved,
8 confirmed and ratified.

9 23. Relationship to Authorizing Resolution. In the event of any conflict between this
10 Resolution and the Authorizing Resolution, the terms of this Resolution shall control.

11 24. Accountability Reports. The Series 2014C Bonds are subject to Article VIII of
12 Chapter 2 of the City's Administrative Code. The Board hereby waives the sixty (60) day
13 period specified in San Francisco Administrative Code Section 2.71(b) and consents to the
14 submission of the accountability report specified therein on June 25, 2014.

15 25. Citizens' Oversight Committee. The Series 2014C Bonds are subject to, and
16 incorporate by reference, the applicable provisions of the San Francisco Administrative Code
17 Sections 5.30-5.36 (the "Citizens' General Obligation Bond Oversight Committee"). Pursuant
18 to San Francisco Administrative Code Section 5.36, the Series 2014C Bonds are not subject
19 to the requirement set forth in San Francisco Administrative Code Section 5.31(c), pertaining
20 to the deposit of a portion of gross bond proceeds in a fund established by the Controller's
21 Office to cover the costs of the Citizens' General Obligation Bond Oversight Committee.

22 26. CEQA Findings. To the extent that proceeds of the Series 2014C Bonds are used
23 to make loans to finance seismic strengthening of unreinforced masonry buildings for the Pier
24 70 Project, this Board adopts and incorporates the findings set forth in the recitals pertaining
25

1 to CEQA above, and includes by reference as though fully set forth herein the MMRP for the
2 Pier 70 Project, on file with the Clerk of the Board in File No. 140727.

3 27. Severability. If any covenant, agreement or provision, or any portion thereof,
4 contained in this Resolution, or the application thereof to any person or circumstance, is held
5 to be unconstitutional, invalid or unenforceable, the remainder of this Resolution and the
6 application of any such covenant, agreement or provision, or portion thereof, to other persons
7 or circumstances, shall be deemed severable and shall not be affected thereby, and this
8 Resolution and the Series 2014C Bonds issued pursuant hereto shall remain valid and the
9 owners of the Series 2014C Bonds shall retain all valid rights and benefits accorded to them
10 under the laws of the State of California.

11 28. General Authority. The Clerk of the Board, the Mayor, the Treasurer, the
12 Controller, the Director of Public Finance and the City Attorney are each hereby authorized
13 and directed in the name and on behalf of the City to take any and all steps and to issue,
14 deliver or enter into any and all certificates, requisitions, agreements, notices, consents, and
15 other documents as may be necessary to give effect to the provisions of this resolution,
16 including but not limited to letters of representations to any depository or depositories which
17 they or any of them might deem necessary or appropriate in order to consummate the lawful
18 issuance, sale and delivery of the Series 2014C Bonds.

19
20 APPROVED AS TO FORM:

21 DENNIS J. HERRERA
22 City Attorney

23 By: Mark D. Blake
24 Mark D. Blake
25 Deputy City Attorney
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Items 6 and 7 Files 14-0727 and 14-0728	Department: Mayor's Office of Housing and Community Development (MOHCD)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none">• File 14-0727: The proposed resolution authorizes and directs the sale of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable general obligation bonds (Seismic Safety Loan Program, 1992), Series 2014C in one or more series.• File 14-0728: The proposed ordinance appropriates \$24,000,000 of City and County of San Francisco taxable general obligation bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing in FY 2014-2015.	
Key Points	
<ul style="list-style-type: none">• Passed in 1992, Proposition A authorizes the issuance of up to \$350,000,000 in general obligation bonds to provide loans for the seismic strengthening of unreinforced masonry buildings; up to \$35,000,000 can be issued in any given year.• These funds are collectively referred to as the Seismic Safety Loan Program (SSL) and are administered by the Mayor's Office of Housing and Community Development (MOHCD).• On May 23, 2014, the UMB Seismic Safety Loan Committee approved a loan in the amount of \$20,100,871 for the 20th Street Historic Buildings Project. The Project consists of the rehabilitation of six buildings that form the historic core of Pier 70.• The SSL funds will be used to rehabilitate two buildings: 113/114 (1885 Union Iron Works Machine Shop) and 104 (the 1896 Office Building), which are both located at Pier 70 and are unreinforced masonry buildings in need of rehabilitation and verified by a structural engineer to be unreinforced masonry construction.• For the rehabilitation of the six buildings to proceed, the Board of Supervisors must approve the 66-year lease of the buildings to Orton Development, Inc. (the Developer) (Item 14-0729).	

Fiscal Impact

- The proposed resolution (Item 14-0727) authorizes the issuance of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable general obligation bonds; an estimated \$20,100,871 of the funds will be used to fund loans for the seismic projects in Buildings 113/114 and 104.
- The Office of Public Finance estimates that the average fiscal year debt service on the Bonds will be approximately \$1,791,000. The total principal and interest payment over the approximate 20-year life of the Bonds is \$35,828,000; including an estimated \$13,343,000 million in interest payments over the life of the Bonds.
- The bonds are expected to be issued and delivered in September of 2014.
- The City Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time. The limit is 3% of the assessed value of property in the City.
- As of June, 2014, there were \$1.94 billion in general obligation bonds outstanding or approximately 1.12% of the net assessed value of property in the City for Fiscal Year 2013-14. If the Board approves the issuance of the proposed Bonds, the debt ratio would increase by approximately .02% to 1.14%, which is within the 3% legal debt limit.

Recommendation

Approve the proposed resolution and the proposed ordinance.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of General Obligation bonds in accordance with the Constitution of the State of California. General Obligation Bonds may be issued and sold in accordance with state law or any local procedure adopted by ordinance. There shall be a limit on outstanding General Obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

Background

In 1992, the City electorate approved Proposition A, which authorized the issuance of not to exceed \$350,000,000 in General Obligation Bonds to provide loans for the seismic strengthening of unreinforced masonry buildings (UMB). These funds are collectively referred to as the Seismic Safety Loan Program.

The Seismic Safety Loan Program is administered by the Mayor's Office of Housing and Community Development (MOHCD) under Administrative Code Sections 66 and 66A and the Seismic Safety Loan Program Regulations adopted through Ordinance No. 122-06. MOHCD administers the program and the cash proceeds from the bond sales are used to make loans to individual property owners whose applications are approved by the UMB Seismic Safety Loan Committee.

Recipients of the loans complete the necessary seismic repairs to their unreinforced masonry buildings. Repayments from seismic safety loans are used to pay the debt service on the General Obligation Bonds. Property taxes assessed on all taxable property owners in the City pay the difference between the cost of debt service and repayments by loan recipients.

Under Proposition A, funds are allocated to affordable housing and to market-rate residential, commercial and institutional buildings, as shown in Chart 1 below.

Table 1: Allocation of Bond Monies under Proposition A by Building Type

Building Type	Annual Allocation	Percentage of Total Funds
Affordable Housing	\$150,000,000	43%
Market-rate Residential, Commercial and Institutional	\$200,000,000	57%
TOTAL	\$350,000,000	100%

Source: Office of the Controller

The City has sold two series of Seismic Safety Loan Program bonds. The City sold the first series of bonds with a total principal amount of \$35,000,000 in April 1994, pursuant to Resolution 160-94. All of these bonds were redeemed in full as of October 2002. The City sold the second

series of bonds in the principal amount of \$30,315,450 in May 2007 pursuant to Resolution 65-07. With the second series of bonds, MOHCD funded and administers a Seismic Safety Loan Program portfolio with an outstanding balance of approximately \$25,193,783 and available funds to make future loans of \$5,121,667.

On May 23, 2014, the UMB Seismic Safety Loan Committee approved a loan in the amount of \$20,100,871 for the 20th Street Historic Buildings Project on Pier 70. Building 113/114 (1885 Union Iron Works Machine Shop) and Building 104 (the 1896 Office Building) are both located at Pier 70 and are unreinforced masonry buildings in need of rehabilitation and verified by a structural engineer to be unreinforced masonry construction. Approval of the ground lease agreement between the Port and Orton Development, Inc. (the developer) for the rehabilitation of the 20th Street Historic Buildings is calendared for the July 16, 2014 Budget and Finance Subcommittee (File 14-0729).

DETAILS OF PROPOSED LEGISLATION

File 14-0727: The proposed resolution authorizes and directs the sale of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C in one or more series; prescribing the form and terms of said bonds; authorizing the execution, authentication, and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related to said bonds; providing for the manner of sale of said bonds by competitive sale or negotiated sale; approving the forms of official notice of sale, a notice of intention to sell bonds, and a bond purchase contract; directing the publication of the notice of intention to sell bonds in the event of a competitive sale; authorizing the selection of underwriters in the event of a negotiated sale; approving the form of the preliminary official statement and authorizing the execution of the official statement relating to the sale of said bonds; approving the form of the continuing disclosure certificate; authorizing and approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds.

File 14-0728: The proposed ordinance appropriates \$24,000,000 of City and County of San Francisco taxable General Obligation Bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing in FY 2014-2015 as one source of funds for the 20th Street Historic Buildings Project (see file 14-0729).

FISCAL IMPACT

The proposed resolution (Item 14-0727) authorizes the issuance of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable General Obligation bonds as part of the Seismic Safety Loan Program. According to Ms. Nadia Sesay, the sale of the proposed Seismic Safety Loan Program bonds is expected to result in \$22,485,000 in bond

proceeds,¹ of which \$20,100,871 are available to the Seismic Safety Loan Program to fund loans for the seismic projects in Buildings 113/114 and 104, as shown in Table 2 below.

Table 2: Sources and Uses of the General Obligation Bonds, Series 2014

Sources	
Bond Proceeds	\$24,000,000
Uses	
Funds Available for Loans	\$20,100,871
Reserve Pending Bond Sale ¹	3,227,653
Cost of Issuance ²	502,838
Underwriter's Discount ³	168,638
Total	\$24,000,000

Source: Controller's Office of Public Finance

¹ The reserve pending bond sale accounts for fluctuations in interest rates.

² The costs of issuance include bond counsel, financial advisors, bond trustees, rating agencies, and other fees and miscellaneous expenses for issuing bonds.

³ The underwriter's discount is the difference between the price an underwriter pays an issuer and the price at which it sells the offering to the public.

Principal and Interest Payments

The Office of Public Finance estimates that the average annual debt service, including principal and interest, on the bonds is approximately \$1,791,400. The total interest payments are approximately \$13,343,000 over the 20 year term of the bonds based on an interest rate of 5.1 percent. The combined total debt service of principal and interest payment over the 20 year term of the bonds is \$35,828,000.

The bonds are expected to be issued and delivered in September of 2014. Timing milestones in connection with the financing are summarized in Chart 3 below.

Table 3: Bond Issuance Time Lines

Milestone	Estimated Date
Consideration by the Capital Planning Committee	June 23, 2014
Introduction of authorizing resolution	July, 2014
Issuance and delivery of Bonds	September, 2014
Closing of SSLP Loan, Lease and Construction Loan	September, 2014

Source: Controller's Office of Public Finance

¹ The difference between the resolution to issue bonds up to \$24,000,000 and the expected bond proceeds of \$22,485,000 is due to the reserve pending bond sale, which accounts for interest rate fluctuations, the cost of issuance, and the underwriter's discount.

Although under the proposed resolution, the Board of Supervisors authorizes the competitive sale of the Seismic Safety Loan Program bonds, the resolution also authorizes the Controller and the Director of Public Finance to negotiate rather than competitively sell the bonds. According to Ms. Sesay, the default option is to competitively bid the sale; however, the resolution allows for a negotiated sale to occur if market conditions make a competitive sale not feasible.

Debt Limit

The City Charter imposes a limit on the amount of General Obligation bonds the City can have outstanding at any given time. The limit is 3 percent of the assessed value of property in the City. As of June 16, 2014, there were \$1.94 billion in General Obligation bonds outstanding or approximately 1.12 percent of the net assessed value of property in the City for FY 2013-14. If the entire City's authorized and unissued bonds were issued, the total outstanding bonds would be 1.44 percent of the net assessed value of property in the City. If the Board approves the issuance of the proposed bonds, the total outstanding bonds would increase by approximately .02 percent to 1.14 percent of net assessed value of property in the City, which is within the 3 percent legal debt limit.

Capital Plan

The Capital Planning Committee approved a financial constraint regarding the City's planned use of General Obligation bonds such that debt service on approved and issued General Obligation bonds are estimated not to increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property rate for the General Obligation bond fund was \$.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, it is estimated that the property tax rate for General Obligation bonds for FY 2014-15 would be maintained below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

POLICY CONSIDERATION

\$20.1 million of \$24 million appropriated in funds from the Seismic Safety Loan Program (SSL) are anticipated to comprise approximately 26 percent of total costs of \$76,500,000 to serve as one source of funds for the 20th Street Historic Buildings Project (File 14- 0729) rehabilitation of the six historic buildings at 20th Street and are an integral part of Project funding.

The Project will deliver a number of public benefits, both during construction and upon completion, including:

- The rehabilitation and reuse of historic structures of nationwide importance;
- The creation of new public spaces;
- The elimination of \$110 million of unfunded costs from Port's Capital Plan;
- \$50 to \$60 Million of new assessed value that can be bonded to provide IFD funding for public infrastructure;
- Participation by Local Business Enterprises (LBE), with an LBE Goal of 17% for project work;

- Construction of the project will employ an estimated 250 people over a 10-year period;
- Between 400-500 permanent jobs when the project is complete and leased; and
- Improves the Port's operating cash flow, reduces the Port's security and repair costs due to ongoing vandalism and deterioration of these historic buildings, and provides the Port a new, long-term revenue source that can be used to fund other capital improvement needs and public benefits such as parks and open space.

The proceeds of the \$20,100,000 for the Seismic Safety Loan Program General Obligation bonds will be issued to the developer as a loan and will be repaid by the developer over a term of 20 years. The loan terms are highlighted in the table below.

Table 4: Basic Seismic Safety Loan Program Market Rate Terms

Loan Term	20 years fully amortizing
Interest Rate	City's cost of funds plus 1%
Loan to Value	90% to 95% LTV
Debt Service Coverage Ratio	1.05x to 1.10x

Source: Keyser Marston Associates; the Port

RECOMMENDATION

Approve the proposed resolution and the proposed ordinance.



SAN FRANCISCO PLANNING DEPARTMENT

Certificate of Determination EXEMPTION FROM ENVIRONMENTAL REVIEW

Case No.: 2013.1168E
Project Address: 400-600 20th Street, Pier 70 ("20th Street Historic Core")
Zoning: M-2 (Heavy Industrial) Use District
40-X and 65-X Height and Bulk District
Block/Lot: Block 4046, Lot 001; Block 4111, Lots 003 and 004; and a portion of Block 4052, Lot 001
Lot Size: 333,798 square feet total
Plan Area: Central Waterfront Subarea of the Eastern Neighborhoods Area Plan
Project Sponsors: Phil Williamson, Port of San Francisco, (415) 274-0453
and
James Madsen, Orton Development, Inc., (510) 734-7605
Staff Contact: Andrea Contreras, (415) 575-9044, andrea.contreras@sfgov.org

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PROJECT DESCRIPTION:

The project site is located along northern and southern portions of 20th Street between Illinois and Louisiana Streets within the greater approximately 70-acre Pier 70 area bounded by Mariposa, Illinois, 22nd Streets and San Francisco Bay in San Francisco's Central Waterfront area. The project site includes four parcels (Assessor's Block 4046, Lot 001; Block 4111, Lots 003 and 004; and a portion of Block 4052, Lot

(Continued on next page.)

EXEMPT STATUS:

Exempt per Section 15183 of the California Environmental Quality Act (CEQA) Guidelines and California Public Resources Code Section 21083.3

REMARKS:

(See next page.)

DETERMINATION:

I do hereby certify that the above determination has been made pursuant to State and Local requirements.

SARAH B. JONES

Environmental Review Officer

May 7, 2014
Date

cc: Phil Williamson, Project Sponsor; James Madsen, Project Sponsor; Supervisor Cohen, District 10; Rich Sucre, Current Planning Division; Verna Byrd, M.D.P.; Exemption/Exclusion File

PROJECT DESCRIPTION (continued):

001) which contain ten Port-owned buildings (Buildings 101, 102, 104, 113, 114, 115, 116, 122, 123 and 14)¹ which are referred to as the “20th Street Historic Core.” The ten buildings on the project site range in size from approximately 400 square feet (sq. ft.) to 95,157 sq. ft.

Beginning in the late 19th century, Pier 70 has been a ship building and repair facility, formerly known as the Union Iron Works (“UIW”) facility, the Bethlehem Steel Shipyard, and the San Francisco Yard. Ships built at Pier 70 served the United States military from the Spanish-American War in the late-1800s through the two World Wars and into the 1970s. The previous uses of the buildings include the following: Main Office/Administration Building (Building 101), Power House (Building 102), UIW Headquarters (Building 104), UIW Machine Shop (Building 113), foundry (Building 114), new foundry and mold room (Building 115 and 116), and warehouse (Building 14). In the 1980s, Bethlehem Steel sold the shipyard to the Port of San Francisco. Since 2004, the project site has been largely vacant with some buildings used for Port maintenance storage.

To the northeast of the project site is a ship repair facility, operated under a lease with the Port by BAE Systems. This facility provides maintenance and repairs to cruise liners, pipeline tankers, military vessels, and bulk carriers and container ships and local vessels. Currently, the secured entrance to BAE Systems is located between Buildings 104 and 105 on the northern side of 20th Street.

The 20th Street Historic Core currently contains approximately 270,000 gross square feet (gsf) of largely vacant industrial and office space. The proposed project would include: 1) historic renovation of the 20th Street Historic Core to satisfy current seismic, structural, and code requirements; 2) remediation of hazardous materials; 3) reuse of the buildings as primarily light industrial and commercial uses; 4) the addition of approximately 69,000 gross square feet (gsf) of new building space, primarily in interior mezzanines; 5) removal of approximately 5,000 gsf of previous additions to Building 104 at the northeast corner, and to Building 113 on the eastern side and western sides; 6) creation of an outdoor publically accessible plaza to be used for events, and 7) roadway, sidewalk, and parking lot improvements as described below under “Parking, Access, Circulation and Loading”. In total, the proposed project would include approximately 334,000 gsf of existing and new building space, as detailed in Tables 1 and 2, below.

¹ The Port of San Francisco often refers to Buildings 113/114 and 115/116 as pairs because they share common walls.

Table 1 - North of 20th Street: Buildings 101, 102, 104, 122 and 123

Building No./Name	Year Built	Former Use	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 101 - Bethlehem Steel Office Building	1917	Office, Light Industrial, Residential Unit	Vacant	61,311 sq. ft. total	Office, Light Industrial, Residential Unit	62,211 sq. ft. total
Building 102 - Power House	1912	Industrial	Industrial; Partial Vacant	11,266 sq. ft.	New Restaurant, New Commercial	13,831 sq. ft. total
Building 104 - UIW Headquarters	1896	Office, Medical Office, Storage	Vacant	45,759 sq. ft. total	Office, Medical Office, Storage	45,237 sq. ft. total
Building 122	1916	Mechanical Equipment	Mechanical Equipment	774 sq. ft.	Mechanical Equipment	774 sq. ft.
Building 123	1916	Industrial	Vacant	400 sq. ft.	New Commercial	400 sq. ft.

Table 2 - South of 20th Street: Buildings 14, 113/114, 115/116

Building No./Name	Year Built	Former Use	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 14	1941	Warehouse	Storage	16,315 sq. ft.	Light Industrial	22,780 sq. ft.
Building 113/114 - Union Iron Works Machine Shop	1885/1886	Industrial	Vacant	95,157 sq. ft.	Light Industrial, Publicly Accessible Atrium	127,163 sq. ft. total
Building 115/116	1916/1917	Warehouse	Storage	38,694 sq. ft.	Light Industrial	61,260 sq. ft.
Plaza	N/A	Industrial Yard	Courtyard	45,000 sq. ft.	Publicly Accessible Open Space, Loading	45,000 sq. ft.

The proposed historic renovation of the buildings would meet the Secretary of the Interior Standards for Treatment of Historic Buildings (the "Secretary's Standards"), building and other codes, and all other applicable requirements. The Port, in consultation with the Maritime Museum, would oversee the salvage of building contents. Contents not salvaged by the Port would be salvaged or disposed of by Orton

Development, Inc. (ODI). Interior fixtures and historic materials that are part of a building would be salvaged by ODI.

Once rehabilitated, these historic office and industrial buildings would include light industrial, technology, life science, office, commercial, artisan/artist studios and showrooms, and residential and restaurant uses. The proposed project would also include an indoor lobby/atrium in Building 113, and an outdoor courtyard ("Plaza"), both of which would be accessible to the public. Finally, the proposed project would include removal of approximately 5,000 gsf of non-historic building additions to Building 104 at the northeast corner and to Building 113 on the eastern side and western sides.

Parking, Access, Circulation and Loading

The project site is accessible from Illinois and 20th Streets, and is bisected by 20th Street. Limited surface parking (approximately 75 spaces) and loading would be provided on the northern side of Buildings 101, 102, and 104 by reusing an existing parking lot north of Building 102 currently used by BAE Systems. An access ramp or stairs may be provided between Buildings 101 and 102 to provide pedestrian access from 20th Street to the parking areas behind the buildings. As part of the proposed project, the secured entrance of the BAE Systems ship repair facility would be moved approximately 100 feet north of Building 123.

A portion of Michigan Street and the area to the southeast of the intersection of 20th and Illinois Streets currently includes parking uses and self-storage in on-site containers. The existing storage containers would be relocated to the southeast corner of Pier 70. The proposed project would include the use of the area to the west of Michigan Street as a surface parking lot with approximately 215 parking spaces. The existing asphalt would be repaired and improved lighting would be installed.

The proposed project includes repair of 20th Street adjacent to the project site, including sidewalk and other repairs. A publicly accessible atrium in Building 113 would provide the primary pedestrian access to the buildings fronting the plaza. Louisiana Street lies to the east of Building 113, and currently exists as an accessway from 20th Street to the existing Industrial Yard behind Buildings 14, 113/114 and 115/116. As part of the proposed project, Louisiana Street would be widened from 20-feet-wide to 58-feet-wide. The Louisiana Street improvements would provide truck access from 20th Street to the southern portion of the 20th Street Historic Core. The western side of Louisiana Street would provide a truck staging and loading area to serve the proposed project. An existing concrete slab on the western side of Building 113 would be modified to serve as a loading dock. Five new loading docks along the western side of Buildings 113/114 and 115/116 would also be created to provide loading for these buildings.

Project Approval

The proposed project would require a Lease and Lease Disposition and Development Agreement (LDDA). Approval of the Lease and LDDA by the San Francisco Port Commission would constitute the approval action for the purpose of establishing the 30-day appeal period for this CEQA exemption determination pursuant to Section 31.16 of the San Francisco Administrative Code.

REMARKS:

CEQA Guidelines Section 15183 provides an exemption from environmental review for projects that are consistent with the development density established by existing zoning, community plan or general plan policies for which an Environmental Impact Report (EIR) was certified, except as might be necessary to examine whether there are project-specific effects which are peculiar to the proposed project or its site. Section 15183 specifies that examination of environmental effects shall be limited to those effects that: a) are peculiar to the project or parcel on which the project would be located; b) were not analyzed as significant effects in a prior EIR on the zoning action, general plan or community plan with which the project is consistent; c) are potentially significant off-site and cumulative impacts which were not discussed in the underlying EIR; or d) are previously identified in the EIR, but which are determined to have a more severe adverse impact than that discussed in the underlying EIR. Section 15183(c) specifies that if an impact is not peculiar to the parcel or to the proposed project, then an EIR need not be prepared for the project solely on the basis of that impact.

This determination evaluates the potential project-specific environmental effects peculiar to the 400-600 20th Street project described above, and incorporates by reference information contained within the Eastern Neighborhoods Rezoning and Area Plans Final EIR (hereinafter referred to as, "FEIR") (Planning Department Case No. 2004.0160E and State Clearinghouse No. 2005032048), which is the underlying EIR for the proposed 400-600 20th Street project. Project-specific studies summarized in this determination were prepared for the proposed project to determine if there would be any additional (i.e., "peculiar") potentially significant impacts attributable to the proposed project.

This determination assesses the proposed project's potential to cause environmental impacts and concludes that the proposed project would not result in new, significant environmental effects, or effects of greater severity than were already analyzed and disclosed in the FEIR. This determination does not identify new or additional information that would alter the conclusions of the FEIR. In addition, this determination identifies mitigation measures contained in the FEIR that would be applicable to the proposed project. Relevant information pertaining to prior environmental review conducted for the FEIR as well as an evaluation of potential environmental effects are provided in the Community Plan Exemption (CPE) Checklist for the proposed project.²

BACKGROUND:

On August 7, 2008, the Planning Commission certified the FEIR for the Eastern Neighborhoods Rezoning and Area Plans.³ The FEIR analyzed amendments to the San Francisco General Plan (General Plan), the San Francisco Planning Code (Planning Code), and the Zoning Maps associated with the establishment of the Eastern Neighborhoods Rezoning and Area Plans. The FEIR analysis was based upon assumed development and activity that were anticipated to occur under the Eastern Neighborhoods Rezoning and Area Plans.

² The CPE Checklist is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, San Francisco, as part of Case File No. 2013.1168E.

³ San Francisco Planning Commission Motion No. 176592, adopted August 7, 2008. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2004.0160E.

On December 9, 2008, the San Francisco Board of Supervisors (Board of Supervisors) adopted ordinances amending the General Plan, Planning Code, and Zoning Maps that constituted the “project” analyzed in the Eastern Neighborhoods Rezoning and Area Plans FEIR. On December 19, 2009, the Mayor signed the ordinances into law. These legislative amendments created new zoning controls to rezone much of the City’s industrially zoned land. The goals of the Area Plans were to reflect local values, increase housing, maintain some industrial land supply, and improve the quality of all existing areas with future development. Although these legislative amendments resulted in the rezoning throughout the Eastern Neighborhoods, the 400-600 20th Street project site was not rezoned and instead, remained zoned as M-2 (Heavy Industrial), and its height and bulk limits remained 40-X and 65-X. The Eastern Neighborhoods Rezoning and Area Plans, as evaluated in the FEIR and as adopted by the Board of Supervisors, accommodates the proposed use, design, and density of the proposed 400-600 20th Street project.

Individual projects implemented under the Eastern Neighborhoods Rezoning and Area Plans undergo project-level evaluation to determine if they would result in further impacts specific to the development proposal, the site, and the time of development. If so, additional environmental review would be required. This determination concludes that the proposed project at 400-600 20th Street is consistent with and was encompassed within the analysis in the FEIR for the Eastern Neighborhoods Rezoning and Area Plans, and that the FEIR adequately described the impacts of the proposed 400-600 20th Street project and identified the necessary mitigation measures, as adapted for project-specific conditions described in this Certificate of Determination. The proposed project is in conformity with the General Plan and the Eastern Neighborhoods Rezoning and Area Plans, and complies with the provisions of the Planning Code.^{4,5} Therefore the proposed 400-600 20th Street project is consistent with the certified Eastern Neighborhoods Rezoning and Area Plans, its impacts are adequately addressed in the FEIR, and no further CEQA evaluation is necessary. In sum, the Eastern Neighborhoods Rezoning and Area Plans FEIR and this Certificate of Exemption for the proposed project comprise the full and complete CEQA evaluation necessary for the proposed project.

PROJECT SETTING:

The project site, which is on the east side of Illinois Street on the northern and southern sides of 20th Street, is on Pier 70 in the Central Waterfront area. The project site is characterized by late 19th- and early 20th-century industrial buildings, active industrial uses, its proximity to San Francisco Bay and presence of Port-related uses, and some commercial and residential uses typical in an urban setting. This includes one-to-two-story industrial buildings and structures, both active and vacant, open lots, and industrial equipment including dry docks, pier structures, and cranes. Existing uses near the project site to the west of Illinois Street include a residential building to the northwest of the project site (820 Illinois Street) and the American Industrial Center northern building between 20th and 22nd Streets. Directly adjacent to the project site to the north and south are various active and vacant Port-related industrial uses and storage areas on Pier 70. To the east of the project site is the San Francisco Bay. The project site, similar to other

⁴ Josh Switzky, San Francisco Planning Department, Community Plan Exemption Eligibility Determination, Citywide Planning and Policy Analysis, 400-600 20th Street, December 5, 2013. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

⁵ Jeff Joslin, San Francisco Planning Department, Community Plan Exemption Eligibility Determination, Current Planning Analysis, 400-600 20th Street, March 27, 2014. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

parcels on Pier 70, is zoned M-2. The project site has a height and bulk limit of 40-X and 65-X, and the parcels adjacent to the project site to the west of Illinois are 68-X.

POTENTIAL ENVIRONMENTAL EFFECTS:

The Eastern Neighborhoods Rezoning and Area Plans FEIR analyzed the following environmental topics: land use; plans and policies; visual quality and urban design; population, housing, business activity, and employment (growth inducement); transportation; noise; air quality; parks, recreation and open space; shadow; archeological resources; historic architectural resources; hazards; and other issues not addressed in the previously issued initial study for the Eastern Neighborhoods project. Significant and unavoidable impacts were identified for the following topics: land use, cultural and paleontological resources, transportation, noise, air quality, shadow and hazardous materials. The proposed project would not contribute to the land use, cultural resource, noise, air quality, shadow or hazardous materials significant and unavoidable impacts. As for the significant and unavoidable impact related to traffic, the proposed project would make a cumulatively considerable contribution to traffic conditions at the intersection of 20th and Illinois Streets, which is projected to operate poorly in the year 2040. A summary of the project's effects as they relate to historic architectural resources, traffic, geology and soils, and hazardous materials is provided below.

Historic Architectural Resources

In evaluating whether the proposed project would be exempt from environmental review under the California Environmental Quality Act (CEQA), the Planning Department must first determine whether the subject building is a historical resource as defined by CEQA. The Pier 70 Historic Buildings consist of Buildings 14, 101, 102-122, 104-123, 113/114, and 115/116, all of which contribute to the eligible Union Iron Works Historic District. The District's period of significance ranges from 1884 to 1945 and illustrates the evolution of factory design from the opening of the yard in the early 1880s to the end of World War II. The District maintains exceptional integrity in terms of location, design, setting, materials, workmanship, feeling, and association. The entire sixty-five-acre property was previously identified in the San Francisco Planning Department's 2001 Central Waterfront Cultural Resources Survey as an eligible National Register Historic District. The California Office of Historic Preservation (OHP) determined that the shipyard was eligible for the National Register in 2001. On February 7, 2014, the California State Historic Resources Commission nominated the District for listing on the National Register. Therefore, for the purposes of the California Environmental Quality Act (CEQA), Buildings 14, 101, 102-122, 104-123, 113/114, and 115/116 are considered to be individually-eligible historic resources, as well as contributors to the Union Iron Works Historic District.

Planning Department preservation staff completed a Historic Resource Evaluation Response (HRER) that evaluated the proposed project and its consistency with the existing historic resources. The proposed project would rehabilitate Buildings 14, 101, 102/122, 104/123, 113/114, and 115/116, consistent with the applicable Port Building Code and the California Historical Building Code. This would generally require minimal change to the exterior and interior. Building repairs and alterations would address building deficiencies and meet modern usage standards. The proposed rehabilitation would repair historic interiors and exteriors including the architectural elements of the exterior, the roof, and character-defining interior spaces and elements. The exception is a new rear deck on the north side of Building 102, which would be designed in a contemporary architectural style, thus providing for differentiation, yet compatibility, to the historic building. Within the interior, the proposed project would include

infrastructure and seismic upgrades, as well as the preservation, repair and rehabilitation of interior features and spaces. Removal of non-historic structures and materials would also be included. Work would be undertaken in a manner that is sensitive towards the historic character of the structure according to standard historic preservation practices as detailed within the historic report.

The HRER confirmed that the proposed modifications to Buildings 14, 101, 102/122, 104/123, 113/114, and 115/116, would maintain the character-defining features of the historic property and would be consistent with the Secretary of the Interior Standards for Rehabilitation. The HRER concluded that the project work would not cause a significant adverse impact to either the individual historic resource or the eligible Union Iron Works Historic District. Therefore, the proposed project would have no significant impact to on-site or off-site historic resources and would not contribute to the significant and unavoidable impacts identified in the Eastern Neighborhoods Plan FEIR.

Traffic

Trip generation rates for the proposed project were calculated based on the methodology in the San Francisco Transportation Impact Analysis Guidelines for Environmental Review, dated October 2002. During the weekday afternoon/evening (p.m.) peak hour, the proposed project would generate an estimated 358 new vehicle trips. These new vehicle trips would not degrade the current levels of service (LOS) at nearby intersections such that they would change from LOS D or better to LOS E or LOS F or from LOS E to LOS F. Thus the project would not result in any significant project-related traffic impacts.

However, under cumulative (Year 2040) conditions⁶, the adjacent study intersection of 20th Street and Illinois Street would operate at unacceptable LOS conditions (LOS F) in the critical westbound approach. The intersection of Cesar Chavez Street and Third Street would operate at undesirable LOS conditions (LOS E). During the p.m. peak hour, the intersection of Cesar Chavez and Third Streets would operate at LOS E under 2040 cumulative conditions with or without the proposed project. The proposed project's contributions to this poorly operating intersection would therefore not be considered cumulatively considerable and the proposed project would result in a less-than-significant cumulative traffic impact at the intersection of Cesar Chavez Street and Third Street.

During the p.m. peak hour, the intersection of 20th and Illinois Streets would operate at LOS F under 2040 cumulative conditions with the proposed project. The degradation in cumulative traffic conditions at this intersection is primarily attributed to the estimated amount of area growth and project-generated vehicles in the westbound movements along 20th Street, as these vehicles would be traveling from the project site to their destination during the p.m. peak hour. The proposed project would contribute over five percent of traffic volumes to the westbound worst approach at the intersection of 20th and Illinois Streets under 2040 cumulative conditions; any traffic contribution in the cumulative context that is five percent and above is considered to be a cumulatively considerable contribution to a poorly operating intersection. Therefore, the proposed project's contributions to this poorly operating intersection would be considered cumulatively considerable and the proposed project would contribute considerably to the

⁶ As described in the CPE Checklist, cumulative traffic volumes were developed using outputs from the San Francisco County Transportation Authority's (SFCTA) travel demand forecasting model, which takes into account planned and proposed future development growth and transportation network changes in the study area, as well as background growth in travel demand in the City and region.

previously identified Eastern Neighborhoods FEIR significant cumulative traffic impact for the Central Waterfront area.

The Eastern Neighborhoods FEIR analyzed the cumulative traffic effects of development resulting from the implementation of the Eastern Neighborhoods Rezoning and Area Plans and rezoning of four Plan Areas. The FEIR analyzed the effects of increased traffic on several representative study intersections within the Eastern Neighborhoods that were selected to provide an overall characterization of existing and future traffic conditions within the area. There are several similarities between the FEIR representative study intersections and the intersection of 20th and Illinois Streets, including similar lane geometry and turning movements. In addition, the traffic volumes and the street function associated with the representative study intersections are substantially similar to the traffic volumes and the street function of the 20th Street and Illinois Street intersection, and are representative of the cumulative traffic impacts resulting from the Eastern Neighborhoods Rezoning and Area Plans; therefore, the analysis contained within the Eastern Neighborhoods FEIR reasonably predicts the significant cumulative impact at 20th and Illinois Streets.

To mitigate the 2040 significant cumulative traffic impact, Eastern Neighborhoods FEIR Mitigation Measure E-1: Traffic Signal Installation, would apply. This includes installation of a new traffic signal at the intersection of 20th and Illinois Streets in order to upgrade the existing signal that currently functions as an all-way stop control. The proposed project's fair share contribution to the 20th and Illinois Streets intersection mitigation measure would reduce the project's contribution to the Eastern Neighborhoods FEIR significant cumulative impact for the Central Waterfront area. This would not be a new significant impact as it is within the scope of the analysis contained in the Eastern Neighborhoods FEIR on pages 270 to 276.

Geology and Soils

The Eastern Neighborhoods FEIR concluded that implementation of the plan would indirectly increase the population that could be exposed to risks related to earthquakes and landslides. Compliance with applicable codes and recommendations made in project-specific geotechnical analyses would not eliminate risks related to geological hazards, but would reduce them to an acceptable level. Therefore, the FEIR concluded that development under the area plan would not result in significant impacts related to geological hazards. No mitigation measures were identified in the FEIR.

Several geotechnical investigations have been prepared for the project site.^{7,8,9} Geotechnical soil borings were excavated to a maximum depth of approximately 66 feet below ground surface (bgs). Based on the soil analysis of the borings, the site subsurface conditions vary. The site contains about 18 feet of fill that consists of loose gravel and stiff clay with sand overlaying approximately 9 feet of hard clay. The fill thickness generally increases from south to north as does the depth of the bedrock. Bedrock is anticipated to be roughly at grade in the vicinity of Building 116 and in the southeastern half of Building

⁷ Geotechnical Investigation for Mariposa Storage/Transport Facilities, San Francisco, California, AGS, Inc., June 1989. This document is on file and available for public review at the Planning Department, 1650 Mission Street, Suite 400.

⁸ Geotechnical Investigation for Pier 70, Building 113, San Francisco, California, Treadwell and Rollo, April 28, 2010. This document is on file and available for public review at the Planning Department, 1650 Mission Street, Suite 400.

⁹ Geotechnical Consultation for Pier 70 Historic Building Renovations, San Francisco, California, Langan Treadwell Rollo, May 28, 2013.

14. Top of bedrock was encountered in borings at depths ranging from 26 feet bgs near the southeastern end of Building 101 to 58 feet bgs near the southeastern end of Building 104. Fill materials were encountered throughout the site, with thicknesses up to 29 feet in the vicinity of the southeastern corner of Building 104. Fill appears to have been placed over varying thicknesses of Bay Mud in the vicinity of Buildings 102 and 104. Groundwater was encountered at about eight to twelve feet bgs.

The geotechnical investigations provided recommendations for foundation options to reduce the risks related to the seismic hazards and site conditions noted above, including: (1) further evaluation of footings founded on competent soil or bedrock using an allowable bearing pressure of 6,000 pounds per square foot, with a one third increase for total loads for Building 113 using micropiles; and (2) where new foundations are required to support improvements, footings bearing in bedrock would be the preferable option; where footings would need to extend too deep to make their construction practical, micropiles should be used. Additionally, micropiles may be used to support seismic elements and resist uplift loads. Micropiles can be designed to provide both compression and tension support in the stiff soil or bedrock below the fill and Bay Mud. The project sponsor has agreed to implement these measures, subject to building permit requirements.

The geotechnical investigation concluded that the site is suitable for support of the proposed project. The proposed project would be required to incorporate these and any future recommendations into the final building design through the building permit review process. Through this process, San Francisco Port Department (Port Building Department) would review the geotechnical investigation to determine the adequacy of necessary engineering and design features to ensure compliance with all Building Code provisions regarding structure safety. Past geological and geotechnical investigation would be available for use by the Port Building Department during its review of building permits for the project site. Also, DBI could require that additional site-specific soils report(s) be prepared in conjunction with permit applications, as needed. For the above reasons, the proposed project would not result in significant impacts related to geology and soils that were not identified in the Eastern Neighborhoods FEIR.

Hazards and Hazardous Materials

The Eastern Neighborhoods FEIR determined that the rezoning of currently zoned industrial (PDR) land to residential, commercial, or open space uses in the Eastern Neighborhoods would result in the incremental replacement of some of the existing non-conforming business with development of these other land uses. Development may involve demolition or renovation of existing structures that may contain hazardous building materials, such as transformers and fluorescent light ballasts that contain polychlorinated biphenyls (PCBs) or di (2 ethylhexyl) phthalate (DEHP) and fluorescent lights containing mercury vapors, that were commonly used in older buildings and which could present a public health risk if disturbed during an accident or during demolition or renovation. The Eastern Neighborhoods FEIR identified a mitigation measure to reduce this impact to less than significant.

The proposed project includes the removal of transformers and could involve removal of fluorescent light ballasts, and fluorescent lights. Therefore, Eastern Neighborhoods FEIR Mitigation Measure L-1, Hazardous Building Materials would apply to the proposed project.

In addition, the project site was formerly used for a variety of industrial uses, including manufacture, maintenance, and repair of destroyers and submarine ships from World War I into the 1970s. These may have used, generated, stored, or disposed of hazardous materials. Due to its location in an area of known bay fill and historic land use, the project is subject to Article 22A of the San Francisco Health Code, also known as the Maher Ordinance, which is administered and overseen by the Department of Public Health (DPH). The

Maher Ordinance applies to projects that will disturb 50 cubic yards or more and requires the project sponsor to retain the services of a qualified professional to prepare a Site History Report that meets the requirements of Health Code Section 22.A.6. If it is determined that the project will trigger applicability of the Maher Ordinance, the extent to which work completed to date fulfills the requirements of the ordinance will be evaluated in consultation with DPH.

Eastern Neighborhoods FEIR Mitigation Measures

The Eastern Neighborhoods Rezoning and Area Plans FEIR identified mitigation measures for the following topics: Land Use (A-1), Transportation (E-1 through E-11), Noise (F-1 through F-6), Air Quality (G-1 through G-4), Archeology (J-1 through J-3), Historical Resources (K-1 through K-3), and Hazardous Materials (L-1).

As analyzed and discussed in the CPE Checklist, the following mitigation measures identified in the FEIR do not apply to the proposed project. Land Use Mitigation Measure A-1 is not applicable to the proposed project because the measure was rejected as infeasible and because the project site is not located in Western SoMa, where this measure applies.

Traffic Mitigation Measures E-2 through E-4 are not applicable because the proposed project would not result in traffic impacts that could be mitigated through the use of Intelligent Traffic Management or Enhanced Funding. Transit Mitigation Measures E-5 though E-11 do not apply to the proposed project because the proposed project does not result in any transit impacts, such as delays to transit, or substantial increases in transit ridership.

Noise Mitigation Measures F-1 and F-2 do not apply because the proposed project would not involve pile driving or other particularly noisy construction methods. In addition, all construction activities for the proposed project (approximately 24 months) would be subject to and would comply with the San Francisco Noise Ordinance (Article 29 of the San Francisco Police Code).

Portions of Air Quality Mitigation Measure G-1 regarding dust control are not applicable to the proposed project because the project would comply with the Construction Dust Control Ordinance, which was adopted by the City after the FEIR was certified. However, because the project site is partially within the Air Pollution Exposure Zone and would require construction activities resulting in diesel particulate and toxic air contaminant emissions, the remainder of Air Quality Mitigation Measure G-1 that deals with maintenance and operation of construction equipment is applicable, as described further below. Air Quality Mitigation Measure G-3 does not apply to the proposed project because the proposed project would not result in new development requiring service by at least 100 trucks per day or 40 refrigerated trucks per day. Similarly, Air Quality Mitigation Measure G-4 would not apply because the proposed project would not generate more than 10,000 vehicle trips or 400 truck trips per day, or include a new stationary source that would emit toxic air contaminants as part of everyday operations.

Archeology Mitigation Measures J-1 and J-3 would not apply because no previous archeological studies have been conducted for the project site, and the site is not located within the Mission Dolores Archeological District.

Historical Resources Mitigation Measure K-1 does not apply because applicable historic resources surveys in the project area have been completed and adopted by the Historical Preservation Commission. Mitigation Measure K-2 does not apply to the proposed project because it is not located in the South End

Historic District. Historical Resources Mitigation Measure K-3 does not apply because the project site is not located within the Dogpatch Historic District.

As discussed in the CPE Checklist, Eastern Neighborhoods Rezoning and Area Plans FEIR Mitigation Measures E-1, F-3, F-4, F-5, G-1, J-2 and L-1 were determined to apply to the proposed project for the following reasons. The proposed project would contribute to a significant cumulative traffic impact in the Eastern Neighborhoods study area at an unsignalized intersection that would require signalization as described in Traffic Mitigation Measure E-1. Noise Mitigation Measures F-3, F-4 and F-5 would apply because the proposed project introduces a noise-sensitive land use and noise-generating uses into the environment. Air Quality Mitigation Measure G-1 applies because the project site is partially located within the Air Pollution Exposure Zone and would use diesel equipment during construction in close proximity to existing residential uses on Illinois Street. Archeology Mitigation Measure J-2 applies because no previous archeological studies have been prepared for the project site. Finally, as described above, Hazardous Materials Mitigation Measure L-1 applies to the proposed project since it involves renovation of existing structures that may contain hazardous building materials, including the removal of fluorescent lights and fluorescent light ballasts. Please see the attached Mitigation Monitoring and Reporting Program (MMRP) for the complete text of the applicable mitigation measures.

The proposed 400-600 20th Street project is in conformance with the height, use, and density for the site described in the FEIR and would represent a small part of the growth that was forecast for the Central Waterfront area in the FEIR. The proposed project would not result in any new significant impacts that were not previously analyzed in the FEIR or result in substantially more severe impacts than those identified in the FEIR. With implementation of these mitigation measures, the proposed project would not result in significant impacts beyond those analyzed in the FEIR.¹⁰ In addition, and in accordance with the Eastern Neighborhoods Rezoning and Area Plans FEIR, the project sponsor has agreed to implement various improvement measures addressing traffic congestion and construction activities.¹¹

Public Notice and Comment

A "Notification of Project Receiving Environmental Review" was mailed on December 6, 2013 to adjacent occupants and owners of properties within 300 feet of the project site and neighboring Port tenants in the area bounded by Mariposa, Illinois, 22nd Streets and the San Francisco Bay. One only comment was received. A staff member of the SFMTA called to inform the Department that any previous jurisdiction held by SFMTA at Pier 70 had reverted to the Port of San Francisco. This comment was not related to any potential environmental effects of the proposed project.

Conclusion

The Eastern Neighborhoods Rezoning and Area Plans FEIR incorporated and adequately addressed all potential impacts of the proposed 400-600 20th Street project. As described above, the proposed 400-600 20th Street project would not have any project-specific significant adverse effects that are peculiar to the proposed project or its site that were not examined in the FEIR, and no new or additional information has come to light that would alter the conclusions of the FEIR. Thus, the proposed project would not have any new significant effects on the environment not previously identified in the FEIR, nor would any environmental impacts be substantially greater than described in the FEIR. Therefore, in addition to being

¹⁰ Please refer to the CPE Checklist for a complete discussion.

¹¹ The full text of these improvement measures is included in the MMRP.

exempt from environmental review under Section 15183 of the CEQA Guidelines, the proposed project is also exempt under Section 21083.3 of the California Public Resources Code.

400-600 20th Street

Case No. 2013.1168E

MITIGATION MONITORING AND REPORTING PROGRAM (Includes Text for Adopted Mitigation and Improvement Measures)				
MEASURES ADOPTED AS CONDITIONS OF APPROVAL	Responsibility for Implementation	Schedule	Monitoring/Report Responsibility	Status/Date Completed
MITIGATION MEASURES FROM THE EASTERN NEIGHBORHOODS AREA PLAN EIR				
Archeological Resources Mitigation Measure				
<p>M-CP-1 - Properties with No Previous Studies (Mitigation Measure J-2 in the <i>Eastern Neighborhoods FEIR</i>). Based on the reasonable potential that archeological resources may be present within the project site, the following requirement shall be undertaken to avoid any potentially significant adverse effect from the proposed project on buried or submerged historical resources. The project sponsor shall retain the services of an archaeological consultant from the rotational Department Qualified Archaeological Consultants List (QACL) maintained by the Planning Department archaeologist. The project sponsor shall contact the Department archaeologist to obtain the names and contact information for the next three archaeological consultants on the QACL. The archaeological consultant shall undertake an archaeological monitoring program. All plans and reports prepared by the consultant as specified herein shall be submitted first and directly to the ERO for review and comment, and shall be considered draft reports subject to revision until final approval by the ERO. Archeological monitoring and/or data recovery programs required by this measure could suspend construction of the project for up to a maximum of four weeks. At the direction of the ERO, the suspension of construction can be extended beyond four weeks only if such a suspension is the only feasible means to reduce to a less than significant level potential effects on a significant archeological resource as defined in CEQA Guidelines Sect. 15064.5 (a)(c).</p> <p><i>Archeological monitoring program (AMP).</i> The archeological monitoring program shall minimally include the following provisions:</p> <ul style="list-style-type: none"> • The archeological consultant, project sponsor, and ERO shall meet and consult on the scope of the AMP reasonably prior to any project-related soils disturbing activities commencing. The ERO in consultation with the project archaeologist shall determine what project activities shall be archeologically monitored. In most cases, any soils disturbing activities, such as demolition, foundation removal, excavation, grading, utilities installation, foundation work, driving of piles (foundation, shoring, etc.), site remediation, etc., shall require archeological monitoring because of the potential risk these activities pose to 	Project sponsor, Planning Department archaeologist or qualified archaeological consultant; Environmental Review Officer (ERO)	Prior to issuance of any permit for soil-disturbing activities.	Project sponsor; archeologist; ERO.	Considered complete upon Department archaeologist's and/or ERO's approval of FARR or other documentation.

400-600 20TH STREET, PIER 70 ("20TH STREET HISTORIC CORE")
MITIGATION MONITORING AND REPORTING PROGRAM

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May 7, 2014

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<p>archaeological resources and to their depositional context;</p> <ul style="list-style-type: none"> The archeological consultant shall advise all project contractors to be on the alert for evidence of the presence of the expected resource(s), of how to identify the evidence of the expected resource(s), and of the appropriate protocol in the event of apparent discovery of an archeological resource; The archaeological monitor(s) shall be present on the project site according to a schedule agreed upon by the archeological consultant and the ERO until the ERO has, in consultation with the archeological consultant, determined that project construction activities could have no effects on significant archeological deposits; The archeological monitor shall record and be authorized to collect soil samples and artifact/eco-factual material as warranted for analysis; If an intact archeological deposit is encountered, all soils disturbing activities in the vicinity of the deposit shall cease. The archeological monitor shall be empowered to temporarily redirect demolition/excavation/pile driving/construction crews and heavy equipment until the deposit is evaluated. If in the case of pile driving activity (foundation, shoring, etc.), the archeological monitor has cause to believe that the pile driving activity may affect an archeological resource, the pile driving activity shall be terminated until an appropriate evaluation of the resource has been made in consultation with the ERO. The archeological consultant shall immediately notify the ERO of the encountered archeological deposit. The archeological consultant shall, after making a reasonable effort to assess the identity, integrity, and significance of the encountered archeological deposit, present the findings of this assessment to the ERO. <p><i>Consultation with Descendant Communities:</i> On discovery of an archeological site associated with descendant Native Americans or the Overseas Chinese an appropriate representative of the descendant group and the ERO shall be contacted. The representative of the</p>				

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<p>descendant group shall be given the opportunity to monitor archeological field investigations of the site and to consult with ERO regarding appropriate archeological treatment of the site, of recovered data from the site, and, if applicable, any interpretative treatment of the associated archeological site. A copy of the Final Archaeological Resources Report shall be provided to the representative of the descendant group.</p> <p>If the ERO in consultation with the archeological consultant determines that a significant archeological resource is present and that the resource could be adversely affected by the proposed project, at the discretion of the project sponsor either:</p> <p>A) The proposed project shall be re-designed so as to avoid any adverse effect on the significant archeological resource; or</p> <p>B) An archeological data recovery program shall be implemented, unless the ERO determines that the archeological resource is of greater interpretive than research significance and that interpretive use of the resource is feasible.</p> <p>If an archeological data recovery program is required by the ERO, the archeological data recovery program shall be conducted in accord with an archeological data recovery plan (ADRP). The project archeological consultant, project sponsor, and ERO shall meet and consult on the scope of the ADRP. The archeological consultant shall prepare a draft ADRP that shall be submitted to the ERO for review and approval. The ADRP shall identify how the proposed data recovery program will preserve the significant information the archeological resource is expected to contain. That is, the ADRP will identify what scientific/historical research questions are applicable to the expected resource, what data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. Data recovery, in general, should be limited to the portions of the historical property that could be adversely affected by the proposed project. Destructive data recovery methods shall not be applied to portions of the archeological resources if nondestructive methods are practical.</p>				

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<p>The scope of the ADRP shall include the following elements:</p> <p><i>Field Methods and Procedures.</i> Descriptions of proposed field strategies, procedures, and operations.</p> <p><i>Cataloguing and Laboratory Analysis.</i> Description of selected cataloguing system and artifact analysis procedures.</p> <p><i>Discard and Deaccession Policy.</i> Description of and rationale for field and post-field discard and deaccession policies.</p> <p><i>Interpretive Program.</i> Consideration of an on-site/off-site public interpretive program during the course of the archeological data recovery program.</p> <p><i>Security Measures.</i> Recommended security measures to protect the archeological resource from vandalism, looting, and non-intentionally damaging activities.</p> <p><i>Final Report.</i> Description of proposed report format and distribution of results.</p> <p><i>Curation.</i> Description of the procedures and recommendations for the curation of any recovered data having potential research value, identification of appropriate curation facilities, and a summary of the accession policies of the curation facilities.</p> <p><i>Human Remains, Associated or Unassociated Funerary Objects.</i> The treatment of human remains and of associated or unassociated funerary objects discovered during any soils disturbing activity shall comply with applicable State and Federal Laws, including immediate notification of the Coroner of the City and County of San Francisco and in the event of the Coroner's determination that the human remains are Native American remains, notification of the California State Native American Heritage Commission (NAHC) who shall appoint a Most Likely Descendant (MLD) (Pub. Res. Code Sec. 5097.98). The archeological consultant, project sponsor, and MLD shall make all reasonable efforts to develop an agreement for the treatment of, with appropriate dignity, human remains and associated or unassociated funerary objects (CEQA Guidelines. Sec. 15064.5(d)). The agreement should take into consideration the appropriate excavation, removal, recordation, analysis, curation, possession, and final disposition of the</p>				

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human remains and associated or unassociated funerary objects. <i>Final Archeological Resources Report.</i> The archeological consultant shall submit a Draft Final Archeological Resources Report (FARR) to the ERO that evaluates the historical significance of any discovered archeological resource and describes the archeological and historical research methods employed in the archeological testing/monitoring/data recovery program(s) undertaken. Information that may put at risk any archeological resource shall be provided in a separate removable insert within the draft final report. Copies of the Draft FARR shall be sent to the ERO for review and approval. Once approved by the ERO copies of the FARR shall be distributed as follows: California Archaeological Site Survey Northwest Information Center (NWIC) shall receive one (1) copy and the ERO shall receive a copy of the transmittal of the FARR to the NWIC. The Environmental Planning division of the Planning Department shall receive one bound, one unbound and one unlocked, searchable PDF copy on CD of the FARR along with copies of any formal site recordation forms (CA DPR 523 series) and/or documentation for nomination to the National Register of Historic Places/California Register of Historical Resources. In instances of high public interest or interpretive value, the ERO may require a different final report content, format, and distribution than that presented above.				
Transportation Mitigation Measure				
Project Mitigation Measure 2 – Traffic Signal Installation (Mitigation Measure E-1 in the <i>Eastern Neighborhoods FER</i>). To mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, an upgraded traffic signal would need to be installed at this intersection. With this new signal, the average vehicle delay would decrease, and the intersection would operate at LOS B. There are a number of proposed developments in the immediate vicinity of this intersection, most noticeably other development at Pier 70, that would contribute to growth in future traffic volumes and increased delays. Installation of a traffic signal at the intersection of 20th and Illinois Streets could be linked to these and other proposed	San Francisco Municipal Transportation Agency (SFMTA); project sponsor; Port of San Francisco.	To be determined by SFMTA.	SFMTA; Port of San Francisco.	Upon signalization.

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development projects. The project sponsor shall pay its fair share contribution to mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, which is approximately 9 percent of the cost of the traffic signal at this intersection. The amount and schedule for payment of the proposed project's fair share contribution to the mitigation shall be determined by SFMTA.				
Noise Mitigation Measures				
Project Mitigation Measure 3 – Interior Noise Levels (Mitigation Measure F-3 in the <i>Eastern Neighborhoods FEIR</i>). For new development including noise-sensitive uses located along streets with noise levels above 60 dBA (Ldn), as shown in Figure 18 of the <i>Eastern Neighborhoods FEIR</i> , where such development is not already subject to the California Noise Insulation Standards in Title 24 of the California Code of Regulations, the project sponsor shall conduct a detailed analysis of noise reduction requirements. Such analysis shall be conducted by person(s) qualified in acoustical analysis and/or engineering. Noise insulation features identified and recommended by the analysis shall be included in the design, as specified in the San Francisco General Plan Land Use Compatibility Guidelines for Community Noise to reduce potential interior noise levels to the maximum extent feasible.	Project sponsor, project contractor(s).	Design measures to be incorporated into project design; prior to issuance of a building permit.	Planning Department; Port of San Francisco.	Considered complete upon approval of final construction drawing set.
Project Mitigation Measure 4 – Siting of Noise-Sensitive Uses (Mitigation Measure F-4 in the <i>Eastern Neighborhoods FEIR</i>). To reduce potential conflicts between existing noise-generating uses and new sensitive receptors, for new development including noise-sensitive uses, the Planning Department shall require the preparation of an analysis that includes, at a minimum, a site survey to identify potential noise-generating uses within 900 feet of, and that have a direct line-of-sight to, the project site, and including at least one 24-hour noise measurement (with maximum noise level readings taken at least every 15 minutes), prior to the first project approval action. The analysis shall be prepared by persons qualified in acoustical analysis and/or engineering and shall demonstrate with reasonable certainty that Title 24 standards, where applicable, can be met, and that there are no	Project sponsor, project contractor(s).	Design measures to be incorporated into project design; prior to issuance of a building permit.	Planning Department; Port of San Francisco	Considered complete upon approval of final construction drawing set.

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particular circumstances about the proposed project site that appear to warrant heightened concern about noise levels in the vicinity. Should such concerns be present, the Department may require the completion of a detailed noise assessment by person(s) qualified in acoustical analysis and/or engineering prior to the first project approval action, in order to demonstrate that acceptable interior noise levels consistent with those in the Title 24 standards can be attained.				
Project Mitigation Measure 5 – Siting of Noise-Generating Uses (Mitigation Measure F-5 in the <i>Eastern Neighborhoods FEIR</i>). To reduce potential conflicts between existing sensitive receptors and new noise-generating uses, for new development including commercial, industrial or other uses that would be expected to generate noise levels in excess of ambient noise, either short-term, at nighttime, or as a 24-hour average, in the proposed project site vicinity, the Planning Department shall require the preparation of an analysis that includes, at a minimum, a site survey to identify potential noise-sensitive uses within 900 feet of, and that have a direct line-of-sight to, the project site, and including at least one 24-hour noise measurement (with maximum noise level readings taken at least every 15 minutes), prior to the first project approval action. The analysis shall be prepared by persons qualified in acoustical analysis and/or engineering and shall demonstrate with reasonable certainty that the proposed use would comply with the use compatibility requirements in the general plan and Police Code section 2909, would not adversely affect nearby noise-sensitive uses, and that there are no particular circumstances about the proposed project site that appear to warrant heightened concern about noise levels that would be generated by the proposed use. Should such concerns be present, the Department may require the completion of a detailed noise assessment by person(s) qualified in acoustical analysis and/or engineering prior to the first project approval action.	Project sponsor, project contractor(s).	Design measures to be incorporated into project design; prior to issuance of a building permit.	Planning Department; Port of San Francisco.	Considered complete upon approval of final construction drawing set.
Air Quality Mitigation Measures				
Project Mitigation Measure 6 – Construction Emissions Minimization (Based on Mitigation Measure G-1 in the <i>Eastern Neighborhoods FEIR</i>).	Project sponsor, project contractor(s).	Prior to issuance of a permit specified in Section 106A.3.2.6 of the San Francisco Building Code.	Project sponsor/contractor(s) and the ERO.	Considered complete upon findings by ERO that plan is complete.
<p>400-600 20TH STREET, PIER 70 ("20TH STREET HISTORIC CORE") MITIGATION MONITORING AND REPORTING PROGRAM</p>				

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<p>Construction Emissions Minimization Plan (Plan) to the Environmental Review Officer (ERO) for review and approval by an Environmental Planning Air Quality Specialist. The Plan shall detail project compliance with the following requirements:</p> <p>1. All off-road equipment greater than 25 hp and operating for more than 20 total hours over the entire duration of construction activities shall meet the following requirements:</p> <p>a) Where access to alternative sources of power are available, portable diesel engines shall be prohibited;</p> <p>b) All off-road equipment shall have:</p> <ul style="list-style-type: none"> i. Engines that meet or exceed either USEPA or ARB Tier 2 off-road emission standards, <i>and</i> ii. Engines that are retrofitted with an ARB Level 3 Verified Diesel Emissions Control Strategy (VDECS).¹ <p>c) Exceptions:</p> <ul style="list-style-type: none"> i. Exceptions to A(1)(a) <i>may</i> be granted if the project sponsor has submitted information providing evidence to the satisfaction of the ERO that an alternative source of power is limited or infeasible at the project site and that the requirements of this exception provision apply. Under this circumstance, the sponsor shall submit documentation of compliance with A(1)(b) for onsite power generation. ii. Exceptions to A(1)(b)(ii) <i>may</i> be granted if the project sponsor has submitted information providing evidence to the satisfaction of the ERO that a particular piece of off-road equipment with an ARB Level 3 VDECS is: (1) technically not feasible, (2) would not produce desired emissions reductions due to expected operating modes, (3) installing the control device would create a safety hazard or impaired visibility for the operator, or (4) there is a compelling emergency need to use off-road equipment that are not retrofitted with an ARB Level 3 				

¹ Equipment with engines meeting Tier 4 Interim or Tier 4 Final emission standards automatically meet this requirement, therefore a VDECS would not be required.

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<p>VDECS and the sponsor has submitted documentation to the ERO that the requirements of this exception provision apply. If granted an exception to A(1)(b)(ii), the project sponsor must comply with the requirements of A(1)(c)(iii).</p> <p>iii. If an exception is granted pursuant to A(1)(c)(ii), the project sponsor shall provide the next cleanest piece of off-road equipment as provided by the step down schedules in Table A1 below.</p> <p>TABLE A1 OFF-ROAD EQUIPMENT COMPLIANCE STEP DOWN SCHEDULE*</p> <table border="1"> <thead> <tr> <th>Compliance Alternative</th> <th>Engine Emission Standard</th> <th>Emissions Control</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tier 2</td> <td>ARB Level 2 VDECS</td> </tr> <tr> <td>2</td> <td>Tier 2</td> <td>ARB Level 1 VDECS</td> </tr> <tr> <td>3</td> <td>Tier 2</td> <td>Alternative Fuel*</td> </tr> </tbody> </table> <p>*How to use the table. If the requirements of (A)(1)(b) cannot be met, then the project sponsor would need to meet Compliance Alternative 1. Should the project sponsor not be able to supply off-road equipment meeting Compliance Alternative 1, then Compliance Alternative 2 would need to be met. Should the project sponsor not be able to supply off-road equipment meeting Compliance Alternative 2, then Compliance Alternative 3 would need to be met. **Alternative fuels are not a VDECS</p> <p>2. The project sponsor shall require the idling time for off-road and on-road equipment be limited to no more than two minutes, except as provided in exceptions to the applicable state regulations regarding idling for off-road and on-road equipment. Legible and visible signs shall be posted in multiple languages (English, Spanish, Chinese) in designated queuing</p>	Compliance Alternative	Engine Emission Standard	Emissions Control	1	Tier 2	ARB Level 2 VDECS	2	Tier 2	ARB Level 1 VDECS	3	Tier 2	Alternative Fuel*				
Compliance Alternative	Engine Emission Standard	Emissions Control														
1	Tier 2	ARB Level 2 VDECS														
2	Tier 2	ARB Level 1 VDECS														
3	Tier 2	Alternative Fuel*														

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<p>areas and at the construction site to remind operators of the two minute idling limit.</p> <p>3. The project sponsor shall require that construction operators properly maintain and tune equipment in accordance with manufacturer specifications.</p> <p>4. The Plan shall include estimates of the construction timeline by phase with a description of each piece of off-road equipment required for every construction phase. Off-road equipment descriptions and information may include, but is not limited to: equipment type, equipment manufacturer, equipment identification number, engine model year, engine certification (Tier rating), horsepower, engine serial number, and expected fuel usage and hours of operation. For VDECS installed: technology type, serial number, make, model, manufacturer, ARB verification number level, and installation date and hour meter reading on installation date. For off-road equipment using alternative fuels, reporting shall indicate the type of alternative fuel being used.</p> <p>5. The Plan shall be kept on-site and available for review by any persons requesting it and a legible sign shall be posted at the perimeter of the construction site indicating to the public the basic requirements of the Plan and a way to request a copy of the Plan. The project sponsor shall provide copies of Plan to members of the public as requested.</p> <p><i>B. Reporting.</i> Quarterly reports shall be submitted to the ERO indicating the construction phase and off-road equipment information used during each phase including the information required in A(4). In addition, for off-road equipment using alternative fuels, reporting shall include the actual amount of alternative fuel used.</p> <p>1. Within six months of the completion of construction activities, the project sponsor shall submit to the ERO a final report summarizing construction activities. The final report shall indicate the start and end dates and duration of each construction phase. For each phase, the report shall include detailed information required in A(4). In addition, for off-road equipment using</p>	Project sponsor, contractor(s).	Quarterly Within 6 months of completion of construction activities.	Project sponsor, contractor(s); ERO. Submit a final report of construction activities.	Considered complete on findings by ERO that Plan is being/was implemented.

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alternative fuels, reporting shall include the actual amount of alternative fuel used.				
C. <i>Certification Statement and On-site Requirements.</i> Prior to the commencement of construction activities, the project sponsor must certify (1) compliance with the Plan, and (2) all applicable requirements of the Plan have been incorporated into contract specifications.	Project sponsor; contractor(s).	Prior to construction activities requiring the use of off-road equipment.	Project sponsor; contractor(s); ERO.	Considered complete upon submittal of certification statement.
Hazardous Materials Mitigation Measure				
Project Mitigation Measure 7 – Hazardous Building Materials (Mitigation Measure L-1 in the Eastern Neighborhoods FEIR). The City shall condition future development approvals to require that the subsequent project sponsors ensure that any equipment containing PCBs or DEPH, such as fluorescent light ballasts, are removed and properly disposed of according to applicable federal, state, and local laws prior to the start of renovation, and that any fluorescent light tubes, which could contain mercury, are similarly removed and properly disposed of. Any other hazardous materials identified, either before or during work, shall be abated according to applicable federal, state, and local laws.	ODI; Port of San Francisco	Prior to any demolition or construction activities.	Project sponsor.	Upon completion of proper disposal.
IMPROVEMENT MEASURES SPECIFIC TO 400-600 20th Street, Pier 70 ("20th Street Historic Core")				
Transportation Improvement Measures				
Project Improvement Measure 1 – Develop Additional Pedestrian and Roadway Treatments. As an improvement measure to reduce any potential conflicts between pedestrians and freight/delivery vehicles maneuvering in and out of loading zones and within the courtyard area, the project sponsor should provide additional pedestrian treatments to assure safe passage of pedestrians throughout the project site and reduce and/or eliminate any vehicle-pedestrian conflicts. The project sponsor should provide:	Project sponsor.	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port of San Francisco; Planning Department; SFMTA.	Considered complete upon installation and implementation of pedestrian improvements.
• High-visibility crosswalks (e.g., continental, transverse, and/or ladder marking pattern) at the intersection of 20th Street and Georgia Street. Installation of crosswalks will provide enhanced pedestrian circulation and connectivity between buildings north				

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<p>and south of 20th Street;</p> <ul style="list-style-type: none"> • Installation of ADA-accessible ramps at all proposed crosswalk locations and at a safe distance from any on-street loading zone; • Installation of STOP signs along the northbound Michigan Street approach and northbound Louisiana Street approach; • Additional signage and notifications within the courtyard area to better guide pedestrians attempting to access various buildings from the courtyard area and to maintain a safe distance from any parked or moving vehicles within the courtyard area. Special pavement markings may be installed to delineate the pedestrian walkway within the courtyard area. • Additional signage along the loading dock areas to inform non-authorized personnel that traversing these areas is strictly prohibited and proper signage should guide non-authorized personnel to the nearest appropriate path of travel. <p>All pedestrian treatments should be constructed in accordance with the California Manual on Uniform Traffic Control Devices (MUTCD). Such pedestrian treatments may require approvals by the Port of San Francisco, San Francisco Planning Department, Department of Public Works, and SFMTA's Livable Streets Subdivision, as appropriate.</p>				
Project Improvement Measure 2 – Designate Safe, Accessible, and Convenient Bicycle Parking. The proposed locations for bicycle parking within the project site have not been finalized and are subject to change. However, as an improvement measure to provide safe, accessible, and convenient bicycle parking for patrons (employees and visitors) and to reduce any potential conflicts with moving vehicles, the project sponsor should locate bicycle parking in an appropriate distance from nearby roadways or loading zones, install bicycle parking in locations that are highly visible for bicyclists, and design bicycle parking that allows for ease of access in and out of these bicycle parking areas. The project sponsor should encourage future building tenants to provide	Project sponsor.	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port of San Francisco; Planning Department; Department of Public Works (DPW); SFMTA.	Considered complete upon installation and implementation of bicycle parking.

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adequate space for Class 1 bicycle parking and to provide bicycle parking that is covered, secured and accessible for employees. The project sponsor should install Class 2 bicycle spaces along sidewalks and/or open space with adequate spacing and/or install bicycle corrals to provide an adequate number of bicycle parking spaces within a concentrated area that is at a safe, convenient distance from moving vehicles. Appropriate signage should also be installed to notify bicyclists of these on-site bicycle parking areas.				
Project Improvement Measure 3 – Designate Loading Dock Manager. During the average and peak loading hour, not all freight/delivery vehicles may be accommodated in the off-street loading spaces within the project site. As a consequence, loading and unloading vehicles may need to wait, use on-street loading facilities or possibly double park. As an improvement measure to alleviate potential adverse effects to loading activities within the project site, the project sponsor should require each building tenant to designate a loading dock manager(s) to schedule and/or direct loading vehicles, as appropriate.	Project sponsor; building tenant(s).	Ongoing during building operations.	Port of San Francisco.	Ongoing during building operations.
Project Improvement Measure 4 – Require Traffic Controllers/Flaggers for Larger Deliveries. During deliveries that require oversized vehicles that require the use of on-site loading dock facilities, or for any deliveries that would occur in the presence of high volumes of pedestrian or bicycle traffic, the project sponsor should require tenants to use flaggers to guide vehicles through and/or around the loading zones as well as guide vehicles along public roadways (e.g., 20th, Michigan, Georgia, and Louisiana Streets). Such efforts would minimize potential conflicts with other users of the roadway, including other vehicles, pedestrians, and bicyclists circulating within the project site.	Project sponsor; building tenant(s).	Ongoing during building operations for oversized delivery vehicles or during higher volumes of pedestrian or bicycle activity in the project area.	Port of San Francisco.	Ongoing during building operations.
Project Improvement Measure 5 – Limit Peak Hour Truck Movements. Any project construction traffic occurring between 7:00 a.m. and 9:00 a.m. or between 3:30 p.m. and 6:00 p.m. would coincide with peak hour traffic and could temporarily impede traffic and transit flow, although it would not be considered a significant impact. Limiting truck movements to the hours between 9:00 a.m. and 3:30 p.m. (or other times, if approved by SFMTA) would further minimize disruption of the general traffic flow on adjacent streets during the a.m. and p.m. peak periods.	Project sponsor; project contractor(s)	Ongoing during construction.	Port of San Francisco.	Upon completion of project construction.
Project Improvement Measure 6 – Develop Construction Management Plan. The project sponsor, the Port of San Francisco, and	Project sponsor, project	Prior to construction activity.	Port of San Francisco; SFMTA; San	Upon completion of

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their construction contractor(s) will meet with the Sustainable Streets Division of the SFMTA, the Fire Department, Muni, and the Planning Department to determine feasible measures to reduce traffic congestion, including potential transit disruption, and pedestrian circulation impacts during construction of the project. The project sponsor will coordinate with construction contractors for any concurrent nearby projects (e.g., along Illinois Street, between 18th and 19th Streets, and other parts of Pier 70) that are planned for construction or which later become known.	contractor(s).		Francisco Fire Department; Planning Department; Project sponsor.	project construction.
Project Improvement Measure 7 – Encourage Transit Access for Construction Workers. As an improvement measure to minimize parking demand and vehicle trips associated with construction workers, the construction contractor could include methods to encourage transit use to the project site by construction workers in the Construction Management Plan.	Project sponsor, project contractor(s).	Prior to construction activity.	Project sponsor.	Upon completion of project construction.
Project Improvement Measure 8 – Provide Project Construction Updates. As an improvement measure to minimize construction effects on nearby businesses, the project sponsor could provide regularly-updated information (typically in the form of community meetings, website, news articles, on-site posting, etc.) regarding project construction and schedule, as well as contact information for specific construction inquiries or concerns.	Project sponsor.	Prior to and during construction.	Project sponsor.	Upon completion of project construction.
Project Improvement Measure 9 – Transportation Management Plan				
<i>Metrics/Monitoring/Evaluation</i>				
<ul style="list-style-type: none"> Orton Development, Inc. (ODI) or the Port will provide a TMP coordinator for the site to ensure the following TMP is implemented. ODI will require sub-tenant compliance with TMP to make sure employers on site are offering commuter check benefits to employees, per City requirements. 	ODI; Port.	Upon building occupancy	Project sponsor; Port.	Ongoing
	ODI; tenant(s).	Ongoing during project operations	Project sponsor; Port.	Ongoing

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<ul style="list-style-type: none"> ODI will work with SFMTA and/or the Planning Department to establish quantitative mode share or non-automobile share targets for all trip purposes for workers and visitors to the site. ODI will send out an annual travel behavior survey to employers and will share its report and collected responses with the City. In Port-operated lots that serve the project, parking operators will collect data on traffic and parking occupancy during peak commute and peak events annually and report to the Planning Department and/or SFMTA. 	ODI	Prior to building occupancy	ODI; TMP Coordinator.	Complete upon establishment of mode share targets.
	ODI; tenant(s).	Annually	ODI; SFMTA; Planning Department; TMP Coordinator.	Ongoing during project operations.
	Port of San Francisco	Annually	ODI; TMP Coordinator; SFMTA; Planning Department.	Ongoing during project operations.
<i>Transit and Ride Sharing Incentives</i>				
<ul style="list-style-type: none"> ODI and the Port will require sub-tenants to adopt a transit-oriented program that promotes transit and ride sharing options before occupancy. ODI will encourage tenant employees to commute to work on Muni, Caltrain, and BART. ODI will require tenants to provide 1 partially- or fully-subsidized Muni Fast Pass or similar reasonable financial contribution to a transit Muni Fast Pass/Clipper Card for each employee in addition to the sub-tenant/employer compliance with the City's Commuter Benefits ordinance. ODI will require that all future tenants register for San Francisco's free Emergency Ride Home program. ODI will provide transit-planning tools (maps and Wayfinding information) in public spaces and common areas in coordination with site-wide wayfinding and historic interpretation. 	ODI; Port; tenants(s).	Before building occupancy	Port; TMP Coordinator; SFMTA; Planning Department.	Upon program adoption.
	ODI; Port; tenants(s).	Ongoing during project operations	ODI; Port; TMP Coordinator.	Ongoing during project operations.
	ODI; tenant(s).	Ongoing during project operations	ODI; Port; TMP Coordinator.	Ongoing during project operations.
	ODI; tenant(s).	Upon building occupancy.	ODI; Port; TMP Coordinator.	Ongoing during project operations.

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<i>Bicycling Incentives</i>				
<ul style="list-style-type: none"> ODI will provide secure Class I and/or Class II bicycle parking in a manner that meets the planning code requirements. For this project, ODI will provide a minimum of 33 Class 1 bicycle parking spaces and 30 Class 2 bicycle parking spaces as required in SF Planning Code, Sections 155.2 and 155.3. 	ODI	Design measures to be incorporated into project design; prior to issuance of a building permit.	ODI; Port.	Upon completion of construction.
<ul style="list-style-type: none"> The location of the bicycle parking is expected to be in the project courtyard and in areas north of Buildings 101, 102, and 104. The exact locations are being determined and will be submitted for Port schematic review. As required by Planning Code 155.1(e)(4), "All plans will indicate the "location, dimensions, and type of bicycle parking facilities to be provided, including the model or design of racks to be installed and the dimensions of all aisle, hallways, or routes used to access the parking." 	ODI	Design measures to be incorporated into project design; prior to issuance of a building permit.	ODI; Port.	Upon completion of construction.
<ul style="list-style-type: none"> The Port and ODI agree to coordinate with SFMTA and SF Bike Share representatives to discuss the potential of installing a Pier 70 20th Street Historic Buildings SF Bike Share Station. ODI will provide tire inflation and quick repair stations. 	ODI	Upon building occupancy; revisit two years after initial consultation regarding viability.	Port; ODI; SFMTA; SF Bike Share Staff; TMP Coordinator.	After second consultation.
<ul style="list-style-type: none"> ODI will provide on-site bicycles for subtenants and employers to use that are not open to the public. ODI will sponsor and promote on-site bicycle education and bicycle safety classes bi-annually. 	ODI	Ongoing during building operations.	TMP Coordinator	Upon completion of project construction.
<i>Car Sharing, Carpool, and Vanpool Incentives</i>	ODI	Upon building occupancy.	TMP Coordinator	Upon provision of bicycles.
<ul style="list-style-type: none"> The Port operated parking lot at 20th and Illinois will provide premium parking locations for carshare vehicles to meet the requirements of San Francisco Planning Code Ordinance 286- 	ODI	Bi-annually	TMP Coordinator	Ongoing during project operations.
	Port	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port	Upon allocation of parking spaces for carshare

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10, which states that projects that provide more than 10 spaces for non-residential uses must dedicate 5% of these spaces, rounded down to the nearest whole number, to short-term, transient use by vehicles from certified car sharing organizations per Section 166, which include vanpool, rideshare, taxis, or other co-operative auto programs.		building permit.		vehicles.
<ul style="list-style-type: none"> Once tenants are identified, ODI will work to encourage car share memberships and user discounts for on-site businesses. ODI and the Port will provide premium-parking locations for visiting carpool and vanpool at the Port operated lot located at 20th/Illinois Streets, in the western portion of the project site west of Michigan Street. ODI and the Port will provide premium passenger loading zone locations in the form of marked curbs. ODI will require tenants to utilize, when possible, car share programs such as Ride Share Match through 511.org. 	ODI; tenant(s). ODI; tenant(s); Port ODI; Port of San Francisco. ODI; tenant(s).	Upon building occupancy. Upon building occupancy. Design measures to be incorporated into project design; prior to issuance of a building permit. Upon building occupancy.	TMP Coordinator TMP Coordinator Port TMP Coordinator Port; TMP Coordinator	Ongoing during project operations. Ongoing during project operations. Upon design of marked curbs. Ongoing during project operations. Upon unbundling.
<i>Parking Management</i>	ODI	Design measures to be incorporated into project design; prior to issuance of a building permit.	Port; TMP Coordinator	Upon pricing at market rate.
<ul style="list-style-type: none"> Parking will be unbundled from the leasing of commercial/office spaces. ODI and Port will charge market rates for all parking. ODI will coordinate with the Port of San Francisco to designate appropriate loading and unloading passenger zones as well as 	ODI; Port. ODI; Port.	Ongoing during building operations. Design measures to be incorporated into	Port; TMP Coordinator. Port	Upon design of color curbs.

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short-term parking zones to reduce congestion along 20th Street, Louisiana Street and Michigan Street. The Port will review and approve the final plan. The Port will approve the color curbs for this project.		project design; prior to issuance of a building permit.		
Walking & Pedestrian Safety				
<ul style="list-style-type: none"> ODI will encourage future tenant employees to walk to work by providing wayfinding signage and clear and accessible information to walking maps. ODI will study dumpster and compost container locations and consider service and small truck delivery routes to reduce effects on pedestrian flow. ODI will coordinate with the Port to provide safe paths of travel for pedestrians along 20th, Georgia, Michigan, and Illinois Streets. The Port will review and approve the final plan. Primary pedestrian path of travel to Buildings 114/115/116 and Building 14 will be through the Atrium in Building 113 that will be publicly accessible. ODI will include in its subleases rules on loading and truck use of the plaza to minimize effects on pedestrians while supporting industrial tenant needs for truck loading and unloading. 	ODI; Port; tenant(s). ODI; Port. ODI; Port. ODI; tenant(s). ODI; San Francisco Fire Department.	Design measures to be incorporated into project design; prior to issuance of a building permit. Design measures to be incorporated into project design; prior to issuance of a building permit. Prior to issuance of building permit. Design measures to be incorporated into project design. Prior to occupancy. Design measures to be incorporated into project design; prior to issuance of a building permit.	TMP Coordinator TMP Coordinator Port ODI; Port. TMP Coordinator Port; TMP Coordinator; ODI; San Francisco Fire Department.	Upon implementation of improvements. Upon consideration of optimal locations. Upon implementation of improvements. Upon implementation of improvements. Prior to building occupancy.
Emergency vehicles				
<ul style="list-style-type: none"> ODI will continue to coordinate with the Port Fire Marshal to meet turn-around requirements and coordinate emergency vehicle access with traffic and pedestrian flow. 				



SAN FRANCISCO PLANNING DEPARTMENT

COMMUNITY PLAN EXEMPTION CHECKLIST

Case No.:	2013.1168E	1650 Mission St. Suite 400 San Francisco, CA 94103-2479
Project Address:	400-600 20 th Street, Pier 70 ("20 th Street Historic Core")	Reception: 415.558.6378
Zoning:	M-2 (Heavy Industrial) Use District	Fax: 415.558.6409
Block/Lot:	40-X and 65-X Height and Bulk District Block 4046, Lot 001; Block 4111, Lots 003 and 004; and a portion of Block 4052, Lot 001	Planning Information: 415.558.6377
Lot Size:	333,798 square feet total	
Plan Area:	Central Waterfront Subarea of the Eastern Neighborhoods Area Plan	
Project Sponsors:	Phil Williamson, Port of San Francisco, (415) 274-0453 and James Madsen, Orton Development, Inc., (510) 734-7605	
Staff Contact:	Andrea Contreras, (415) 575-9044, andrea.contreras@sfgov.org	

PROJECT DESCRIPTION:

The project site is located along northern and southern portions of 20th Street between Illinois and Louisiana Streets within the greater approximately 70-acre Pier 70 area bounded by Mariposa, Illinois, 22nd Streets and San Francisco Bay in San Francisco's Central Waterfront area. The project site includes four parcels (Assessor's Block 4046, Lot 001; Block 4111, Lots 003 and 004; and a portion of Block 4052, Lot 001) which contain ten Port-owned buildings (Buildings 101, 102, 104, 113, 114, 115, 116, 122, 123 and 14)¹ which are referred to as the "20th Street Historic Core." The ten buildings on the project site range in size from approximately 400 square feet (sq. ft.) to 95,157 sq. ft.

Beginning in the late 19th century, Pier 70 has been a ship building and repair facility, formerly known as the Union Iron Works ("UIW") facility, the Bethlehem Steel Shipyard, and the San Francisco Yard. Ships built at Pier 70 served the United States military from the Spanish-American War in the late-1800s through the two World Wars and into the 1970s. The previous uses of the buildings include the following: Main Office/Administration Building (Building 101), Power House (Building 102), UIW Headquarters (Building 104), UIW Machine Shop (Building 113), foundry (Building 114), new foundry and mold room (Building 115 and 116), and warehouse (Building 14). In the 1980s, Bethlehem Steel sold the shipyard to the Port of San Francisco. Since 2004, the project site has been largely vacant with some buildings used for Port maintenance storage.

To the northeast of the project site is a ship repair facility, operated under a lease with the Port by BAE Systems. This facility provides maintenance and repairs to cruise liners, pipeline tankers, military vessels, and bulk carriers and container ships and local vessels. Currently, the secured entrance to BAE Systems is located between Buildings 104 and 105 on the northern side of 20th Street.

¹ The Port of San Francisco often refers to Buildings 113/114 and 115/116 as pairs because they share common walls.

The 20th Street Historic Core currently contains approximately 270,000 gross square feet (gsf) of largely vacant industrial and office space. The proposed project would include: 1) historic renovation of the 20th Street Historic Core to satisfy current seismic, structural, and code requirements; 2) remediation of hazardous materials; 3) reuse of the buildings; 4) the addition of approximately 69,000 gross square feet (gsf) of new building space, primarily in interior mezzanines; 5) removal of approximately 5,000 gsf of previous additions to Building 104 at the northeast corner, and to Building 113 on the eastern side and western sides; 6) creation of an outdoor publicly accessible plaza to be used for events; and 7) roadway, sidewalk, and parking lot improvements as described below under "Parking, Access, Circulation and Loading". In total, the proposed project would include approximately 334,000 gsf of building space, as detailed in Tables 1 and 2, below.

Table 1 - North of 20th Street: Buildings 101, 102, 104, 122 and 123

Building No./Name	Year Built	Former Use	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 101-Bethlehem Steel Office Building	1917	Office, Light Industrial, Residential Unit	Vacant	61,311 sq. ft. total	Office, Light Industrial, Residential Unit	62,211 sq. ft. total
Building 102 - Power House	1912	Industrial	Industrial; Partial Vacant	11,266 sq. ft.	New Restaurant, New Commercial	13,831 sq. ft. total
Building 104 - UIW Headquarters	1896	Office, Medical Office, Storage	Vacant	45,759 sq. ft. total	Office, Medical Office, Storage	45,237 sq. ft. total
Building 122	1916	Mechanical Equipment	Mechanical Equipment	774 sq. ft.	Mechanical Equipment	774 sq. ft.
Building 123	1916	Industrial	Vacant	400 sq. ft.	New Commercial	400 sq. ft.

Table 2 - South of 20th Street: Buildings 14, 113/114, 115/116

Building No./Name	Year Built	Former Use	Existing Use	Existing Sq. Ft.	Proposed Use	Proposed Sq. Ft.
Building 14	1941	Warehouse	Storage	16,315 sq. ft.	Light Industrial	22,780 sq. ft.
Building 113/114- Union Iron Works Machine Shop	1885/1886	Industrial	Vacant	95,157 sq. ft.	Light Industrial, Publicly Accessible Atrium	127,163 sq. ft. total
Building 115/116	1916/1917	Warehouse	Storage	38,694 sq. ft.	Light Industrial	61,260 sq. ft.
Plaza	N/A	Industrial Yard	Courtyard	45,000 sq. ft.	Publicly Accessible Open Space, Loading	45,000 sq. ft.

The proposed historic renovation of the buildings would meet the Secretary of the Interior Standards for Treatment of Historic Buildings (the "Secretary's Standards"), building and other codes, and all other applicable requirements. The Port, in consultation with the Maritime Museum, would oversee the salvage of building contents. Contents not salvaged by the Port would be salvaged or disposed of by Orton Development, Inc. (ODI). Interior fixtures and historic materials that are part of a building would be salvaged by ODI.

Once rehabilitated, these historic office and industrial buildings would include light industrial, technology, life science, office, commercial, artisan/artist studios and showrooms, and residential and restaurant uses. The proposed project would also include an indoor lobby/atrium in Building 113, and an outdoor courtyard ("Plaza"), both of which would be accessible to the public. Finally, the proposed project would include removal of approximately 5,000 gsf of non-historic building additions to Building 104 at the northeast corner and to Building 113 on the eastern side and western sides.

Parking, Access, Circulation and Loading

The project site is accessible from Illinois and 20th Streets, and is bisected by 20th Street. Limited surface parking (approximately 75 spaces) and loading would be provided on the northern side of Buildings 101, 102, and 104 by reusing an existing parking lot north of Building 102 currently used by BAE Systems. An access ramp or stairs may be provided between Buildings 101 and 102 to provide pedestrian access from 20th Street to the parking areas behind the buildings. As part of the proposed project, the secured entrance of the BAE Systems ship repair facility would be moved approximately 100 feet north of Building 123.

A portion of Michigan Street and the area to the southeast of the intersection of 20th and Illinois Streets currently includes parking uses and self-storage in on-site containers. The existing storage containers would be relocated to the southeast corner of Pier 70. The proposed project would include the use of the

area to the west of Michigan Street as a surface parking lot with approximately 215 parking spaces. The existing asphalt would be repaired and improved lighting would be installed.

The proposed project includes repair of 20th Street adjacent to the project site, including sidewalk and other repairs. A publicly accessible atrium in Building 113 would provide the primary pedestrian access to the buildings fronting the plaza. Louisiana Street lies to the east of Building 113, and currently exists as an accessway from 20th Street to the existing Industrial Yard behind Buildings 14, 113/114 and 115/116. As part of the proposed project, Louisiana Street would be widened from 20-feet-wide to 58-feet-wide. The Louisiana Street improvements would provide truck access from 20th Street to the southern portion of the 20th Street Historic Core. The western side of Louisiana Street would provide a truck staging and loading area to serve the proposed project. An existing concrete slab on the western side of Building 113 would be modified to serve as a loading dock. Five new loading docks along the western side of Buildings 113/114 and 115/116 would also be created to provide loading for these buildings.

The proposed 400-600 20th Street project would require the following approvals:

Actions by the Port Commission

- Approval of a Lease agreement and Lease Disposition and Development Agreement (LDDA) between the Port of San Francisco and Orton Development, Inc. The Lease and LDDA authorization would constitute the approval action for the purpose of establishing the 30-day appeal period for this, CEQA exemption determination pursuant to Section 31.16 of the San Francisco Administrative Code.
- Adoption of the MMRP.

Actions by City Departments

- Approval of encroachment and building permits. (Port of San Francisco)
- Approval of a Stormwater Control Plan that demonstrates compliance with the Port's Stormwater Design Guidelines. (Port of San Francisco and San Francisco Public Utilities Commission)

EVALUATION OF ENVIRONMENTAL EFFECTS:

This Community Plan Exemption (CPE) Checklist examines the potential environmental impacts that would result from implementation of the proposed project and indicates whether such impacts are addressed in the applicable programmatic FEIR (PEIR)² for the Eastern Neighborhoods Rezoning and Area Plans (Eastern Neighborhoods FEIR). Items checked "Project-Specific Significant Impact Not Identified in PEIR" identify topics for which the proposed project would result in a significant impact that is peculiar to the project, i.e., the impact is not identified as significant in the PEIR. Any impacts not identified in the PEIR are addressed in the CPE Checklist below.

² In this CPE Checklist, the acronyms FEIR and PEIR both refer to the Eastern Neighborhoods Rezoning and Area Plans FEIR and are used interchangeably.

Items checked "Significant Unavoidable Impact Identified in PEIR" identify topics for which a significant impact is identified in the PEIR. In such cases, the analysis considers whether the proposed project would result in impacts that would contribute to the impact identified in the PEIR. Mitigation measures identified in the PEIR are discussed under each topic area, and mitigation measures that are applicable to the proposed project are identified under each topic area and on pages 56 to 63.

For any topic that was found to result in less-than-significant (LTS) impacts in the PEIR and for the proposed project, or would have no impacts, the topic is marked "No Significant Impact (Project or PEIR)" and is discussed in the CPE Checklist below.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
1. LAND USE AND LAND USE PLANNING—Would the project:						
a) Physically divide an established community?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Have a substantial impact upon the existing character of the vicinity?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Eastern Neighborhoods FEIR determined that rezoning and establishment of new community plans constitute a regulatory program, not a physical development project; therefore, the rezoning and community plans analyzed in the FEIR would not create any new physical barriers in the Eastern Neighborhoods. The Eastern Neighborhoods FEIR also determined that the rezoning would not conflict with any applicable land use plan, policy, or regulation adopted for the purpose of avoiding or mitigating an environmental effect.

The Eastern Neighborhoods Rezoning and Area Plans (Area Plan) rezoned much of the city's industrially zoned land. The goals of the Area Plan were to reflect local values, increase housing, maintain some industrial land supply, and improve the quality of all existing areas with future development. A major issue discussed in the Area Plan process was the degree to which existing industrially zoned land would be rezoned to primarily residential and mixed-use districts, thus reducing the availability of land traditionally used for PDR (Production, Distribution, and Repair) employment and businesses.

The Eastern Neighborhoods FEIR evaluated three land use alternatives. Option A retained the largest amount of existing land that accommodated PDR uses and converted the least amount of industrially zoned land to residential use. Option C converted the most existing land accommodating PDR uses to residential and mixed uses. Option B fell between Options A and C.

While all three options were determined to result in a decline in PDR employment, the loss of PDR jobs was determined to be greatest under Option C. The alternative ultimately selected – the 'Preferred

Project³ – represented a combination of Options B and C. Because the amount of PDR space to be lost with future development under all three options could not be precisely gauged, the FEIR determined that the Preferred Project would result in a significant and unavoidable impact on land use due to the cumulative loss of PDR use in the Plan Area. This impact was addressed in a Statement of Overriding Considerations with CEQA Findings and adopted as part of the Eastern Neighborhoods Rezoning and Area Plans approval on January 19, 2009.

The project site is in the Central Waterfront Plan Subarea of the San Francisco General Plan and is in the Heavy Industrial (M-2) Zoning District. This district is the least restricted in terms of permissible land uses and is primarily located along the eastern edge of the San Francisco, separated from residential and commercial areas. The heavier industries are permitted, with fewer requirements as to screening and enclosure than in Light Industrial M-1 Districts, but many of these uses are permitted only as conditional uses or at a considerable distance from Residential Districts. Most of the land zoned M-2 is controlled by the Port of San Francisco. The proposed historic renovation, reuse, and improvement of the 20th Street Historic Core is consistent with the zoning controls and uses permitted within the M-2 District.

The proposed project would not create any new physical barriers in the Eastern Neighborhoods. The proposed project would include historic renovation and reuse of the 20th Street Historic Core and improvement of roadways, sidewalks, and parking lots within the project site. Consequently, the proposed project would not physically disrupt or divide the project area or individual neighborhoods or subareas.

Records show that the existing buildings on the project site were constructed between 1885-1941, and have been used for a variety of industrial uses, including manufacture, maintenance, and repair of destroyers and submarine ships from World War I into the 1970s. Operations at the site have also included administration and engineering offices, metal foundries, warehouses, machine shops and powerhouses containing boilers and transformers. The most recent land use on the project site included powerhouse energy distribution for the adjacent BAE Systems ship repair, and warehousing/storage.^{3,4} The proposed project would result in the renovation and reuse of the site, including up to approximately 212,400 sf of light industrial use. Thus, the proposed project would reintroduce PDR use to the Area Plan.

As noted above, the Eastern Neighborhoods FEIR determined that the cumulative loss of PDR use in the Plan Area would result in a significant and unavoidable land use impact. However, the FEIR also determined that the land use regulations that apply throughout most of the Area Plan, including the project area, would not substantially change, and that implementation of the Eastern Neighborhoods Area Plan would not result in significant land use changes in these areas. The proposed project would not result in a cumulatively considerable contribution to the significant and unavoidable cumulative land use impact related to the loss of PDR use under the Eastern Neighborhoods Area Plan because the proposed project would not remove an existing PDR use and would include up to 212,399 sf of PDR and/or light industrial uses on the project site. While Land Use Mitigation Measure A-1 was identified to address the land use impact as it related to the Western South of Market (SoMa) area, this measure was determined to

³ Tetra Tech, Inc. "Phase I Environmental Site Assessment- Pier 70 Mixed Use Opportunity Area, Corner of Illinois Street and 20th Street", August 1998.

⁴ Ecology and Environment, Inc., "Phase I Brownfields Environmental Site Assessment Report - Pier 70 Maritime Use Area", March 2001.

be infeasible and is not applicable to the proposed project because the project site is not located in Western SoMa.

For the above reasons, the proposed project would not result in significant impacts on land use that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
2. AESTHETICS—Would the project:						
a) Have a substantial adverse effect on a scenic vista?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and other features of the built or natural environment which contribute to a scenic public setting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Substantially degrade the existing visual character or quality of the site and its surroundings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area or which would substantially impact other people or properties?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that implementation of the design policies of the area plans would not substantially degrade the visual character or quality of the area, have a substantial adverse effect on a scenic vista, substantially damage scenic resources that contribute to a scenic public setting, or create a new source of substantial light or glare which would adversely affect day or nighttime views in the area or which would substantially impact other people or properties. No mitigation measures were identified in the FEIR.

Public Resources Code Section 21099(d), effective January 1, 2014, provides that, “aesthetics and parking impacts of a residential, mixed-use residential, or employment center project on an infill site located within a transit priority area shall not be considered significant impacts on the environment.” Accordingly, aesthetics and parking are no longer to be considered in determining if a project has the potential to result in significant environmental effects for projects that meet all of the following three criteria:

- a) The project is in a transit priority area;
- b) The project is on an infill site; and
- c) The project is residential, mixed-use residential, or an employment center.

The proposed project meets each of the above three criteria and thus this checklist does not consider aesthetics in determining the significance of project impacts under CEQA.⁵

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
3. POPULATION AND HOUSING—Would the project:						
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Displace substantial numbers of existing housing units or create demand for additional housing, necessitating the construction of replacement housing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that the anticipated increase in population and density resulting from implementation of the area plans would not result in significant adverse physical effects on the environment. No mitigation measures were identified in the FEIR.

The proposed project would not involve the displacement of people. No housing would be removed; therefore the construction of replacement housing would not be necessary. In addition, the proposed project would not add any new infrastructure that would indirectly induce population growth.

The Eastern Neighborhoods FEIR concluded that an increase in population in the Plan Area is expected to occur as a secondary effect of the proposed rezoning and that any population increase would not, in itself, result in adverse physical effects, but would serve to advance some key City policy objectives, such as providing housing in appropriate locations next to Downtown and other employment generators and furthering the City's Transit First policies. It was anticipated that the rezoning would result in an increase in both housing development and population in all of the Area Plan neighborhoods. The proposed project would not induce substantial population growth and any increase in population would be within the scope of the Eastern Neighborhoods FEIR analysis. For the above reasons, the proposed project would not result in significant impacts on population and housing that were not identified in the Eastern Neighborhoods FEIR.

⁵ Transit-Oriented Infill Project Eligibility Checklist for 400-600 20th Street, Pier 70 ("20th Street Historic Core), February 3, 2014. This document is on file and available for public review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
4. CULTURAL AND PALEONTOLOGICAL RESOURCES—Would the project:						
a) Cause a substantial adverse change in the significance of a historical resource as defined in §15064.5, including those resources listed in Article 10 or Article 11 of the San Francisco Planning Code?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to §15064.5?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Disturb any human remains, including those interred outside of formal cemeteries?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Historic Architectural Resources

Pursuant to CEQA Guidelines Sections 15064.5(a)(1) and 15064.5(a)(2), historic resources are buildings or structures that are listed, or eligible for listing, in the California Register of Historical Resources, or identified in a local register of historic resources, such as Articles 10 and 11 of the San Francisco Planning Code. The Eastern Neighborhoods FEIR anticipated that program implementation may result in demolition of buildings identified as historical resources, and found this impact to be significant and unavoidable.⁶ Mitigation measures identified in the Eastern Neighborhoods FEIR, discussed below, would not reduce these impacts to less-than-significant levels. This impact was addressed in a Statement of Overriding Considerations with Findings and adopted as part of the Eastern Neighborhoods Plan approval on January 19, 2009.

Mitigation measures were identified in the FEIR to address significant impacts to historical resources in the Eastern Neighborhoods Plan Area. However, these Historical Resource Mitigation Measures from the FEIR do not apply to the proposed project. Mitigation Measure K-1 would not apply because applicable historic resources surveys in the project area have been completed and adopted by the Historical Preservation Commission. Mitigation Measure K-2 would not apply to the proposed project because it is not located in the South End Historic District. Historical Resources Mitigation Measure K-3 would not apply because the project site is not within the Dogpatch Historic District.⁷

⁶ San Francisco Planning Department, Eastern Neighborhoods Rezoning and Area Plans FEIR, certified August 7, 2008, pp. 456-474.

⁷ San Francisco Planning Department, Eastern Neighborhoods Rezoning and Area Plans FEIR, certified August 7, 2008, p. 518-522.

Pursuant to Article 10 of the Planning Code and as shown on Zoning Map PD08, the project site is not in an existing local historic district, although the project site includes buildings that contribute to a potential historic district (United Iron Works Historic District) as described below. Pursuant to Article 11 of the Planning Code and as shown on Zoning Map PD08, the project site is not in an existing conservation district.

The Pier 70 Historic Buildings consist of Buildings 14, 101, 102-122, 104-123, 113/114, and 115/116, all of which contribute to the eligible Union Iron Works Historic District, which has been nominated for listing in the National Register of Historic Places (National Register) by the California State Historic Resources Commission. The ten buildings range in size from approximately 400 square feet (sq. ft.) to 95,157 sq. ft. Previous uses of the subject buildings include: Main Office/Administration Building (Building 101), Compressor House (Building 102), UIW Headquarters (Building 104), UIW Machine Shop (Building 113), foundry (Building 114), new foundry and mold room (Building 115 and 116), and warehouse (Building 14). In the 1980s, Bethlehem Steel sold the shipyard to the Port of San Francisco. Since 2004, the project site has been partially vacant with some buildings used for Port maintenance storage and Shipyard electrical equipment.

The eligible Union Iron Works Historic District (District) is a sixty-five-acre property owned by Port of San Francisco, located on the east side of Illinois Street between 18th and 22nd Streets along San Francisco Bay in San Francisco's Central Waterfront area. The District is associated with the first steel hull shipyard on the West Coast, as well as ongoing ship construction and repair activities that played a significant role in the creation of the United States steel hull ship building industry. The shipyard also directly supported naval operations during all major wars between the Spanish-American War and World War II. The District includes significant examples of industrial architecture from all periods of construction and expansion at the shipyard, including notable architect and engineer designed buildings. The District illustrates the evolution of factory design from the opening of the yard in the early 1880s to the end of World War II. The District has a period of significance ranging from 1884 to 1945.

The District is comprised of forty-four (44) contributing and ten (10) non-contributing resources, including buildings, wharves, piers, slipways, cranes, segments of a railroad network, and landscape elements. The buildings represent a range of industrial architecture, including heavy brick masonry buildings in the American round-arched style; Renaissance Revival-style brick buildings; steel framed, sheet metal clad buildings featuring industrial roof forms, such as saw-tooth and Aiken roofs; and reinforced concrete buildings featuring Mediterranean and Classical Revival-style detailing or early expressions of Moderne style. Several high-style buildings along 20th Street were designed by prominent San Francisco architectural firms during the late nineteenth and early twentieth centuries, such as Percy & Hamilton (Building 104), Charles Peter Weeks (Building 102), and Frederick H. Meyer (Building 101). The District also consists of waterfront structures inherent to shipbuilding and ship repair, including slipways and cranes associated with ship hull construction, and wharves, piers, wet basins and floating drydocks for ship outfitting and ship repair activities. The District maintains exceptional integrity in terms of location, design, setting, materials, workmanship, feeling, and association.

The entire sixty-five-acre property was previously identified in the San Francisco Planning Department's 2001 Central Waterfront Cultural Resources Survey as an eligible National Register Historic District. The California Office of Historic Preservation (OHP) determined that the shipyard was eligible for the National Register in 2001. On February 7, 2014, at the request of the Port of San Francisco, the California

State Historic Resources Commission nominated the District for listing on the National Register. As keeper of the register, the National Park Service will consider the nomination in Spring 2014.

Therefore, for the purposes of the California Environmental Quality Act (CEQA), Buildings 14, 101, 102-122, 104-123, 113/114, and 115/116 are considered to be individually-eligible historic resources, as well as contributors to the Union Iron Works Historic District. As described below, Planning Department staff found that the proposed project would not result in substantial adverse changes in the significance of a historic resource such that the significance of the District would be materially impaired, and would be consistent with the Secretary of the Interior Standards for Rehabilitation (Secretary's Standards).⁸ As such, the proposed project would not contribute to the significant and unavoidable impacts identified in the Eastern Neighborhoods Plan FEIR.

Building 14

The proposed project would rehabilitate Building 14 consistent with the applicable requirements of the Port Building Code and the California Historical Building Code. Building repairs and alterations would address building deficiencies and meet modern usage standards. Specifically, the proposed project would repair existing roofing, repair or replace in-kind missing or irreparable deteriorated windows and doors, pour a new concrete slab floor (raising the interior floor level to correspond with the level of new exterior paving at south and west sides), create accessible entries to the space, construct accessible bathrooms, and install new electrical, HVAC, fire safety, phone, data, water, sewer and gas utilities to meet applicable code requirements. The proposed project would prepare the historic industrial building for new light industrial uses, but would not include tenant specific improvements or buildout which would be designed in the future as leases are executed with a tenant(s). However, the work would provide a secure building envelope with new infrastructure to support a contemporary industrial occupancy including restrooms, disabled access, heating, cooling, electrical, communications and loading.

The proposed project would adaptively reuse the existing warehouse for light industrial use, which may include accessory offices, work spaces and laboratory uses. To accommodate this new light industrial use, the proposed project would add a new partial floor level, which would subdivide a portion of the interior space into two floor levels. The addition of a new partial floor level still maintains a portion of the double-height space, thus maintaining a sense of the building's original spatial configuration. On the exterior, the proposed project would insert a pair of glazed loading doors and windows on the west façade and an egress door on the east façade. The new windows would match the profile, material and configuration of the historic windows. To accommodate the new windows and doors, the proposed project would remove some exterior corrugated steel siding. Although some of the exterior corrugated steel siding would be removed, the majority of this siding would remain, be repaired, or replaced in-kind, thus maintaining the exterior character and appearance of the building. Other elements of the proposed project, including the window rehabilitation/replacement, repair of the interior structural steel, and addition of new skylights on the roof, would be conducted according to standard historic preservation practices as outlined within the evaluation report. Therefore, the HRER found that the proposed modifications to Building 14 would maintain the character-defining features of the historic property and

⁸ Rich Sucre, Historic Resource Evaluation Response (HRER) for 400-600 20th Street, aka Pier 70 Historic Buildings (Buildings 14, 101, 102-122, 104-123, 113/114, 115/116), February 18, 2014. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

would be consistent with the Secretary of the Interior's Standards for Rehabilitation ("Secretary's Standards").⁹

Building 101

The proposed project would rehabilitate Building 101 consistent with the applicable Port Building Code and the California Historical Building Code. Building repairs and alterations would address building deficiencies and meet modern usage standards. Specifically, the proposed project would repair existing roofing, repair or replace in-kind missing or irreparable deteriorated windows, make existing toilet rooms operational, construct accessible bathrooms, create accessible entries to the space, and install new electrical, HVAC, fire safety, phone, data, water, sewer and gas utilities that would be upgraded to meet applicable code requirements. Existing infrastructure systems would serve the building, with new laterals as required. The proposed project would prepare the historic office building for new office uses, providing a secure building envelope with new infrastructure to support a contemporary office occupancy including restrooms, disabled access, heating, cooling, electrical and communications.

The proposed project would maintain the building's historic use as an office building, thus minimizing any significant changes to the exterior or interior. In terms of exterior work, the proposed project calls for the repair or in-kind replacement of the exterior stucco, cast-concrete ornamentation, wood-sash windows, and skylights, as well as the addition of an accessibility ramp at the main entry at the corner of Illinois and 20th Street and the reconstruction of the rooftop residential unit. Generally, the construction of the accessibility ramp is additive in nature, but it does call for the removal of a ten-to-twelve-foot section of a historic iron fence and the infill of two below-grade windows. Despite the removal of some historic material, this work is considered acceptable, since the historic iron fence would be salvaged, repaired, and re-used on other portions of the site, while the two below-grade windows would be infilled in a manner that preserves the historic openings and ornamentation, thus minimizing the impact on historic materials. The reconstruction of the existing rooftop residential unit would not impact any distinctive historic materials or features of the subject property or district, and would be designed in a manner similar to the design of the existing rooftop apartment, thus not affecting the overall historic character of the building. Other elements of the proposed project, including the window rehabilitation/replacement, repair of the exterior stucco, and repair of the cast-concrete ornamentation, would be conducted according to standard historic preservation practices, as outlined within the evaluation report.

Within the interior, the proposed project would preserve, repair and rehabilitate the major interior spaces, including the original entry lobbies and stairs, first floor executive office wings and theater. The project would add new shear walls within the interior to provide for seismic reinforcement. Any non-contributing hollow clay tile walls within the interior would be removed due to seismic safety concerns. Generally, the hollow clay tile walls are not attached to historic interior materials, and their removal would not affect any significant features or spaces within the interior. Therefore, the HRER found that the proposed modifications to Building 101 would maintain the character-defining features of the historic property and would be consistent with the Secretary's Standards.

⁹ HRER, pp. 7-8.

Buildings 102 and 122

The proposed project would rehabilitate Building 102 and the adjacent Building 122 consistent with the applicable Port Building Code and the California Historical Building Code. The proposed work includes rehabilitation of the shell of the buildings and the addition of a rear deck on the north side of Building 102. The proposed project would ready the buildings for new restaurant/office uses, but would not include tenant specific improvements or build-out which would be designed in the future as tenant leases are executed. However, the building improvements would provide a sound shell with new infrastructure to support restaurant/office occupancy including restrooms, disabled access, heating, cooling, electrical and communications, as well as freight loading facilities. Specifically, the project would repair or replace existing roofing, repair or replace in-kind missing or irreparable deteriorated windows, create accessible entries including access alterations at the front (south), add a new deck with associated building alterations at the rear (north), remove the existing electrical equipment and selectively remove and alter the interior to accommodate a future change of use, install new electrical, HVAC, fire safety, phone, data, water, sewer and gas utilities to meet applicable code requirements. Existing infrastructure systems would serve the building, with new laterals as required. To the extent feasible, the proposed project would include measures to reduce storm water impacts on the City's combined sewer system.

At Building 102, the proposed project would adaptively reuse the former industrial power house for light industrial and commercial use. To accommodate these uses, the project would add a new exterior deck, a new accessibility ramp at the main entrance, remove two of the four existing historic turbines, and add an interior mezzanine at the same level as the historic crane rail. On the exterior, the project would add a new exterior deck along the entire north façade, which would not be physically attached to the historic building, thus minimizing the impact on historic materials. This new deck would rest below the arched window sills at the belt course level, and would be designed in a contemporary architectural style, thus providing for differentiation, yet compatibility, to the historic building. The new accessibility ramp on the south façade would be additive in nature and low in profile. To accommodate this new ramp, the project requires minimal alterations to historic site features, including the existing historic fence, planter walls and curbs, which would primarily be maintained in place, though the project would include selective removal of some of these elements. Overall, the historic site features associated with Building 102 would be preserved. Within the interior, the addition of a new partial mezzanine would allow for a sense of the original double-height space, thus maintaining the impression of the building's original spatial configuration. Similarly, the removal of two of the four historic turbines still allows for the exhibition of this historic equipment, since two of the turbines would remain in place. Other elements of the proposed project, including the window rehabilitation/replacement, repair of the exterior stucco/cement plaster, preservation/repair of the exterior terracotta, and repair of the clay roof tiles, would be conducted according to standard historic preservation practices as detailed within the HRER.

At Building 122, the proposed project consists mainly of interior tenant improvements, as well as limited exterior work, including the rehabilitation and preservation of the stucco-clad walls and clay tile roof. The proposed project would have minimal impact upon this building.

Overall, the proposed project maintains the historic character of the subject properties, as defined by their character-defining features. Therefore, the HRER found that the proposed modifications to Buildings 102

and 122 would maintain the character-defining features of the historic property and would be consistent with the Secretary's Standards.¹⁰

Buildings 104 and 123

The proposed project would rehabilitate Building 104 consistent with the applicable Port Building Code and the California Historical Building Code. Building repairs and alterations would address building deficiencies and meet modern usage standards. The proposed rehabilitation would repair Building 104's historic interior and exterior including the architectural elements of the exterior, the roof, and character defining interior spaces and elements. Proposed alterations would be limited to the creation of two small decks on the roof of the north additions, the insertion of structural bracing on the interior, and installation of an elevator in the existing vault that would allow the building to meet ADA requirements and the needs of contemporary office users. The proposed project would ready the building for new office uses, but would not include tenant specific improvements or build-out which would be designed in the future as leases are executed.

At Building 104, the proposed project would rehabilitate the former office/hospital for either new office use or light industrial use, which would generally require minimal change to the exterior and interior. Aside from the preservation and repair of historic materials, the proposed project calls for minimal exterior alterations. The proposed project would preserve and rehabilitate the 1940s additions on the rear façade, since these elements have gained significance in their own right. On the exterior, the project would convert two windows on the third floor of the north façade into doorways, and would establish a new roof on the third floor of the 1940s addition. Both of these alterations would require minimal change to the historic fabric. Other elements of the proposed project, including the window and skylight rehabilitation/replacement, cleaning/repair of the exterior brick and sandstone, and the repair/rehabilitation of the ornamental copper, would be conducted according to standard historic preservation practices as outlined within the HRER.

Within the interior, the proposed project would include infrastructure and seismic upgrades, as well as the preservation, repair and rehabilitation of major interior features and spaces, including the main interior stair, cast iron columns, and timber/wood trusses (third floor only). The proposed project identifies four potential seismic schemes. Scheme A includes stacked steel frames and concrete shear walls within the interior—Independent of the exterior walls. Scheme B includes Perimeter shotcrete on the inside façade of the exterior walls. Scheme C includes perimeter braced steel-frames or concrete shear walls at inside face of the exterior walls. Scheme D includes infill voids in the masonry walls and adding fiber reinforcement at the interior face of the exterior walls. Schemes A and C would be considered consistent with Secretary's Standards, since they would be limited to the interior, would not have an impact upon any character-defining feature, and are reversible in nature. Scheme B would also be an acceptable treatment, since the interior walls were not historically exposed. Scheme D would also be an acceptable treatment, since window and door openings would not be altered, the brick cavity would be infilled, and the overall exterior appearance would not be changed from the period of significance. Other work within the interior is limited to tenant improvements and other infrastructure upgrades, which would be undertaken in a manner that is sensitive towards the historic character of the structure according to standard historic preservation practices as outlined within the HRER.

¹⁰ HRER, pp. 14-15.

At Building 123, the proposed project consists mainly of interior tenant improvements, though there would be limited exterior work, including the rehabilitation and preservation of the stucco-clad walls and clay tile roof.

Therefore, the HRER found that the proposed modifications to Buildings 104 and 123 would maintain the character-defining features of the historic property and would be consistent with the Secretary's Standards.¹¹

Building 113/114

The proposed project would rehabilitate Building 113/114 consistent with the applicable Port Building Code and the California Historical Building Code. Building repairs and alterations would address building deficiencies and meet modern usage standards. Specifically, the proposed project would install seismic mezzanines and braces, pour a new concrete slab floor, repair or replace existing roofing, repair or replace in-kind missing or irreparable deteriorated windows, repair or replace existing masonry walls, construct accessible bathrooms, create accessible entries to the space, install new electrical, HVAC, fire safety, phone, data, water, sewer and gas utilities that would be upgraded to meet applicable code requirements. Existing infrastructure systems would serve the building, with new laterals as required.

Seismic strengthening would include the insertion of structural steel framing and two levels of concrete mezzanines on the building's interior to seismically retrofit the resource by providing lateral and vertical support. In addition, the unreinforced masonry walls would be repaired and strengthened. This proposed work has been designed so that it would not substantially affect existing character defining features of the resource, most notably the building's large open interior. None of the structural work would be visible from the building's exterior, with the exception of areas with potential for additional through-bolting at the mezzanine and roof levels.

Several small World War II-era restroom and storage structures appended to the exterior of the building at its east and south sides would be removed as part of the project. Those at the east side are minor additions and in poor condition. These structures obscure portions of Building 113/114 from inside as well as outside. They are proposed for removal because they lack distinction and removal would facilitate the rehabilitation of the building's exterior and reuse of the building. Associated with these two structures is an existing concrete pad at the northeast end of Building 113 which would be retained and modified to accommodate a truck loading platform, over which a new, freestanding roof canopy would be constructed.

The proposed project would maintain the Building's industrial use, and adapt it for contemporary light industrial use. Due to the existing condition of Building 113/114, the proposed project includes an extensive program for stabilization, strengthening and repair of historic materials. To accommodate new industrial uses, the project includes conversion of three arched windows on the west façade and one arched window on the east façade into upward acting loading doors, construction of new loading docks on the west and east façades, removal of non-historic bathroom structures, removal of the non-historic roll-up door within the concrete connector, and installation of a new wood-and-glass bi-fold door within the central archway. Other elements of the exterior work include an extensive window rehabilitation/replacement program, an extensive brick masonry cleaning and repair program,

¹¹ HRER, pp. 17-19.

installation of new pedestrian doorways, and a skylight repair/replacement program. The proposed project includes a detailed conditions assessment, which provides an outline for the recommended treatments for the repair and preservation of the existing brick and windows, which are both severely deteriorated. This treatment plan provides sufficient information for informed decisions on repairing or replacing important historic elements of Building 113/114. Other aspects of the exterior work, including the construction of the loading docks and conversion of some arched windows into loading doors, would require minimal impact to character-defining features and would maintain the overall historic character of the subject property by providing for compatible new elements, which match the design, style and configuration of historic features.

Within the interior, the project would construct two mezzanine levels to provide for seismic bracing and additional square footage, and would construct full-height glazed walls within the Connector. The Connector is the stucco building that is part of Building 113/114 that connects the two brick portions of the building and features the Classical Revival elements of Building 113/114. The proposed mezzanines would align to the existing column grid, and would include a series of bridges over the central triple-height space. Despite the construction of the mezzanines, the project would maintain a sense of the triple-height interior volume, thus preserving an interior character-defining feature of the interior. Similarly, the new glazed walls between the Connector and the rest of Building 113/114 would provide for visual continuity and a sense of the overall interior volume. Overall, these alterations would maintain important character-defining features and would preserve the interior historic character.¹² Therefore, the HRER found that the proposed modifications to Buildings 113/114 would be consistent with the Secretary's Standards.

Building 115/116

The proposed project would rehabilitate Building 115/116 consistent with the applicable Port Building Code and the California Historical Building Code. Building repairs and alterations would address building deficiencies and meet modern usage standards. Specifically, the proposed project would install seismic braces, pour a new concrete slab floor, repair or replace existing roofing, repair or replace in-kind missing or irreparable deteriorated windows, create accessible entries to the space, and install new electrical, HVAC, fire safety, phone, data, water, sewer and gas utilities that would be upgraded to meet applicable code requirements. Existing infrastructure systems would serve the building, with new laterals as required. The proposed project would ready the building for new light-industrial uses, along with potential accessory uses such as offices, workspaces and/or laboratories, but would not include tenant specific improvements or build-out which would be designed in the future as leases are executed with a tenant(s).

The proposed project would adaptively reuse the existing warehouse for light industrial use, which may include accessory offices, work spaces and laboratory uses. To accommodate this new light industrial use, the project would construct new loading docks along the west façade, install new loading doors along the east façade, and replace the existing multi-lite wood-sash windows with new, multi-lite steel-sash windows. The addition of the loading dock and the new loading dock doors are consistent and compatible with the building's historic character, since these new elements would be additive and would not impact any character-defining feature. Given the extent of deterioration and difficulty in replicating

¹² HRER, pp. 20-23.

this unique type of window, replacement of the wood-sash windows with new, steel-sash windows is considered to be a compatible alteration, since the new windows would match the design of the historic windows and would be consistent with the overall historic character of Building 115/116. Other elements of the proposed project, including the skylight rehabilitation/replacement, repair of exterior concrete, and repair of the metal roof, would be conducted according to standard historic preservation practices as outlined within the evaluation report. Overall, the project maintains historic character of the subject property, as defined by the character-defining features. Within the interior, the project calls for strengthening of the existing structural elements by adding new steel frames. This alteration would be consistent and compatible with the interior's historic character. Therefore, the HRER found that the proposed modifications to Buildings 115/116 would be consistent with the Secretary's Standards.

In conclusion, in view of all of the above, the proposed project would not have a significant impact on historic resources. The proposed project would not result in significant adverse impacts on individual or off-site historical resources such as the eligible Union Iron Works Historic District. The proposed project would not have a significant adverse impact on any historic architectural resources, individually or cumulatively. For these reasons, implementation of the proposed project would not result in significant impacts on historic architectural resources and would not contribute to the significant impacts identified in the Eastern Neighborhoods FEIR. No mitigation measures are necessary.

Archaeological Resources

The Eastern Neighborhoods FEIR identified potential archeological impacts related to the Eastern Neighborhoods Area Plan and identified three mitigation measures that would reduce impacts on archeological resources to less than significant. Eastern Neighborhoods FEIR Mitigation Measure J-1 applies to properties for which a final archeological research design and treatment plan is on file at the Northwest Information Center and the Planning Department. Mitigation Measure J-2 applies to properties for which no archeological assessment report has been prepared or for which the archeological documentation is incomplete or inadequate to serve as an evaluation of potential effects on archeological resources under CEQA. Mitigation Measure J-3, which applies to properties in the Mission Dolores Archeological District, requires that a specific archeological testing program be conducted by a qualified archeological consultant with expertise in California prehistoric and urban historical archeology.

No previous archeological studies have been conducted for the project site, and the site is not located within the Mission Dolores Archeological District; therefore, FEIR Mitigation Measures J-1 and J-3 do not apply to the proposed project.

Because no previous archeological studies have been prepared for the project site, FEIR Mitigation Measure J-2 (properties with no previous studies) applies to the proposed project. Mitigation Measure J-2 requires preparation of a Preliminary Archeological Sensitivity Study to assess the potential for a proposed project to have a significant impact on archeological resources. Accordingly, the Planning Department's archeologist conducted an archeological assessment review of the project site and the proposed project.¹³ The Preliminary Archeological Review (PAR) fulfills the requirement of a Preliminary Archeological Sensitivity Study, as called for in the J-2 Mitigation Measure. The archeological mitigation

¹³ Environmental Planning Preliminary Archeological Review: Checklist for 20th Street Historic Buildings from Allison Vanderslice, January 14, 2014. This document is on file and available for public review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

requirement attached to the PAR, the Archeological Monitoring Program (AMP), is described under "Mitigation Measures" on page 57, and would reduce the potential effect of the project on archeological resources. Through implementation of the AMP, an archeological consultant would determine which project construction activities may disturb any CEQA-significant archeological resources present on the project site where ground-disturbing activities would take place. If such archeological resources may be present, then project construction activities shall be monitored. This mitigation would reduce the potential effect of the project's construction on CEQA-significant archeological resources to a less-than-significant level.

Implementation of Project Mitigation Measure 1 as described on page 57 under "Mitigation Measures", which is Eastern Neighborhoods FEIR Mitigation Measure J-2 and includes implementation of the procedures set forth in the AMP, would ensure that the proposed project would not cause a substantial adverse change in the significance of an archaeological resource, would not directly or indirectly destroy a unique paleontological resource or site or unique geologic feature, and would not disturb any human remains, including those interred outside of formal cemeteries. For these reasons, implementation of the proposed project, with mitigation, would not result in significant impacts on archaeological resources and would not contribute to the significant impacts identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
5. TRANSPORTATION AND CIRCULATION—Would the project:						
a) Conflict with an applicable plan, ordinance or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Conflict with an applicable congestion management program, including but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for designated roads or highways?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Result in a change in air traffic patterns, including either an increase in traffic levels, obstructions to flight, or a change in location, that results in substantial safety risks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Result in inadequate emergency access?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The Eastern Neighborhoods FEIR anticipated that growth resulting from the zoning changes could result in significant impacts on traffic and transit ridership and identified 11 transportation mitigation measures. Even with mitigation, however, it was anticipated that the significant adverse cumulative traffic impacts at certain local intersections and the cumulative impacts on certain transit lines could not be fully mitigated. Thus, these impacts were found to be significant and unavoidable.¹⁴

The Eastern Neighborhoods FEIR identified four traffic mitigation measures to address the significant traffic impacts on levels of service at nearby intersections and improving the operating conditions at those intersections. Traffic Mitigation Measures E-1 through E-4 include traffic signal installation, intelligent traffic management systems strategies and enhanced funding for congestion management programs.¹⁵ The FEIR also identified seven transit mitigation measures to address significant transit impacts. Transit Mitigation Measures E-5 through E-11 include enhanced transit funding, transit corridor improvements, transit accessibility, muni storage and maintenance, rider improvements, transit enhancements and transportation demand management. Even with mitigation, however, cumulative impacts at certain local intersections and on certain transit lines were found to be significant and unavoidable and a Statement of Overriding Considerations related to the significant and unavoidable cumulative traffic and transit impacts was adopted as part of the FEIR Certification and project approval.

A transportation assessment was prepared for the proposed project to determine if it would result in any significant impacts on transportation and circulation, and the results of that transportation assessment are summarized below.¹⁶

Implementation of the proposed project would generate new vehicle, transit, bicycle, and pedestrian trips, compared to existing conditions. As discussed below, these new trips would not result in significant impacts on public transit services, or sidewalks. With implementation of Traffic Mitigation Measure E-1, Traffic Signal Installation, as discussed below, these new trips would not result in significant impacts on or exceed the capacity of affected intersections. Implementation of the proposed project with mitigation, as described below, would not conflict with any applicable plans, ordinances, or

¹⁴ San Francisco Planning Department, Eastern Neighborhoods Rezoning and Area Plans FEIR, certified August 7, 2008, p. 266-302.

¹⁵ San Francisco Planning Department, Eastern Neighborhoods Rezoning and Area Plans FEIR, August 7, 2008, p. 502-503.

¹⁶ CHS Consulting Group, Pier 70: 20th Street Historic Buildings Final Transportation Technical Memorandum, (hereinafter "Transportation Memo"), February 19, 2014. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

policies establishing measures of effectiveness for the performance of the circulation system and would not conflict with adopted plans, policies, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities.

The project site is not located within an airport land use plan area, or in the vicinity of a private airstrip. Therefore, topic 16c from the CEQA Guidelines, Appendix G is not applicable.

Trip Generation

Implementation of the proposed project would result in the renovation and reuse of the 20th Street Historic Core Buildings on Pier 70, including reuse of up to one residential unit, 212,399 sq. ft. of PDR/light industrial use, 96,445 sq. ft. of office use, and 13,831 sq. ft. of restaurant use. The proposed project includes 290 off-street parking spaces.

Trip generation rates for the proposed project were calculated based on the methodology in the San Francisco Transportation Impact Analysis Guidelines for Environmental Review, dated October 2002. The proposed project would generate an estimated 8,363 new weekday daily person trips, of which 850 would occur during the p.m. peak hour.¹⁷ Of the person trips taken during the p.m. peak hour, 538 trips would be by automobile, 166 would be by transit, and 146 would be by walking or other modes (bicycle, motorcycle, or taxi).¹⁸

Traffic

During the weekday afternoon/evening (p.m.) peak hour, the proposed project would generate an estimated 358 new vehicle trips.¹⁹ These new vehicle trips would not degrade the current levels of service (LOS) at nearby intersections such that they would change from LOS D or better to LOS E, or LOS F or from LOS E to LOS F.²⁰ The intersection at Cesar Chavez and Third Streets currently operates at LOS E. The proposed project would not add any vehicles to the northbound left-turning critical movement; however, the proposed project would add five vehicles to the eastbound left-turning critical movement. The project-related trips would represent less than a five percent contribution to the total and thus would not be considered a substantial contribution to this intersection's poor operating conditions.²¹

The cumulative (Year 2040) traffic volumes at the study intersections were developed using outputs from the San Francisco County Transportation Authority's (SFCTA) travel demand forecasting model, which takes into account planned and proposed future development growth and transportation network changes in the study area, as well as background growth in travel demand in the City and region. Future land use changes considered in the SFCTA forecasting model include the Central SoMa Plan²², SFMTA Central Subway Project²³, the 5M Project (a four-acre, mixed-use development located at Mission and

¹⁷ Transportation Mem o, p. 18.

¹⁸ Transportation Mem o, p. 19.

¹⁹ The p.m. peak hour vehicle trips were calculated based on vehicle occupancy rates provided in the SF Guidelines and Census data.

²⁰ Transportation Mem o, pp. 26-27.

²¹ Transportation Mem o, p. 26.

²² Central SoMa Plan Draft Report, April, 2013. Available online at: <http://www.sfplanning.org/index.aspx?page=2557>.

²³ SFMTA Central Subway Project, October 2012. Available online at: <http://centralsubwaysf.com/>.

Fifth Streets)²⁴, the Event Center and Mixed-Use Development at Piers 30/32 and Seawall Lot 330²⁵, as well as proposed developments in the greater Pier 70 and Central Waterfront areas.²⁶ Transportation network changes in the SFCTA forecasting model also include transit changes associated with SFMTA's TEP and bicycle improvement projects included in the San Francisco Bicycle Plan. Specific transportation network changes within the project area are further discussed in the following sections, as appropriate.

The majority of nearby intersections would operate at acceptable LOS conditions (LOS D or better) during the p.m. peak hour under cumulative conditions and would continue to operate acceptably with implementation of the proposed project. The intersection of 20th Street and Illinois Street would operate at unacceptable LOS conditions (LOS F) in the critical westbound approach, whereas the other intersection approaches would operate at acceptable conditions (LOS C). The intersection of Cesar Chavez Street and Third Street would operate at undesirable LOS conditions (LOS E). The following includes the cumulative traffic impact discussion.

During the p.m. peak hour, the intersection of 20th and Illinois Streets would operate at LOS F under 2040 cumulative conditions with the proposed project. The degradation in cumulative traffic conditions at this intersection is primarily attributed to the estimated amount of area growth and project-generated vehicles in the westbound movements along 20th Street, as these vehicles would be traveling from the project site to their destination during the p.m. peak hour. Specifically, the anticipated outbound project-generated traffic would exacerbate delays for the westbound approach and further degrade LOS conditions at this intersection. The proposed project would contribute over five percent of traffic volumes to the westbound worst approach at the intersection of 20th and Illinois Streets under 2040 cumulative conditions; any traffic contribution in the cumulative context that is five percent and above is considered to be a cumulatively considerable contribution to a poorly operating intersection. Therefore, the proposed project's contributions to this poorly operating intersection would be considered cumulatively considerable and the proposed project would contribute considerably to the previously identified Eastern Neighborhoods FEIR significant cumulative traffic impact for the Central Waterfront area.

The Eastern Neighborhoods FEIR analyzed the cumulative traffic effects of development resulting from the implementation of the Eastern Neighborhoods Rezoning and Area Plans and rezoning of four Plan Areas. The FEIR analyzed the effects of increased traffic on several representative study intersections within the Eastern Neighborhoods that were selected to provide an overall characterization of existing and future traffic conditions within the area. The FEIR identified cumulative traffic impacts for several representative study intersections including Third and Cesar Chavez Streets, Third and Evans Streets, Cesar Chavez and Evans Streets, 25th and Indiana Streets, Third and King Streets, Sixth and Brannan Streets, Seventh and Harrison Streets, Guerrero and Duboce Streets, Mission/Otis/Thirteenth Streets, South Van Ness and Thirteenth Streets, DeHaro/Division/King Streets, Rhode Island and Sixteenth

²⁴ 5M Project Notice of Preparation of Environmental Impact Report and Public Scoping Meeting, January 30, 2013. Available online at: http://sfmea.sfpplanning.org/2011.0409E_NOP.pdf

²⁵ Event Center and Mixed-Use Development at Piers 30/32 and Seawall Lot 330 Notice of Preparation of an Environmental Impact Report, December 5, 2012. Available online at: http://sfmea.sfpplanning.org/2012.0718E_NOP.pdf

²⁶ Central Waterfront Area Plan, December 2008. Available online at: <http://www.sfpplanning.org/Modules>ShowDocument.aspx?documentid=2015>.

Streets, and Rhode Island and Division Streets. There are several similarities between the representative study intersections and the intersection of 20th and Illinois Streets, including similar lane geometry and turning movements. In addition, the traffic volumes and the street function associated with the above-listed representative study intersections are substantially similar to the traffic volumes and the street function of the 20th Street and Illinois Street intersection, and are representative of the cumulative traffic impacts resulting from the Eastern Neighborhoods Rezoning and Area Plans; therefore, the analysis contained within the Eastern Neighborhoods FEIR reasonably predicts the significant cumulative impact at 20th and Illinois Streets.

To mitigate the 2040 significant cumulative traffic impact, Eastern Neighborhoods FEIR Mitigation Measure E-1: Traffic Signal Installation (Project Mitigation Measure 2), would apply. This includes installation of a new traffic signal at the intersection of 20th and Illinois Streets in order to upgrade the existing signal that currently functions as an all-way stop control. With this new upgraded signal, the average vehicle delay would decrease, and the intersection would operate at LOS B. There are a number of proposed developments in the immediate vicinity of this intersection, most noticeably at Pier 70, that would contribute to growth in future traffic volumes and increased delays at this intersection. The mitigation measure would require the installation of a traffic signal at the intersection of 20th and Illinois Streets and could be linked to these and other proposed development projects in the area. Under this measure, the Project Sponsor for the proposed project would pay its fair share contribution to mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, which was determined to be approximately 9 percent of the cost of the traffic signal at this intersection. This figure represents the Project Sponsor's share of the cost of upgrading the traffic signal at this intersection. The amount and schedule for payment for the proposed project's fair share contribution to the mitigation shall be determined by the San Francisco Municipal Transportation Agency (SFMTA).

The proposed project's fair share contribution to the 20th and Illinois Streets intersection mitigation measure would reduce the project's contribution to the Eastern Neighborhoods FEIR significant cumulative impact for the Central Waterfront area. However, due to the uncertainty that the remainder of the mitigation measure would be implemented, that is, the uncertainty that the remaining cost of the traffic signal would be obtained and the signal installed, the cumulative traffic impact at the 20th and Illinois Streets intersection would remain significant and unavoidable as described in the Eastern Neighborhoods FEIR. However, this would not be a new significant impact as it is within the scope of the analysis contained in the Eastern Neighborhoods FEIR on pages 270 to 276.

During the p.m. peak hour, the intersection of Cesar Chavez and Third Streets would operate at LOS E under 2040 cumulative conditions with or without the proposed project. The proposed project would not add any vehicles to the northbound left-turning and southbound left-turning critical movements, but would add 27 vehicles to the southbound through critical movement, which represents three percent of the p.m. peak hour southbound through volume of 894 vehicles. The proposed project would also add less than five percent of the p.m. peak hour eastbound left-turning volume of 225 vehicles. The proposed project's contributions to this poorly operating intersection would therefore not be considered cumulatively considerable and the proposed project would result in a less-than-significant cumulative traffic impact at the intersection of Cesar Chavez Street and Third Street.

Therefore, with implementation of Project Mitigation Measure 2 – Eastern Neighborhoods FEIR Mitigation Measure E-1: Traffic Signal Installation, as described on page 59 under "Mitigation

Measures", the proposed project would not conflict with a congestion management plan, including level of service standards and travel demand measures.

Transit

The proposed project would generate about 166 new transit trips during the weekday p.m. peak hour, but these new transit trips would not exceed the capacity of local or regional transit services.²⁷

The project site is located within a one-half mile of several local transit lines including Muni lines 14, 22, 48, and KT Ingleside/Third Street and a regional transit stop for Caltrain at 22nd and Pennsylvania Streets. Given the availability of nearby transit, the addition of 166 p.m. peak hour transit trips would be accommodated by existing transit capacity. As such, the proposed project would not result in unacceptable levels of transit service or cause a substantial increase in delays or operating costs such that significant adverse impacts in transit service levels could result.

Each of the rezoning options in the Eastern Neighborhoods FEIR identified significant and unavoidable cumulative impacts relating to increases in transit ridership on Muni lines. The project site is located within a half-mile of several major transit stops, as listed above, that operate at 15 minutes or less frequency during the p.m. peak period. Mitigation measures proposed to address these impacts related to pursuing enhanced transit funding; conducting transit corridor and service improvements; and increasing transit accessibility, service information and storage/maintenance capabilities for Muni lines in the Eastern Neighborhoods area.

The proposed project would not contribute considerably to these cumulative transit conditions as its contribution of 166 p.m. peak hour transit trips would not be a substantial proportion of the overall additional transit volume generated by Eastern Neighborhood projects. The proposed project would not therefore result in any significant cumulative transit impacts.

For the above reasons, the proposed project would not result in significant impacts that were not identified in the Eastern Neighborhoods FEIR related to transit.

Pedestrian

Pedestrian volumes are currently very low within the project site since the site is currently vacant. There is some pedestrian traffic directly north of the project site within BAE Systems due to its operation. At present, sidewalks in the project vicinity are generally between nine and twelve feet wide. The sidewalks within the project site (along 20th Street, east of Illinois Street) are generally in poor condition (e.g., cracked and uneven surfaces).

The proposed project would generate about 263 new pedestrian trips (166 transit and 97 walk) during the weekday p.m. peak hour. Approximately 50 percent of p.m. peak hour pedestrian trips would be generated by the proposed restaurant use and about 34 percent and 16 percent would be generated by the proposed PDR/light industrial and office uses, respectively. The Port of San Francisco would evaluate the structural condition of the sidewalks within the project site and would repair sidewalks accordingly. The proposed project would enhance pedestrian connectivity within the project site through the construction of new eight-foot-wide sidewalks along the west side of Michigan Street (with direct access to the planned 215-space parking lot) and along the west of Georgia Street (with direct access to the planned 75-

²⁷ Transportation Memo, pp. 28-30.

space parking lot), and new crosswalks at the intersection of 20th Street and Georgia Street, for better connectivity between the buildings along the north and south sides of 20th Street. The installation of new sidewalks and crosswalks would be designed to the widths that conform to ADA standards. In addition, the proposed project would not install any street trees or street furniture that would reduce the available walkway along existing and new sidewalks. The proposed project would not remove on-street parking along 20th Street; therefore, these vehicles would continue to serve as a buffer zone between pedestrians and moving vehicles. Although the proposed project would result in an increase in the number of vehicles in the vicinity of the project site this increase, coupled with the pedestrian improvements described above, would not be substantial enough to create potentially hazardous conditions for pedestrians or otherwise substantially interfere with pedestrian accessibility to the site and adjoining areas.²⁸ Therefore, the proposed project would not result in significant impacts that were not identified in the Eastern Neighborhoods FEIR related to pedestrians.

As described below in “Loading”, the proposed project would require loading activities to occur within designated loading zones throughout the project site. These loading zones would accommodate deliveries from various vehicles, including trucks which may range from small vans (16-feet long) to tractor-trailers (between 53-feet and 74-feet long). No loading activities would occur at or near pedestrian facilities (e.g., sidewalks, crosswalks, or ADA ramps). As previously described, loading activities would occur in the rear of Buildings 101 and along the east side of Michigan Street, the west side of Louisiana Street, and within designated areas along the courtyard periphery—all at a substantial distance from pedestrians. Because the proposed project would establish designated loading zones that would not interfere with pedestrian facilities or inhibit pedestrian access and circulation to each building or parking area, potential conflicts between pedestrian and freight/delivery vehicles would be substantially reduced and/or avoided entirely. Overall, the proposed project’s effects on pedestrian circulation and access would be less than significant.

While pedestrian-related impacts would be less than significant, improvement measures could be implemented to further reduce these less-than-significant impacts. As stated in the Improvement Measures section on page 63, implementation of Project Improvement Measure 1: Develop Additional Pedestrian and Roadway Treatments, would reduce potential conflicts between pedestrians and freight vehicles within the project site, which would further reduce pedestrian-related less-than-significant impacts. Implementation of this and other measures would not be anticipated to have any additional transportation-related impacts.

Bicycle

The proposed project would provide 33 Class 1 bicycle parking spaces and 26 Class 2 bicycle parking spaces in compliance with the requirements of Planning Code Section 155.1, 155.2 and 155.3. The project site is within a convenient bicycling distance of office, retail, and restaurant uses in neighboring areas (e.g., Mission, Mission Bay, Potrero Hill, Dogpatch, and South of Market). There are three designated bicycle routes in proximity to the project site (i.e., Route 5 on Illinois Street, Route 7 on Indiana Street, and Route 23 on Mariposa Street). Therefore, it is anticipated that a portion of the 49 “other” p.m. peak hour trips generated by the proposed project would be bicycle trips. The bicycle routes located along Illinois, Indiana, Mississippi, and Mariposa Streets are conveniently located adjacent to and near the project site

²⁸ Transportation Memo, pp. 30-32, 51.

and these routes provide direct connectivity to several bicycle routes throughout the area and provide linkage to other neighborhoods and areas of the City. With the current bicycle and traffic volumes on the adjacent streets, bicycle travel generally occurs without major impediments or safety problems.

Given the existing bicycle network within the project vicinity, it is reasonable to assume that the anticipated increase in bicyclists associated with the proposed project would be accommodated by existing bicycle network facilities. The proposed project would not introduce any design features that would eliminate or impede access to existing bicycle routes in proximity to the project site. It is noted that although the proposed project would result in an increase in the number of vehicles in the vicinity of the project site, this anticipated increase would not be substantial enough to create potentially hazardous conditions for bicyclists or otherwise substantially interfere with bicycle accessibility to the site and adjoining areas since the project would not create new curb cuts or vehicular access points along bicycle routes. Therefore, the proposed project would have a less-than-significant bicycle impact.

While bicycle related impacts would be less than significant, Project Improvement Measure 2: Designate Safe, Accessible, and Convenient Bicycle Parking, as described on page 64 under "Improvement Measures", could be implemented to further reduce these less-than-significant impacts. This would ensure that bicycle parking within the project site that is safe, accessible, and convenient for users and that the location of bicycle parking in designated areas would not result in any potential conflicts with other vehicles.²⁹

Loading

Planning Code Sections 151, 152, and 154 establish the minimum amount of off-street freight loading spaces permitted based on the number of dwelling units for residential development or proposed gross square footage (gsf) of non-residential development. Because the proposed project would involve the rehabilitation and reuse of historic buildings and because these buildings are located in a historic district, the proposed project would be exempt from meeting the minimum off-street freight loading requirements per Planning Code Section 161(k), Exemptions from Off-Street Parking, Freight Loading and Service Vehicle Requirements. The provision of on-street loading spaces along roadways within the project site would be subject to Port of San Francisco approval and may also require approvals and/or review by SFMTA, as appropriate.

In total, the proposed project would rehabilitate, repair, and repurpose 12 loading spaces to accommodate freight delivery and related loading activities. A new loading space is also anticipated to be included to serve Buildings 102 and 104. Five loading docks would be located along the east side of Michigan Street and two loading docks would be located along the west side of Louisiana Street. Four loading docks would be located within the courtyard area and one loading ramp would be located at Building 101.

The proposed project would generate up to 115 delivery/service vehicle stops per day, which corresponds to a demand for five spaces during average hours of loading activities and approximately seven spaces during the peak hours of loading activities. It is anticipated that the delivery/service vehicles that would be generated by the proposed project would vary in size, ranging from small trucks (16- to 26-foot long

²⁹ Transportation Memo, pp. 32-33, 52.

trucks) to tractor-trailers, typically 53 feet in length or longer (up to 74 feet in length). Based on these estimates, the average loading hour demand and peak hour loading demand would be expected to exceed the proposed supply of four off-street loading spaces; however, daily and peak hour loading demand may be accommodated through use of both off-street and on-street spaces (at designated loading docks and proposed loading spaces along 20th Street), as discussed below.

Future tenants of the proposed project would range from restaurant uses to office and PDR/light industrial uses and the delivery vehicles associated with these uses are typically small trucks (e.g., UPS, FedEx, food distribution). Such vehicles could be accommodated either in the on-site parking lots or on the street. Therefore, the anticipated unmet daily and peak hour freight/delivery demand would likely be absorbed within the parking lots and along designated loading spaces along 20th Street. It is noted that the Project Sponsor would seek the necessary approvals by the Port of San Francisco to petition for 20-foot-long "yellow curb" on-street loading zones along both sides of 20th Street, from Illinois Street to Louisiana Street. In addition, the Project Sponsor may be required to apply through SFMTA's Parking Traffic Color Curb Program for the proposed conversion from unrestricted parking to a commercial loading zone on 20th Street. The proposed changes in curb regulation would be reviewed at a public hearing through the Port of San Francisco and/or SFMTA, as appropriate. Therefore, the proposed project would not result in potential adverse effects to loading conditions within the project site.

The general intent of the proposed project would be to maintain the character, purpose, and original use of these industrial buildings. Therefore, the proposed project would be expected to generate a considerable amount of freight truck traffic on a daily basis, as the proposed light industrial uses would typically require daily deliveries of goods and materials. In order to accommodate this anticipated demand, the proposed project would retain the use of approximately twelve existing loading docks and a loading ramp (at Building 101) within the project site. Because these loading areas would be dedicated to serving large freight trucks and because it is anticipated that delivery of materials via large freight trucks would likely be scheduled and coordinated by appropriate staff at each tenant location, it is reasonable to assume that the proper scheduling of truck deliveries would eliminate any potential adverse effects related to loading conditions at each building.

The project-related off-street loading supply deficit could potentially result in excessive delivery vehicle circulation, extended wait times, queuing, and/or double parking of freight/delivery vehicles. However, anticipated delays to existing traffic conditions in and around the project site would be minimal. This is because freight/delivery would include a range of vehicle sizes most of which could be accommodated in parking areas along 20th Street. In addition, loading activities would occur during varying scheduled and coordinated times throughout the day. Therefore, loading impacts would be less than significant.

While loading-related impacts would be less than significant, Project Improvement Measure 3: Designate Loading Dock Manager and Project Improvement Measure 4: Require Traffic Controllers/Flaggers for Larger Deliveries, as described on page 64, could be implemented to further reduce these less-than-significant impacts and address any potentially hazardous conditions posed by delivery vehicles to traffic, pedestrians, and other users of streets internal to the proposed project. The improvement measures would require future tenants to designate a loading dock manager(s) to assist in the scheduling and coordination of deliveries, which would minimize potential queuing effects and unsafe traffic conditions, and would further reduce loading-related less-than-significant impacts.

Emergency Access

The proposed project would not change the travel lanes along Illinois or 20th Streets, and emergency vehicle access to the project site would remain unchanged from existing conditions.³⁰ Implementation of the proposed project would not result in inadequate emergency vehicle access, and this impact would be less than significant.

Construction

The proposed project's construction activities would last approximately 24 months. Construction staging areas would be located on site or on adjacent Port property, primarily within the northern parking lot, the courtyard area, and along Michigan Street. These staging areas would accommodate construction equipment and machinery as well as parking for construction worker vehicles. No permanent or temporary roadway closures along Illinois, Georgia, and 20th Streets would be required during construction. Occasional road closures or use of parking lanes on 20th and Illinois Streets between 19th and 20th may be required. However, if it is determined that temporary traffic lane closures would be needed, such actions would be coordinated with the City in order to minimize the impacts on local traffic. In general, lane and sidewalk closures are subject to review and approval by the Port of San Francisco, Department of Public Works and SFMTA. Because there are no Muni bus stops along the project site frontage, it is not anticipated that any Muni bus stops would need to be relocated during construction of the proposed project.

It is anticipated that there would be an average of 50 construction workers per day at the project site, depending on the construction phase (which may require up to 100 workers during peak construction periods). It is also anticipated that the addition of the worker-related vehicle or transit trips would not substantially affect transportation conditions, as any impacts on local intersections or the transit network would be similar to, or less than, those associated with the proposed project.

The construction contractor would be required to meet the City of San Francisco's Regulations for Working in San Francisco Streets, (the "Blue Book"), and would be required to meet with Muni, SFMTA Sustainable Streets, and other responsible City agencies to determine feasible traffic management and improvement measures to reduce traffic congestion during construction of this project taking into account other nearby projects (e.g., developments currently under construction north of the project site along Illinois Street, between 18th and 19th Streets). The specific provisions of the building permit would address issues of circulation, safety, or parking, as developed in a meeting of the Transportation Advisory Staff Committee (TASC) attended by the Project Sponsor and representatives of the Port of San Francisco and City departments, including Parking and Traffic, Police, Public Works, and SFMTA Muni Operations. Therefore, construction-related impacts would be less than significant and would not result in significant impacts on transportation that were not identified in the Eastern Neighborhoods FEIR.

While construction related impacts would be less than significant, Project Improvement Measure 5: Limit Peak Hour Truck Movements, Project Improvement Measure 6: Develop Construction Management Plan, Project Improvement Measure 7: Encourage Transit Access for Construction Workers and Project Improvement Measure 8: Provide Project Construction Updates, as described on page 65, could be implemented to further reduce these less-than-significant impacts. The improvement measures would allow the Project Sponsor to further develop a construction management plan to

³⁰ Transportation Memo, p. 16.

minimize conflicts with all modes of travel, to develop a public information program for nearby residences and businesses, to limit truck delivery hours, and to reduce construction worker parking demand by developing methods to encourage carpooling and transit use, which would further reduce construction-related less-than-significant impacts.³¹

Parking

Public Resources Code Section 21099(d), effective January 1, 2014, provides that, "aesthetics and parking impacts of a residential, mixed-use residential, or employment center project on an infill site located within a transit priority area shall not be considered significant impacts on the environment." Accordingly, aesthetics and parking are no longer to be considered in determining if a project has the potential to result in significant environmental effects for projects that meet all of the following three criteria:

- a) The project is in a transit priority area;
- b) The project is on an infill site; and
- c) The project is residential, mixed-use residential, or an employment center.

The proposed project meets each of the above three criteria and thus, this checklist does not consider parking in determining the significance of project impacts under CEQA.³² The Planning Department acknowledges that parking conditions may be of interest to the public and the decision makers. Therefore, this determination presents a parking demand analysis for informational purposes.

Parking conditions are not static, as parking supply and demand varies from day to day, from day to night, from month to month, etc. Hence, the availability of parking spaces (or lack thereof) is not a permanent physical condition, but changes over time as people change their modes and patterns of travel. While parking conditions change over time, a substantial shortfall in parking caused by a project that creates hazardous conditions or significant delays to traffic, transit, bicycles or pedestrians could adversely affect the physical environment. Whether a shortfall in parking creates such conditions will depend on the magnitude of the shortfall and the ability of drivers to change travel patterns or switch to other travel modes. If a substantial shortfall in parking caused by a project creates hazardous conditions or significant delays in travel, such a condition could also result in secondary physical environmental impacts (e.g., air quality or noise impacts caused by congestion), depending on the project and its setting.

The absence of a ready supply of parking spaces, combined with available alternatives to auto travel (e.g., transit service, taxis, bicycles or travel by foot) and a relatively dense pattern of urban development, induces many drivers to seek and find alternative parking facilities, shift to other modes of travel, or change their overall travel habits. Any such resulting shifts to transit service or other modes (walking and biking), would be in keeping with the City's "Transit First" Policy and numerous San Francisco General Plan policies, including those in the Transportation Element. The City's Transit First Policy, established in the City's Charter, Article 8A, Section 8A.115, provides that "parking policies for areas well

³¹ Transportation Memo, pp. 36-38, 52-53.

³² San Francisco Planning Department, Transit-Oriented Infill Project Eligibility Checklist for 400-600 20th Street, Pier 70 ("20th Street Historic Core"), February 3, 2014. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

served by public transit shall be designed to encourage travel by public transportation and alternative transportation."

The transportation analysis accounts for potential secondary effects, such as cars circling and looking for a parking space in areas of limited parking supply, by assuming that all drivers would attempt to find parking at or near the project site and then seek parking farther away if convenient parking is unavailable. The secondary effects of drivers searching for parking is typically offset by a reduction in vehicle trips due to others who are aware of constrained parking conditions in a given area, and thus choose to reach their destination by other modes (i.e., walking, biking, transit, taxi). If this occurs, any secondary environmental impacts that may result from a shortfall in parking in the vicinity of the proposed project would be minor, and the traffic assignments used in the transportation analysis would reasonably address potential secondary effects including air quality, noise, and pedestrian safety.

The parking demand for the land uses associated with the proposed project was determined based on the methodology presented in the Transportation Guidelines. On an average weekday, the demand for parking would be for an estimated 741 spaces. The proposed project would provide 290 off-street spaces. Thus, as proposed, the project would have an unmet parking demand of an estimated 451 spaces. At this location, nearby on-street parking is currently constrained, with the majority of streets providing little or no on-street parking during the weekday midday hours. However, the project site is well served by public transit and bicycle facilities. Therefore, any unmet parking demand associated with the project would not materially affect the overall parking conditions in the project vicinity such that hazardous conditions or significant delays would be created.

The proposed project would involve the rehabilitation and reuse of historic buildings located in an eligible historic district. Per Planning Code Section 161(k), Exemptions from Off-Street Parking, Freight Loading and Service Vehicle Requirements, the proposed project would be exempt from meeting the minimum off-street parking requirements.

In order to address the less-than-significant transportation-related effects, the project sponsor would implement Project Improvement Measure 9: Transportation Management Plan, as described on pages 65 to 67. This would further reduce vehicle demand at the project site.

The proposed project would include street grid changes such as re-opening and widening the segment of Louisiana Street between 20th street to the north and the proposed courtyard area to the south. Currently, this area functions as an industrial driveway and is generally in need of structural repairs to accommodate two-way traffic flow from the proposed courtyard area to 20th Street. Specifically, this segment of Louisiana Street would be widened from the existing approximately 20 feet to 58 feet to support the two proposed on-street loading docks and two 13-foot-wide travel lanes along the eastern facades of Building 14 and Building 113. A 10-foot-wide sidewalk would also be constructed along the east side of Louisiana Street. The proposed project would also re-open the segment of Michigan Street between 20th Street and its terminus to the south, which is currently closed and does not include any access to 20th Street. Michigan Street would be widened from 18 feet to approximately 66 feet. The street would include two 13-foot-wide travel lanes and would accommodate five proposed on-street loading docks along the western facades of Buildings 113, 114, 115, and 116. An eight-foot-wide sidewalk would also be planned along the west side of this segment of Michigan Street, adjacent to the 215-space surface parking lot. While the proposed project would alter the existing street grid, the proposed changes would not increase hazards due to design features such as sharp curves or dangerous intersections.

The project site is approximately 10 miles north of San Francisco International Airport and approximately 10 miles northwest of Oakland International Airport. At a maximum height of approximately 66 feet, the proposed project is not tall enough to obstruct flight patterns to and from these airports. Implementation of the proposed project would not change existing air traffic patterns in a manner that would result in substantial safety risks.

For these reasons, implementation of the proposed project would not result in new significant impacts related to transportation and circulation identified in the Eastern Neighborhoods FEIR. Traffic and Transit Mitigation Measures E-2 through E-11 identified in the Eastern Neighborhoods FEIR and discussed above, are not applicable to the proposed project. Traffic Mitigation Measure E-1, identified in the Eastern Neighborhoods FEIR and discussed above, is applicable to the proposed project. Improvement Measures 1 through 9 also apply to the proposed project. These applicable Mitigation and Improvement Measures are described on pages 56 to 63.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
6. NOISE—Would the project:						
a) Result in exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Result in exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Result in a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) For a project located within an airport land use plan area, or, where such a plan has not been adopted, in an area within two miles of a public airport or public use airport, would the project expose people residing or working in the area to excessive noise levels?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) For a project located in the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Be substantially affected by existing noise levels?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The Eastern Neighborhoods FEIR identified potential conflicts related to residences and other noise-sensitive uses in proximity to noisy uses such as PDR, retail, entertainment, cultural/institutional/educational uses, and office uses. In addition, the Eastern Neighborhoods FEIR noted that implementation of the Area Plan would incrementally increase traffic-generated noise on some streets in the Area Plan and result in construction noise impacts from pile driving and other construction activities. The Eastern Neighborhoods FEIR therefore identified six noise mitigation measures that would reduce noise impacts to less-than-significant levels.

Eastern Neighborhoods FEIR Mitigation Measures F-1 and F-2 relate to construction noise. Mitigation Measure F-1 addresses individual projects that include pile-driving, and Mitigation Measure F-2 addresses individual projects that include particularly noisy construction procedures (including pile-driving). The proposed project would not involve pile driving or other particularly noisy construction methods; therefore, these mitigation measures are not applicable. In addition, all construction activities for the proposed project (approximately 24 months) would be subject to and would comply with the San Francisco Noise Ordinance (Article 29 of the San Francisco Police Code) (Noise Ordinance) as outlined below.

Construction noise is regulated by the Noise Ordinance. The Noise Ordinance requires that construction work be conducted in the following manner: (1) noise levels of construction equipment, other than impact tools, must not exceed 80 dBA at a distance of 100 feet from the source (the equipment generating the noise); (2) impact tools must have intake and exhaust mufflers that are approved by the Director of the Department of Public Works (DPW) to best accomplish maximum noise reduction; and (3) if the noise from the construction work would exceed the ambient noise levels at the site property line by 5 dBA, the work must not be conducted between 8:00 p.m. and 7:00 a.m. unless the Director of DPW authorizes a special permit for conducting the work during that period.

The Port Building Department is responsible for enforcing the Noise Ordinance for private construction projects during normal business hours (8:00 a.m. to 5:00 p.m.). The Police Department is responsible for enforcing the Noise Ordinance during all other hours. Nonetheless, during the construction period for the proposed project, occupants of the nearby properties could be disturbed by construction noise. Times may occur when noise could interfere with indoor activities in nearby residences and other businesses near the project site and may be considered an annoyance by occupants of nearby properties. The increase in noise in the project area during project construction would not be considered a significant impact of the proposed project, because the construction noise would be temporary, intermittent, and restricted in occurrence and level, as the contractor would be subject to and would comply with the Noise Ordinance.

Eastern Neighborhoods FEIR Mitigation Measure F-3 (Project Mitigation Measure 3) and Mitigation Measure F-4 (Project Mitigation Measure 4), include additional measures for individual projects that include new noise-sensitive use, as described on pages 61 to 62 of this Checklist. Mitigation Measure F-3 requires that for new development that includes noise-sensitive uses located along streets with noise levels above 60 dBA (Ldn), where such development is not already subject to California Noise Insulation Standards in Title 24, the project sponsor shall conduct a detailed analysis of noise reduction requirements. Mitigation Measure F-4 requires the preparation of an analysis that includes, at minimum, a site survey to identify potential noise-generating uses within 900 feet of and that have a direct line of site to the project site, and at least one 24-hour noise measurement (with maximum noise levels taken every 15 minutes) to demonstrate that acceptable interior noise levels consistent with Title 24 can be

attained. Accordingly, the project sponsor has conducted an environmental noise study demonstrating that the proposed project can feasibly attain acceptable interior noise levels consistent with Title 24.³³

Eastern Neighborhoods FEIR Mitigation Measure F-5 (Project Mitigation Measure 5), described on page 60, requires individual projects that include new noise-generating uses that would be expected to generate noise levels in excess of ambient noise in the proposed project site vicinity to submit an acoustical analysis that demonstrates the proposed use would comply with the General Plan and the Noise Ordinance. The Noise Ordinance does not allow for a noise level more than 8 dBA above the local ambient at any point outside of the property plane for commercial properties and states no fixed noise source may cause the noise level measured inside any sleeping or living room in any dwelling unit located on residential property to exceed 55 dBA between the hours of 7 AM and 10 PM with windows open. Typical residential building construction generally provides exterior-to-interior noise level reduction performance of no less than 15 dB when exterior windows are open. The project site is located within the vicinity of residential uses and the proposed project would generate new sources of noise, primarily from mechanical equipment on the buildings. Therefore, pursuant to Mitigation Measure F-5, a site survey and noise measurements were conducted to demonstrate that the proposed project would comply with the General Plan and the Noise Ordinance.³⁴

The noise report identifies sensitive receptors located within 900 feet of the project site, the closest being the residential building at 820 Illinois Street to the northwest of the project site along the western side of 20th Street. The report notes that ambient noise level at the project site was between 61 dBA and 64 dBA between 7:00 a.m. and 10:00 p.m. The noise study also demonstrates that the maximum noise levels from the proposed project must not exceed 69 dBA at the 820 Illinois Street residential development between 7:00 a.m. and 10:00 p.m., and above 55 dBA between 7:00 a.m. and 10:00 p.m. within the adjacent residences. The report concludes that rooftop equipment noise can be designed to meet the requirements of the San Francisco Noise Ordinance and that this equipment would be minimal since the project site contains historic buildings. Thus, operational noise associated with outdoor mechanical equipment would not adversely affect nearby sensitive receptors. The noise study demonstrates compliance with FEIR Mitigation Measure F-5.

Furthermore, as described above, the proposed project would not double traffic volumes in the project vicinity which would be necessary to produce an increase in ambient noise levels perceptible to most people (3 decibel increase).³⁵ Therefore, the proposed project would not result in a substantial permanent increase in ambient noise levels in the project vicinity. For the above reasons, the proposed project would not result in significant impacts that were not identified in the Eastern Neighborhoods FEIR related to noise and vibration.

The project site is not located within an airport land use plan area, within two miles of a public airport, or in the vicinity of a private airstrip. Therefore, topics 12e and f from the CEQA Guidelines, Appendix G are not applicable.

For the above reasons, the proposed project would not result in significant impacts that were not identified in the Eastern Neighborhoods FEIR related to noise.

³³ Pier 70 Historic Buildings Study, Vibro-Acoustic Consultants, March 25, 2014.

³⁴ Pier 70 Historic Buildings Study, Vibro-Acoustic Consultants, January 6, 2014.

³⁵ Transportation Memo, p. 20.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
7. AIR QUALITY: Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations.—Would the project:						
a) Conflict with or obstruct implementation of the applicable air quality plan?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal, state, or regional ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d) Expose sensitive receptors to substantial pollutant concentrations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) Create objectionable odors affecting a substantial number of people?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Eastern Neighborhoods Plan FEIR identified potentially significant air quality impacts related to construction activities that may cause wind-blown dust and pollutant emissions; roadway-related air quality impacts on sensitive land uses; and the siting of uses that emit diesel particulate matter and toxic air contaminants as part of everyday operations. These significant impacts would conflict with the applicable air quality plan at the time, the Bay Area 2005 Ozone Strategy. The Eastern Neighborhoods FEIR identified four mitigation measures that would reduce air quality impacts to less-than-significant levels.

Eastern Neighborhoods FEIR Mitigation Measure G-1 requires individual projects that include construction activities to include dust control measures and maintain and operate construction equipment so as to minimize exhaust emissions of particulates and other pollutants. This mitigation measure was identified in the Initial Study. Subsequent to publication of the Initial Study, the San Francisco Board of Supervisors approved a series of amendments to the San Francisco Building and Health Codes, generally referred to as the Construction Dust Control Ordinance (Ordinance 176-08, effective July 30, 2008). The intent of the Construction Dust Control Ordinance is to reduce the quantity of dust generated during site preparation, demolition, and construction work in order to protect the health of the general public and of on-site workers, minimize public nuisance complaints, and to avoid orders to stop work by the Department of Building Inspection. Construction activities from the proposed project would result in dust, primarily from ground-disturbing activities. The proposed project would be subject to and would comply with the Construction Dust Control Ordinance, therefore the portions of Mitigation Measure G-1 that deal with dust control are not applicable to the proposed project.

Also subsequent to publication of the Initial Study, the Bay Area Air Quality Management District (BAAQMD), the regional agency with jurisdiction over the nine-county San Francisco Bay Area Air Basin

(SFBAAB), provided updated 2011 BAAQMD CEQA Air Quality Guidelines (Air Quality Guidelines),³⁶ which provided new methodologies for analyzing air quality impacts, including construction activities. The Air Quality Guidelines provide screening criteria for determining whether a project's criteria air pollutant emissions may violate an air quality standard, contribute to an existing or projected air quality violation, or result in a cumulatively considerable net increase in criteria air pollutants. If a project meets the screening criteria, then the lead agency or applicant would not need to perform a detailed air quality assessment of their proposed project's air pollutant emissions and construction or operation of the proposed project would result in a less-than-significant air quality impact. The proposed project meets the screening criteria provided in the BAAQMD Air Quality Guidelines for construction-related criteria air pollutants.

For determining potential health risk impacts, San Francisco has partnered with the BAAQMD to inventory and assess air pollution and exposures from mobile, stationary, and area sources within San Francisco and identify portions of the City that result in additional health risks for affected populations ("hot spots"). Air pollution hot spots were identified based on two health based criteria:

1. Excess cancer risk from all sources > 100; and
2. PM_{2.5} concentrations from all sources including ambient > 10 µg/m³.

Sensitive receptors³⁷ within these hot spots are more at risk for adverse health effects from exposure to substantial air pollutant concentrations than sensitive receptors located outside these hot spots. These locations (i.e., within hot spots) require additional consideration when projects or activities have the potential to emit toxic air contaminants ("TACs"), including diesel particulate matter ("DPM") emissions from temporary and variable construction activities.

Construction activities from the proposed project would result in DPM and other TACs from equipment exhaust, construction-related vehicular activity, and construction worker automobile trips. Construction would be expected to last approximately 24 months. Diesel-generating equipment would be required for approximately 12 of these months.

The project site is partially located within an identified Air Pollution Exposure Zone. As a result, the proposed project's temporary and variable construction activities would potentially add emissions to areas already adversely affected by poor air quality. Therefore, the portion of Eastern Neighborhoods FEIR Mitigation Measure G-1 (Project Mitigation Measure 6) that addresses maintenance and operation of construction equipment is applicable to the proposed project. This Mitigation Measure is described on page 61 of this Checklist.

Eastern Neighborhoods FEIR Mitigation Measure G-2 requires new residential development near high-volume roadways and/or warehousing and distribution centers to include an analysis of DPM and/or TACs, and, if warranted, to incorporate upgraded ventilation systems to minimize exposure of future

³⁶ Bay Area Air Quality Management District (BAAQMD), California Environmental Quality Act Air Quality Guidelines, updated May 2011.

³⁷ The BAAQMD considers sensitive receptors as: children, adults or seniors occupying or residing in: 1) Residential dwellings, including apartments, houses, condominiums, 2) schools, colleges, and universities, 3) daycares, 4) hospitals, and 5) senior care facilities. Bay Area Air Quality Management District (BAAQMD), Recommended Methods for Screening and Modeling Local Risks and Hazards, May 2011, page 12.

residents to DPM and other pollutant emissions, as well as odors. While the proposed project would include a sensitive receptor (i.e., one residential unit), the unit would not be located within an area near high-volume roadways and/or warehousing and distribution centers. Therefore, Eastern Neighborhoods FEIR Mitigation Measure G-2 is not applicable to the proposed project.

Eastern Neighborhoods FEIR Mitigation Measure G-3 minimizes potential exposure of sensitive receptors to DPM by requiring that uses generating substantial DPM emissions, including warehousing and distribution centers, commercial, industrial, or other uses that would be expected to be served by at least 100 trucks per day or 40 refrigerated trucks per day, be located no less than 1,000 feet from residential units and other sensitive receptors. The proposed project is not expected to generate substantial DPM emissions or be served by 100 trucks per day or 40 refrigerator trucks per day. Therefore, Mitigation Measure G-3 is not applicable to the proposed project.

Eastern Neighborhoods FEIR Measure G-4 involves the siting of commercial, industrial, or other uses that emit TACs as part of everyday operations, such as dry cleaners and gas stations. The proposed project would not generate more than 10,000 vehicle trips per day or 1,000 truck trips per day or include a new stationary source, and therefore would not emit TACs as part of everyday operations. Therefore, Mitigation Measure G-4 is not applicable to the proposed project.

The proposed project would result in an increase in operational-related criteria air pollutants including from the generation of daily vehicle trips and energy demand. However, the proposed project meets the screening criteria provided in the BAAQMD Air Quality Guidelines for operational-related criteria air pollutants; therefore, the proposed project's operational activities would result in a less-than-significant air quality impact.

For the above reasons, the proposed project would not result in significant impacts on air quality that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
8. GREENHOUSE GAS EMISSIONS—Would the project:						
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Conflict with any applicable plan, policy, or regulation of an agency adopted for the purpose of reducing the emissions of greenhouse gases?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The State CEQA Guidelines were amended in 2010 to require an analysis of a project's greenhouse gas (GHG) emissions on the environment. The Eastern Neighborhoods Plan FEIR was certified in 2008 and, therefore, did not analyze the effects of GHG emissions. In addition, the BAAQMD, the regional agency with jurisdiction over the nine-county San Francisco Bay Area Air Basin (Air Basin), has prepared

guidelines that provide methodologies for analyzing air quality impacts under CEQA, including the impact of GHG emissions. The following analysis is based on BAAQMD's guidelines for analyzing GHG emissions and incorporates amendments to the CEQA guidelines relating to GHGs. As discussed below, the proposed project would not result in any new significant environmental impacts related to GHG emissions.

Background

The primary GHGs are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), ozone, and water vapor.³⁸ Individual projects contribute to the cumulative effects of climate change by emitting GHGs during demolition, construction, and operational phases. While the presence of the primary GHGs in the atmosphere are naturally occurring, CO₂, CH₄, and N₂O are largely emitted from human activities, accelerating the rate at which these compounds occur within the earth's atmosphere. Other GHGs include hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride, and are generated in certain industrial processes. GHGs are typically reported in "carbon dioxide-equivalent" measures (CO₂E).³⁹

There is international scientific consensus that human-caused increases in GHGs have and will continue to contribute to global warming. Many impacts resulting from climate change, including increased fires, floods, severe storms and heat waves, already occur and will only become more frequent and costly.⁴⁰ Secondary effects of climate change are likely to include a global rise in sea level, impacts to agriculture, the state's electricity system, and native freshwater fish ecosystems, an increase in the vulnerability of levees in the Sacramento-San Joaquin Delta, changes in disease vectors, and changes in habitat and biodiversity.^{41, 42}

The California Air Resources Board (ARB) estimated that in 2010, California produced about 452 million gross metric tons of CO₂E (MTCO₂E).⁴³ The ARB found that transportation is the source of 38 percent of the state's GHG emissions, followed by electricity generation (both in-state generation and out-of-state imported electricity) at 21 percent and industrial sources at 19 percent. Commercial and residential fuel use (primarily for heating) accounted for 10 percent of GHG emissions.⁴⁴ In San Francisco, on-road transportation (vehicles on highways, city streets and other paved roads) and natural gas (consumption for residential, commercial, and industrial use) sectors were the two largest sources of GHG emissions,

³⁸ Additionally, although not a GHG, black carbon is also recognized as substantial contributor to global climate change.

³⁹ Because of the differential heat absorption potential of various GHGs, GHG emissions are frequently measured in "carbon dioxide-equivalents," which present a weighted average based on each gas's heat absorption (or "global warming") potential.

⁴⁰ California Climate Change Portal. Available online at: <http://www.climatechange.ca.gov>. Accessed January 7, 2014.

⁴¹ Ibid.

⁴² California Energy Commission, California Climate Change Center, Our Changing Climate 2012, July 2012. Available online at: <http://www.energy.ca.gov/2012publications/CEC-500-2012-007/CEC-500-2012-007.pdf>. Accessed January 7, 2014.

⁴³ California Air Resources Board (ARB), "California Greenhouse Gas Inventory for 2000-2010—by Category as Defined in the Scoping Plan." Available online at: http://www.arb.ca.gov/cc/inventory/data/tables/ghg_inventory_scopingplan_00-11_2013-08-01.pdf. Accessed January 7, 2014.

⁴⁴ Ibid.

accounting for 40 percent (2.1 million MTCO₂E) and 29 percent (1.5 million MTCO₂E), respectively, of San Francisco's 5.3 million MTCO₂E emitted in 2010. Electricity consumption (residential, commercial, municipal buildings and BART and Muni transportation systems) accounts for approximately 25 percent (1.3 million MTCO₂E) of San Francisco's GHG emissions.⁴⁵

Regulatory Setting

Statewide GHG reduction targets are identified in Executive Order S-3-05 and Assembly Bill 32 (AB 32, also known as the Global Warming Solutions Act). Executive Order S-3-05 sets forth a series of target dates by which statewide emissions of GHGs would be progressively reduced as follows: by 2010, reduce GHG emissions to 2000 levels (approximately 457 million MTCO₂E); by 2020, reduce emissions to 1990 levels (estimated at 427 million MTCO₂E); and by 2050 reduce statewide GHG emissions to 80 percent below 1990 levels (approximately 85 million MTCO₂E). As discussed above, California produced about 452 million MTCO₂E in 2010, thereby meeting the 2010 target date to reduce GHG emissions to 2000 levels. AB 32 requires ARB to develop and implement a plan, known as the Scoping Plan, which sets emission limits and identifies regulations and other measures, such that feasible and cost-effective statewide GHG emissions are reduced to 1990 levels by 2020.

In order to meet the goals of AB 32, California must reduce its GHG emissions by 30 percent below projected 2020 business-as-usual emissions levels, about 15 percent from 2008 levels.⁴⁶ The Scoping Plan estimates a reduction of 174 million MTCO₂E from the transportation, energy, agriculture, forestry, and high global warming potential sectors (see Table 3: GHG Reductions from the AB 32 Scoping Plan Sectors).

Table 3: GHG Reductions from the AB 32 Scoping Plan Sectors⁴⁷

GHG Reduction Measures By Sector	GHG Reductions (million MTCO ₂ E)
Transportation Sector	62.3
Electricity and Natural Gas	49.7
Industry	1.4
Landfill Methane Control Measure (Discrete Early Action)	1
Forestry	5
High Global Warming Potential GHGs	20.2
Additional Reductions Needed to Achieve the GHG Cap	34.4
Total Reductions Counted Toward 2020 Target	174
Other Recommended Measures	
Government Operations	1-2
Agriculture- Methane Capture at Large Dairies	1
Methane Capture at Large Dairies	1
Additional GHG Reduction Measures	

⁴⁵ San Francisco Department of Environment (DOE), "San Francisco Community-Wide Carbon Emissions by Category." Excel spreadsheet provided via email between Pansy Gee, DOE and Wade Wietgrefe, San Francisco Planning Department. June 7, 2013.

⁴⁶ ARB, "California's Climate Plan: Fact Sheet." Available online at http://www.arb.ca.gov/cc/facts/scoping_plan_fs.pdf. Accessed January 7, 2014.

⁴⁷ Ibid.

Water	4.8
Green Buildings	26
High Recycling/ Zero Waste	
• Commercial Recycling	
• Composting	9
• Anaerobic Digestion	
• Extended Producer Responsibility	
• Environmentally Preferable Purchasing	
Total Reductions from Other Measures	41.8-42.8
Note:	
MTCO ₂ E = metric tons of CO ₂ E (carbon dioxide equivalent)	

The Scoping Plan is currently undergoing an update that will define ARB's climate change priorities for the next five years and lay the groundwork to reach post-2020 goals as set forth in EO S-3-05. The update will highlight California's progress toward meeting the near-term 2020 GHG emission reduction goals defined in the original Scoping Plan (2008).

The Scoping Plan also relies on the requirements of Senate Bill 375 (SB 375) to implement the carbon emission reductions anticipated from land use decisions. SB 375 requires regional transportation plans developed by each of the state's 18 Metropolitan Planning Organizations (MPOs) to incorporate a "sustainable communities strategy" (SCS) in each regional transportation plan that will achieve GHG emission reduction targets set by ARB. The Metropolitan Transportation Commission's 2013 Regional Transportation Plan, Plan Bay Area (adopted in July 2013), is the region's first plan subject to SB 375. Implementation of Plan Bay Area is estimated to result in a 6.3 percent reduction in transportation-related per-capita CO₂ emissions by 2035 when compared to 2005 per capita emissions.⁴⁸

In addition to statewide GHG reduction efforts, the BAAQMD's Clean Air Plan, adopted in 2010, includes a goal of reducing GHG emissions to 1990 levels by 2020 and 40 percent below 1990 levels by 2035. In compliance with the Clean Air Plan, the BAAQMD issued CEQA Air Quality Guidelines, providing guidance to local agencies when reviewing projects in the Air Basin that are subject to CEQA. The BAAQMD advises that local agencies may consider adopting a Qualified Greenhouse Gas Reduction Strategy consistent with AB 32 goals and that subsequent projects be reviewed to determine the significance of their GHG emissions based on the degree to which a project complies with a Qualified Greenhouse Gas Reduction Strategy.⁴⁹

In response, San Francisco prepared Strategies to Address Greenhouse Gas Emissions (GHG Reduction Strategy),⁵⁰ which presents a comprehensive assessment of policies, programs, and ordinances that

⁴⁸ "Summary of Major Revisions and Corrections to the Draft Plan Bay Area," July 18, 2013. Metropolitan Transportation Commission. Available online at: http://onebayarea.org/pdf/Summary_of_Major_Revisions_and_Corrections_Web.pdf. Accessed January 7, 2014.

⁴⁹ BAAQMD, California Environmental Quality Act Air Quality Guidelines, May 2012, pp. 4-7 to 4-10. Available online at http://www.baaqmd.gov/~media/Files/Planning%20and%20Research/CEQA/BAAQMD%20CEQA%20Guidelines_Final_May%202012.ashx?la=en. Accessed January 7, 2014.

⁵⁰ San Francisco Planning Department, Strategies to Address Greenhouse Gas Emissions in San Francisco, 2010. The final document is available online at <http://www.sf-planning.org/index.aspx?page=2627>. Accessed January 7, 2014.

collectively represent San Francisco's Qualified GHG Reduction Strategy in compliance with the BAAQMD's guidelines. As identified in the GHG Reduction Strategy, the City has implemented a number of mandatory requirements and incentives that have measurably reduced GHG emissions including, but not limited to, increasing the energy efficiency of new and existing buildings, installation of solar panels on building roofs, implementation of a green building strategy, adoption of a zero waste strategy, a construction and demolition debris recovery ordinance, a solar energy generation subsidy, incorporation of alternative fuel vehicles in the City's transportation fleet (including buses), and a mandatory recycling and composting ordinance. The strategy also identifies 42 specific regulations for new development that would reduce a project's GHG emissions.

In reviewing the GHG Reduction Strategy, the BAAQMD concluded that the strategy meets the criteria outlined in their guidelines and stated that San Francisco's "aggressive GHG reduction targets and comprehensive strategies help the Bay Area move toward reaching the state's AB 32 goals, and also serve as a model from which other communities can learn."⁵¹ San Francisco's collective actions, policies and programs have resulted in a 14.5 percent reduction in GHG emissions in 2010 compared to 1990 levels, exceeding the year 2020 reduction goals outlined in the BAAQMD's Clean Air Plan, Executive Order S-3-05, and AB 32.^{52, 53} Therefore, projects that are consistent with San Francisco's GHG Reduction Strategy would not result in GHG emissions that would have a significant effect on the environment and would not conflict with state, regional, and local GHG reduction plans and regulations.

The proposed project would contribute to the cumulative effects of climate change by emitting GHGs during its construction and operational phases. Construction of the proposed project is estimated at approximately 24 months. Project operations would generate both direct and indirect GHG emissions. Direct operational emissions include GHG emissions from vehicle trips and area sources (natural gas combustion). Indirect emissions include emissions from electricity providers, energy required to pump, treat, and convey water, and emissions associated with landfill operations.

The proposed project would be subject to and required to comply with several San Francisco policies adopted to reduce GHG emissions as outlined in the GHG Checklist.⁵⁴ The GHG Checklist policies that are applicable to the proposed project include the Commuter Benefits Ordinance, Emergency Ride Home Program, bicycle parking requirements, Existing Commercial Buildings Energy Performance Ordinance, various water efficiency and conservation ordinances, and the Stormwater Management Ordinance.

These policies, as outlined in San Francisco's Strategies to Address Greenhouse Gas Emissions, meet the CEQA qualitative analysis (CEQA Guidelines Section 15064(a)(2)) and BAAQMD requirements for a GHG Reduction Strategy. The proposed project was determined to be consistent with San Francisco's

⁵¹ Letter from Jean Roggenkamp, BAAQMD, to Bill Wycko, San Francisco Planning Department. October 28, 2010. This letter is available online at: <http://www.sf-planning.org/index.aspx?page=2627>. Accessed January 7, 2014.

⁵² San Francisco Department of Environment (DOE), "San Francisco Community-Wide Carbon Emissions by Category." Excel spreadsheet provided via email between Pansy Gee, DOE and Wade Wietgrefe, San Francisco Planning Department. June 7, 2013.

⁵³ The Clean Air Plan, Executive Order S-3-05, and Assembly Bill 32 goals, among others, are to reduce GHGs in the year 2020 to 1990 levels.

⁵⁴ Greenhouse Gas Analysis: Compliance Checklist (hereinafter "GHG Checklist"), December 11, 2013. This document is available for review at the San Francisco Planning Department, 1650 Mission Street, Suite 400, as part of Case File No. 2013.1168E.

GHG Reduction Strategy.⁵⁵ Therefore, the proposed project's GHG emissions would not conflict with state, regional, and local GHG reduction plans and regulations, and thus the proposed project's contribution to GHG emissions would not be cumulatively considerable or generate GHG emissions, either directly or indirectly, that would have a significant impact on the environment.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
9. WIND AND SHADOW—Would the project:						
a) Alter wind in a manner that substantially affects public areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Create new shadow in a manner that substantially affects outdoor recreation facilities or other public areas?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Wind

Wind impacts are directly related to building design and articulation and the surrounding site conditions. The Eastern Neighborhoods FEIR determined the rezoning and community plans would not result in a significant impact to wind because the Planning Department, in review of specific future projects, would continue to require analysis of wind impacts, where deemed necessary, to ensure that project-level wind impacts mitigated to a less-than-significant level. No mitigation measures were identified in the FEIR.

Based upon the experience of the Planning Department in reviewing wind analyses and expert opinion on other projects, it is generally the case that projects under 80 feet in height do not have the potential to generate significant wind impacts. The proposed project would involve renovation and reuse of the 20th Street Historic Core and would not increase any building heights. Therefore, the proposed project is not anticipated to cause significant impacts related to wind that were not identified in the Eastern Neighborhoods FEIR.

Shadow

The Eastern Neighborhoods FEIR determined shadow impacts to be significant and unavoidable due to the potential new shadows on parks without triggering Section 295 of the Planning Code review. Planning Code Section 295 generally prohibits new structures above 40 feet in height that would cast additional shadows on open space that is under the jurisdiction of the San Francisco Recreation and Park Commission between one hour after sunrise and one hour before sunset, at any time of the year, unless that shadow would not result in a significant adverse effect on the use of the open space. Under the Eastern Neighborhoods Rezoning and Area Plans, sites surrounding parks could be redeveloped with taller buildings without triggering Section 295 of the Planning Code because certain parks are not subject to

⁵⁵ GHG Checklist.

Section 295 of the Planning Code (i.e., under jurisdiction by departments other than the Recreation and Parks Department or privately owned). The Eastern Neighborhoods FEIR could not conclude if the rezoning and community plans would result in less-than-significant shadow impacts because the feasibility of complete mitigation for potential new shadow impacts of unknown proposed proposals could not be determined at that time. Therefore, the FEIR determined shadow impacts to be significant and unavoidable. No mitigation measures were identified in the FEIR.

The proposed project would involve renovation and reuse of the 20th Street Historic Core and would not increase any building heights; therefore, a shadow analysis was not required and the proposed project would not shade portions of nearby streets and sidewalks and private property within the project vicinity. For the above reasons, the proposed project would not result in significant impacts related to shadow that were not identified in the Eastern Neighborhoods FEIR, and no mitigation measures are necessary.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
10. RECREATION—Would the project:						
a) Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facilities would occur or be accelerated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Include recreational facilities or require the construction or expansion of recreational facilities that might have an adverse physical effect on the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Physically degrade existing recreational resources?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that the anticipated increase in population would not result in substantial or accelerated deterioration of existing recreational resources or require the construction or expansion of recreational facilities that may have a significant adverse effect on the environment. No mitigation measures were identified in the FEIR.

The proposed project would result in the renovation and reuse of the 20th Street Historic Core and improvement of roadways, sidewalks, and parking lots within the project site. Future uses would include manufacturing and light industrial, commercial, retail, laboratory, and life science uses, all of which were anticipated in the FEIR to be added as a result of implementation of the Eastern Neighborhoods Rezoning and Area Plans. For the above reasons, the proposed project would not result in significant impacts on recreational resources that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
11. UTILITIES AND SERVICE SYSTEMS—Would the project:						
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Have sufficient water supply available to serve the project from existing entitlements and resources, or require new or expanded water supply resources or entitlements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Result in a determination by the wastewater treatment provider that would serve the project that it has inadequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Comply with federal, state, and local statutes and regulations related to solid waste?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that the anticipated increase in population would not result in a significant impact to the provision of water, wastewater collection and treatment, and solid waste collection and disposal. No mitigation measures were identified in the FEIR.

The proposed project would result in the renovation and reuse of the 20th Street Historic Core and improvement of roadways, sidewalks, and parking lots within the project site. Future uses would include manufacturing and light industrial, commercial, retail, laboratory, and life science uses, all of which were anticipated in the FEIR to be added as a result of implementation of the Eastern Neighborhoods Rezoning and Area Plans. For the above reasons, the proposed project would not result in significant impacts related to utility and service systems that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
12. PUBLIC SERVICES—Would the project:						
a) Result in substantial adverse physical impacts associated with the provision of, or the need for, new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times, or other performance objectives for any public services such as fire protection, police protection, schools, parks, or other services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that the anticipated increase in population would not result in a significant impact to public services, including fire protection, police protection, and public schools. No mitigation measures were identified in the FEIR. Impacts on parks and recreation are discussed under Topics 9 and 10.

The proposed project would result in the renovation and reuse of the 20th Street Historic Core and improvement of roadways, sidewalks, and parking lots within the project site. Future uses would include manufacturing and light industrial, commercial, retail, laboratory, and life science uses, all of which were anticipated in the FEIR to be added as a result of implementation of the Eastern Neighborhoods Area Plan. For the above reasons, the proposed project would not result in significant impacts related to public services that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
13. BIOLOGICAL RESOURCES—Would the project:						
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special-status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods project area is almost fully developed with buildings and other improvements such as streets and parking lots. Most of the project area consists of structures that have been in industrial use for many years. As a result, landscaping and other vegetation is sparse, except for a few parks. Because future development projects in the Eastern Neighborhoods would largely consist of new construction of housing in these heavily built-out former industrial neighborhoods, vegetation loss or disturbance of wildlife other than common urban species would be minimal. Therefore, the Eastern Neighborhoods FEIR concluded that the project would not result in any significant effects related to biological resources. No mitigation measures were identified in the FEIR.

The project site is covered entirely by existing buildings and impervious surfaces with the exception of small, weeded patches in front of Building 102. There are no candidate, sensitive, or special-status species, riparian habitat, or wetlands on the project site, so implementation of the proposed project would not adversely affect a candidate, sensitive, or special-status species, a riparian habitat, or wetlands.

San Francisco is located within the Pacific Flyway, a major north-south route of travel for migratory birds along the western portion of the Americas, extending from Alaska to Patagonia, Argentina. Every year, migratory birds travel some or all of this distance in the spring and autumn, following food sources, heading to and from breeding grounds, or traveling to and from overwintering sites. High-rise buildings are potential obstacles that can injure or kill birds in the event of a collision, and bird strikes are a leading cause of worldwide declines in bird populations.

Planning Code Section 139, Standards for Bird-Safe Buildings, establishes building design standards to reduce avian mortality rates associated with bird strikes. This ordinance focuses on location-specific

hazards and building feature-related hazards. Location-specific hazards apply to buildings in, or within 300 feet of and having a direct line of sight to, an Urban Bird Refuge, which is defined as an open space “two acres and larger dominated by vegetation, including vegetated landscaping, forest, meadows, grassland, or wetlands, or open water.” The project site is partially located within 300 feet of an Urban Bird Refuge (i.e., San Francisco Bay), so the standards related to location-specific hazards are applicable to the proposed project. Feature-related hazards, which can occur on buildings anywhere in San Francisco, are defined as freestanding glass walls, wind barriers, skywalks, balconies, and greenhouses on rooftops that have unbroken glazed segments of 24 square feet or larger. For any portion of the project site located within 300 feet of an Urban Bird Refuge, the proposed project would be required to comply with the feature-related standards of Planning Code Section 139. As a result, the proposed project would not interfere substantially with the movement of any native resident or migratory wildlife species or with established native resident or migratory wildlife corridors.

There are no existing trees or other vegetation on the project site that would need to be removed as part of the proposed project. As a result, the proposed project would not conflict with any local policies or ordinances that protect biological resources.

The project site is not within an area covered by an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, state, or regional habitat conservation plan. As a result, the proposed project would not conflict with the provisions of any such plan.

For these reasons, implementation of the proposed project would not result in significant impacts on biological resources, and no mitigation measures are necessary.

<i>Topics:</i>	<i>Project-Specific Significant Impact Not Identified in PEIR</i>	<i>Significant Unavoidable Impact Identified in PEIR</i>	<i>Mitigation Identified in PEIR</i>	<i>PEIR Mitigation Applies to Project</i>	<i>PEIR Mitigation Does Not Apply to Project</i>	<i>No Significant Impact (Project or PEIR)</i>
14. GEOLOGY AND SOILS—Would the project:						
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:						
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? (Refer to Division of Mines and Geology Special Publication 42.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ii) Strong seismic ground shaking?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
iii) Seismic-related ground failure, including liquefaction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
iv) Landslides?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
b) Result in substantial soil erosion or the loss of topsoil?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Be located on geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslides, lateral spreading, subsidence, liquefaction, or collapse?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code, creating substantial risks to life or property?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems where sewers are not available for the disposal of wastewater?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Change substantially the topography or any unique geologic or physical features of the site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR concluded that implementation of the plan would indirectly increase the population that could be exposed to risks related to earthquakes and landslides. The FEIR also noted that new development is generally safer than comparable older development due to improvements in building codes and construction techniques. Compliance with applicable codes and recommendations made in project-specific geotechnical analyses would not eliminate risks related to geological hazards, but would reduce them to an acceptable level. Therefore, the FEIR concluded that development under the area plan would not result in significant impacts related to geological hazards. No mitigation measures were identified in the FEIR.

Several geotechnical investigations have been prepared for the project site.^{56,57,58} The following discussion relies on the information provided in the geotechnical investigations.

The topography of the project site is relatively level but slopes slightly downward toward the east. Geotechnical soil borings were excavated to a maximum depth of approximately 66 feet below ground surface (bgs). Based on the soil analysis of the borings, the site subsurface conditions vary. The site contains about 18 feet of fill that consists of loose gravel and stiff clay with sand overlaying

⁵⁶ Geotechnical Investigation for Mariposa Storage/Transport Facilities, San Francisco, California, AGS, Inc., June 1989. This document is on file and available for public review at the Planning Department, 1650 Mission Street, Suite 400.

⁵⁷ Geotechnical Investigation for Pier 70, Building 113, San Francisco, California, Treadwell and Rollo, April 28, 2010. This document is on file and available for public review at the Planning Department, 1650 Mission Street, Suite 400.

⁵⁸ Geotechnical Consultation for Pier 70 Historic Building Renovations, San Francisco, California, Langan Treadwell Rollo, May 28, 2013.

approximately 9 feet of hard clay. The fill thickness generally increases from south to north as does the depth of the bedrock. Bedrock is anticipated to be roughly at grade in the vicinity of Building 116 and in the southeastern half of Building 14. Top of bedrock was encountered in borings at depths ranging from 26 feet bgs near the southeastern end of Building 101 to 58 feet bgs near the southeastern end of Building 104. Fill materials were encountered throughout the site, with thicknesses up to 29 feet in the vicinity of the southeastern corner of Building 104. Fill appears to have been placed over varying thicknesses of Bay Mud in the vicinity of Buildings 102 and 104. Groundwater was encountered at about eight to twelve feet bgs.

The project site does not lie within an Alquist-Priolo Earthquake Fault Zone as defined by the California Division of Mines and Geology. No known active faults cross the project site. The closest mapped active fault in the vicinity of the project site is the San Andreas Fault, located approximately 7.5 miles west from the project site. The proximity would likely result in strong to very strong earthquake shaking at the project site.

The project site is located within a liquefaction potential zone as mapped by the California Division of Mines and Geology for the City and County of San Francisco. Based on analysis of geotechnical borings taken on and adjacent to the project site, some soils within the upper 26 feet are potentially susceptible to liquefaction, and could experience seismically-induced settlement of up to three inches. However, since the liquefaction layer is not continuous, the potential for lateral spreading is low. The report also determined that potential hazards associated with landsliding are nil at the project site.

According to available drawings, Building 101 is supported on footings bearing in bedrock. Building 104 and likely Building 102 are supported on fill, and additional exploration should confirm this. Under existing conditions, bedrock is likely to be exposed or be within several feet of the ground surface underneath Building 116 and the southeastern half of Building 14. The bedrock in the vicinity of the site is typically weak and friable, but can support shallow foundations with relatively high bearing pressures.

The geotechnical investigations provided recommendations for foundation options to reduce the risks related to the seismic hazards and site conditions noted above, including: (1) further evaluation of footings founded on competent soil or bedrock using an allowable bearing pressure of 6,000 pounds per square foot, with a one third increase for total loads for Building 113 using micropiles; and (2) where new foundations are required to support improvements, footings bearing in bedrock would be the preferable option; where footings would need to extend too deep to make their construction practical, micropiles should be used. Additionally, micropiles may be used to support seismic elements and resist uplift loads. Micropiles can be designed to provide both compression and tension support in the stiff soil or bedrock below the fill and Bay Mud. The project sponsor has agreed to implement these measures, subject to building permit requirements.

The geotechnical investigation concluded that the site is suitable for support of the proposed project. The proposed project would be required to incorporate these and any future recommendations into the final building design through the building permit review process. Through this process, San Francisco Port Department (Port Building Department) would review the geotechnical investigation to determine the adequacy of necessary engineering and design features to ensure compliance with all Building Code provisions regarding structure safety. Past geological and geotechnical investigation would be available for use by the Port Building Department during its review of building permits for the project site. Also, DBI could require that additional site-specific soils report(s) be prepared in conjunction with permit applications, as needed. For the above reasons, the proposed project would not result in significant impacts related to geology and soils that were not identified in the Eastern Neighborhoods FESR.

<i>Topics:</i>	<i>Project-Specific Significant Impact Not Identified in PEIR</i>	<i>Significant Unavoidable Impact Identified in PEIR</i>	<i>Mitigation Identified in PEIR</i>	<i>PEIR Mitigation Applies to Project</i>	<i>PEIR Mitigation Does Not Apply to Project</i>	<i>No Significant Impact (Project or PEIR)</i>
15. HYDROLOGY AND WATER QUALITY—Would the project:						
a) Violate any water quality standards or waste discharge requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner that would result in substantial erosion or siltation on- or off-site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner that would result in flooding on- or off-site?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Otherwise substantially degrade water quality?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other authoritative flood hazard delineation map?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) Place within a 100-year flood hazard area structures that would impede or redirect flood flows?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

j) Expose people or structures to a significant risk of loss, injury or death involving inundation by seiche, tsunami, or mudflow?

The Eastern Neighborhoods FEIR determined that the anticipated increase in population resulting from implementation of the Area Plans would not result in a significant impact to hydrology and water quality, including the combined sewer system and the potential for combined sewer outflows. No mitigation measures were identified in the FEIR.

The existing project site is completely covered by existing buildings and impervious surfaces with the exception of small, weeded patches in front of Building 102. The proposed project would include the renovation and reuse the 20th Street Historic Core and improvement of roadways, sidewalks, and parking lots within the project site. Groundwater is relatively shallow throughout the project site, approximately eight to twelve feet bgs. The proposed project would not involve excavation to this depth and is therefore unlikely to encounter groundwater. However, any groundwater that is encountered during construction would be subject to requirements of the City's Sewer Use Ordinance (Ordinance Number 19-92, amended 116-97), as supplemented by Department of Public Works Order No. 158170, requiring a permit from the Wastewater Enterprise Collection System Division of the San Francisco Public Utilities Commission. A permit may be issued only if an effective pretreatment system is maintained and operated. Each permit for such discharge shall contain specified water quality standards and may require the project sponsor to install and maintain meters to measure the volume of the discharge to the combined sewer system. Effects from lowering the water table due to dewatering, if any, would be temporary and would not be expected to substantially deplete groundwater resources.

The proposed project would not increase the amount of impervious surface area on the project site. In accordance with the San Francisco Stormwater Management Ordinance (Ordinance No. 83-10), the proposed project would be subject to and would comply with Low Impact Design (LID) approaches and stormwater management systems to comply with the Stormwater Design Guidelines. Therefore, the proposed project would not adversely affect runoff and drainage. For the above reasons, the proposed project would not result in significant impacts related to hydrology and water quality that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
16. HAZARDS AND HAZARDOUS MATERIALS—Would the project:						
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) Expose people or structures to a significant risk of loss, injury or death involving fires?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that the rezoning of currently zoned industrial (PDR) land to residential, commercial, or open space uses in the Eastern Neighborhoods would result in the incremental replacement of some of the existing non-conforming business with development of these other land uses. Development may involve demolition or renovation of existing structures that may contain hazardous building materials, such as transformers and fluorescent light ballasts that contain polychlorinated biphenyls (PCBs) or di (2 ethylhexyl) phthalate (DEHP) and fluorescent lights containing mercury vapors, that were commonly used in older buildings and which could present a public health risk if disturbed during an accident or during demolition or renovation. The Eastern Neighborhoods FEIR identified a mitigation measure to reduce this impact to less than significant.

The proposed project includes the removal of transformers and could involve removal of fluorescent light ballasts, and fluorescent lights. Therefore, Eastern Neighborhoods FEIR Mitigation Measure L-1, Hazardous Building Materials (Project Mitigation Measure 7, page 63) would apply to the proposed project.

In addition, the project site was formerly used for a variety of industrial uses, including manufacture, maintenance, and repair of destroyers and submarine ships from World War I into the 1970s. Operations at the site have included administration and engineering offices, metal foundries, warehouses, machine shops and powerhouses containing boilers and transformers. These may have used, generated, stored, or disposed of hazardous materials. The most recent land use on the project site has included powerhouse energy generation for the adjacent BAE Systems ship repair, and warehousing/storage.

Due to its location in an area of known bay fill and historic land use, the project is subject to Article 22A of the San Francisco Health Code, also known as the Maher Ordinance, which is administered and overseen by the Department of Public Health (DPH). The Maher Ordinance applies to projects that will disturb 50 cubic yards or more and requires the project sponsor to retain the services of a qualified professional to prepare a Site History Report that meets the requirements of Health Code Section 22.A.6. If it is determined that the project will trigger applicability of the Maher Ordinance, the extent to which work completed to date fulfills the requirements of the ordinance will be evaluated in consultation with DPH.

The Site History Report required by the Maher Ordinance would determine the potential for site contamination and level of exposure risk associated with the project. Based on that information, the project sponsor could be required to conduct soil and/or groundwater sampling and analysis. Where such analysis reveals the presence of hazardous substances in excess of state or federal standards, the project sponsor is required to submit a site mitigation plan (SMP) to DPH or other appropriate state or federal agency(ies), and to remediate any site contamination in accordance with an approved SMP prior to the issuance of any building permit. The Port has already completed an extensive investigation of the entire Pier 70 site within which the proposed project is located, including a Site Investigation Report and Feasibility Study/Remedial Action Plan, and a Risk Management Plan covering the Pier 70 area has already been approved by the Regional Water Quality Control Board (Water Board). The Site Investigation Report fulfills the requirement for a Site History Report under Health Code Article 22A, and completed sampling and analysis that would typically be performed to meet the soil characterization requirements of Article 22A. Consequently, the RMP contemplates that a project sponsor may demonstrate that work completed to date fulfills the requirements of Article 22A on a project-specific basis.

In addition, numerous studies of environmental conditions in and around the project site have been undertaken by various parties. Those addressing all or portions of the project site include: a Phase I Environmental Site Assessment Report (ESA) prepared by Tetra Tech, Inc. for the Port⁵⁹, a Phase I ESA prepared by Ecology and Environment for the U.S. Environmental Protection Agency (EPA)⁶⁰, and a Phase II ESA prepared by Ecology and Environment, Inc. for the EPA.⁶¹ These reports collectively fulfill the requirement for a Site History Report. Evaluation of site history and other findings of the Phase I ESAs indicated that additional soil and groundwater characterization was warranted and would be required under voluntary oversight agreements with two agencies that have regulatory jurisdiction over site remediation in San Francisco: the Water Board and DPH.

Summary of Environmental Site Investigation

Building on information obtained from the earlier site assessments listed above, the Port undertook additional environmental investigation of the Pier 70 Master Plan Area, including the project site, in 2009 and 2010. The investigation included collection and analysis of soil, soil gas, and groundwater. Samples were analyzed for potentially hazardous constituents, both naturally occurring and related to historic industrial activities at the site. The site history information and other findings of previous site assessments, and sampling and analysis results from previous investigations were incorporated into the data set with the

⁵⁹ Tetra Tech, Inc. "Phase I Environmental Site Assessment- Pier 70 Mixed Use Opportunity Area, Corner of Illinois Street and 20th Street", August 1998.

⁶⁰ Ecology and Environment, Inc., "Phase I Brownfields Environmental Site Assessment Report - Pier 70 Maritime Use Area", March 2001.

⁶¹ Ecology and Environment, Inc., "Phase II Brownfields Targeted Site Assessment Report - Pier 70 Mixed Use Opportunity Area", November 2000.

results of the subsequent additional investigation by the Port. The resultant comprehensive site history and environmental investigation report prepared by Treadwell and Rollo, Inc., for the Port was published in 2011 and subsequently approved by the Water Board.⁶²

The following are findings and conclusions from the site investigation:

- Shallow soil (<10 ft. below grade) within the project site contains metals, both naturally occurring and introduced, and petroleum hydrocarbons at concentrations that exceed site-specific cleanup levels.
- Some soil samples collected within the project site contained low concentrations (<1%) of naturally-occurring asbestos.
- Groundwater contains contaminants at concentrations that do not pose a significant risk of adverse impact to human health or the environment.
- Soil gas impacts are minimal and do not pose a significant risk to human health or the environment.
- Potential human health risk resulting from contaminants at Pier 70 results primarily from construction workers' exposure to soil and groundwater.

Feasibility Study and Remedial Action Plan

Building upon the findings of the site investigation, Treadwell & Rollo, Inc., developed a Feasibility Study and Remedial Action Plan (FS/RAP).⁶³ The FS/RAP followed methodology specified by applicable Federal and State regulatory guidance, and was conducted with oversight by the Water Board and DPH. The FS included the following:

- Identification of remedial actions that could be taken to reduce risks associated with contamination and their suitability for use at Pier 70, and analyzed a short list of five potentially feasible scenarios.
- Evaluation of each scenario with respect to nine federally-specified criteria, six state-specified criteria, and factors related to the environmental impact and sustainability of the remedial action itself.
- Identification of a preferred remediation scenario, and documented the basis for that selection.

The FS considered the extent to which remedial actions would protect human health and the environment under all anticipated future land uses at Pier 70: commercial/industrial, residential and recreational. Under the parcel-specific land uses envisioned in the Pier 70 Preferred Master Plan, only contaminated soil requires remediation. Consequently the FS focused on remedial alternatives for contaminated soil. The FS determined that "institutional controls and capping" scored highest of the feasible alternatives analyzed, and is the recommended alternative for mitigating risks associated with contaminants at the site.

The proposed RAP therefore consists of installation of durable covers over site soil, and adoption of institutional controls, monitoring, and maintenance. Durable covers would be designed to prevent future site users' exposure to underlying soil. Acceptable covers include new or existing buildings, streets and sidewalks, "hardscape" and paving, new landscaping installed with an appropriate thickness of clean soil, and stabilized shoreline areas.

The FS/RAP anticipated that remedial action would occur concurrent with site development and that a Risk Management Plan (RMP) would be developed for the entire site to specify management measures that would be implemented to protect human health and the environment during and after site development.

Institutional Controls to be imposed as part of the RAP would include, but may not be limited to:

⁶² Treadwell & Rollo, Inc., "Environmental Site Investigation Report – Pier 70 Master Plan Area", January 13, 2011.

⁶³ Treadwell & Rollo, Inc., Feasibility Study and Remedial Action Plan, Pier 70 Master Plan Area, May 2012.

- Activity restrictions prohibiting exposed native soil or growing produce in on-site soils.
- Prohibiting domestic or industrial use of groundwater, and limiting groundwater handling on-site to dewatering during construction activities.
- Management of soil and groundwater in accordance with an approved RMP.
- Requirement that soil removed from one portion of the site for re-use elsewhere within the site be placed under durable cover.
- Notification of tenants and contractors regarding contaminants and required compliance with RMP;
- Inspection and maintenance of covers in accordance with an approved RMP; and
- Right of access to the site by regulatory agency personnel for periodic inspections of durable covers.

The RAP is appropriate for commercial, industrial, residential and or recreational land uses, wherever they may be developed within the area evaluated by the FS/RAP, provided that development is implemented in accordance with the RMP. The RMP may require additional risk evaluation, and potentially additional measures to minimize or eliminate exposure to soil gas and/or groundwater if residential development is proposed in those limited areas where volatile contaminants may be present above residential cleanup levels.

The final FS/RAP document was published on May 31st, 2012 and approved by the Water Board on August 9th, 2012.

Risk Management Plan

Thereafter, Port staff and consultants developed a draft RMP for agency (Water Board and Department of Public Health), stakeholder, and public review, and submitted a final draft RMP⁶⁴ to the Water Board in July 2013. The Water Board approved that draft as the final RMP on January 24, 2014.

The RMP presents a decision framework and specific protocols for managing chemicals in soil and groundwater within the Pier 70 area, including the project site, to protect human health and the environment. These management measures are consistent with existing and future land uses, and appropriate for a phased redevelopment that is planned to occur over many years. The Port, future developers and tenants, including those in the 20th Street Historic Core, will use the RMP to manage potential risks associated with site conditions.

For the above reasons, the proposed project would not result in significant impacts related to hazards and hazardous materials that were not identified in the Eastern Neighborhoods EIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
17. MINERAL AND ENERGY RESOURCES—Would the project:						
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

⁶⁴ Treadwell & Rollo, Inc., "Pier 70 Risk Management Plan – Pier 70 Master Plan Area", July 25, 2013.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
b) Result in the loss of availability of a locally important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Encourage activities which result in the use of large amounts of fuel, water, or energy, or use these in a wasteful manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FEIR determined that the plan would facilitate the construction of both new residential units and commercial buildings. Development of these uses would not result in the use of large amounts of fuel, water, or energy in the context of energy use throughout the City and region. The energy demand for individual buildings would be typical for such projects and would meet, or exceed, current state and local codes and standards concerning energy consumption, including Title 24 of the California Code of Regulations enforced by the Port Department. The project area does not include any natural resources routinely extracted and the rezoning does not result in any natural resource extraction programs. Therefore, the Eastern Neighborhoods FEIR concluded that the project would not result in a significant impact to mineral and energy resources. No mitigation measures were identified in the FEIR.

No operational mineral resource recovery sites exist in the project area whose operations or accessibility would be affected by the proposed project. The energy demand for the proposed project would be typical for such projects and would meet, or exceed, current state or local codes and standards concerning energy consumption, including applicable portions of Title 24 of the California Code of Regulations and the Historic Building Code enforced by the Port Building Department. For the above reasons, the proposed project would not result in significant impacts on mineral and energy resources that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
18. AGRICULTURE AND FOREST RESOURCES: In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. In determining whether impacts to forest resources, including timberland, are significant environmental effects, lead agencies may refer to information compiled by the California Department of Forestry and Fire Protection regarding the state's inventory of forest land, including the Forest and Range Assessment Project and the Forest Legacy Assessment project; and forest carbon measurement methodology provided in Forest Protocols adopted by the California Air Resources Board.—Would the project:						
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance, as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code Section 12220(g)) or timberland (as defined by Public Resources Code Section 4526)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Result in the loss of forest land or conversion of forest land to non-forest use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland to non-agricultural use or forest land to non-forest use?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The Eastern Neighborhoods FER determined that no agricultural resources exist in the Plan Areas; therefore the rezoning and community plans, including the Central Waterfront Area Plan, would have no effect on agricultural resources. No mitigation measures were identified in the FEIR. The Eastern Neighborhoods FEIR did not analyze the effects on forest resources.

The existing project site is mostly covered by existing buildings and impervious surfaces, with the exception of small, weeded vegetated patches in front of Building 102, and is located within the Central Waterfront Area Plan analyzed under the Eastern Neighborhoods FEIR. Therefore, no agricultural uses, forest land, or timberland exist at the project site. For the above reasons, the proposed project would not result in significant impacts on agricultural or forest resources that were not identified in the Eastern Neighborhoods FEIR.

Topics:	Project-Specific Significant Impact Not Identified in PEIR	Significant Unavoidable Impact Identified in PEIR	Mitigation Identified in PEIR	PEIR Mitigation Applies to Project	PEIR Mitigation Does Not Apply to Project	No Significant Impact (Project or PEIR)
19. MANDATORY FINDINGS OF SIGNIFICANCE—Would the project:						
a) Have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or prehistory?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Have impacts that would be individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Have environmental effects that would cause substantial adverse effects on human beings, either directly or indirectly?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Eastern Neighborhoods FEIR identified significant impacts related to land use, transportation, cultural resources, shadow, noise, air quality, and hazardous materials. Mitigation measures reduced all impacts to less than significant, with the exception of those related to land use (cumulative impacts on PDR use), transportation (traffic impacts at some intersections and transit impacts on some Muni lines), cultural (demolition of historical resources), and shadow (impacts on parks). The proposed project would include the renovation and reuse the 20th Street Historic Core and improvement of roadways, sidewalks, and parking lots within the project site. As discussed in this document, the proposed project would not result in new, significant environmental effects, or effects of greater severity than were already analyzed and disclosed in the Eastern Neighborhoods FEIR.

Mitigation Measures

The following mitigation measures were identified in the Eastern Neighborhoods FEIR for implementation as part of the Eastern Neighborhoods Rezoning and Area Plans. The Project Sponsor has agreed to implement these mitigation measures as part of the proposed project at 400-600 20th Street:

Project Mitigation Measure 1 – Properties with No Previous Studies (Mitigation Measure J-2 in the Eastern Neighborhoods FEIR)

Based on the reasonable potential that archeological resources may be present within the project site, the following requirement shall be undertaken to avoid any potentially significant adverse effect from the proposed project on buried or submerged historical resources. The project sponsor shall retain the services of an archaeological consultant from the rotational Department Qualified Archaeological Consultants List (QACL) maintained by the Planning Department archaeologist. The project sponsor shall contact the Department archaeologist to obtain the names and contact information for the next three archaeological consultants on the QACL. The archaeological consultant shall undertake an archaeological monitoring program. All plans and reports prepared by the consultant as specified herein shall be submitted first and directly to the ERO for review and comment, and shall be considered draft reports subject to revision until final approval by the ERO. Archaeological monitoring and/or data recovery programs required by this measure could suspend construction of the project for up to a maximum of four weeks. At the direction of the ERO, the suspension of construction can be extended beyond four weeks only if such a suspension is the only feasible means to reduce to a less than significant level potential effects on a significant archaeological resource as defined in CEQA Guidelines Sect. 15064.5 (a)(c).

Archaeological monitoring program (AMP). The archaeological monitoring program shall minimally include the following provisions:

The archaeological consultant, project sponsor, and ERO shall meet and consult on the scope of the AMP reasonably prior to any project-related soils disturbing activities commencing. The ERO in consultation with the project archaeologist shall determine what project activities shall be archaeologically monitored. In most cases, any soils disturbing activities, such as demolition, foundation removal, excavation, grading, utilities installation, foundation work, driving of piles (foundation, shoring, etc.), site remediation, etc., shall require archaeological monitoring because of the potential risk these activities pose to archaeological resources and to their depositional context;

The archaeological consultant shall advise all project contractors to be on the alert for evidence of the presence of the expected resource(s), of how to identify the evidence of the expected resource(s), and of the appropriate protocol in the event of apparent discovery of an archaeological resource;

The archaeological monitor(s) shall be present on the project site according to a schedule agreed upon by the archaeological consultant and the ERO until the ERO has, in consultation with the archaeological consultant, determined that project construction activities could have no effects on significant archaeological deposits;

The archaeological monitor shall record and be authorized to collect soil samples and artifact/eco-factual material as warranted for analysis;

If an intact archaeological deposit is encountered, all soils disturbing activities in the vicinity of the deposit shall cease. The archaeological monitor shall be empowered to temporarily redirect demolition/excavation/pile driving/construction crews and heavy equipment until the deposit is evaluated. If in the case of pile driving activity (foundation, shoring, etc.), the archaeological monitor has cause to believe that the pile driving activity may affect an archaeological resource, the pile driving activity shall be terminated until an appropriate evaluation of the resource has been made in consultation with the ERO. The archaeological consultant shall immediately notify the ERO of the encountered archaeological deposit. The archaeological consultant shall, after

making a reasonable effort to assess the identity, integrity, and significance of the encountered archeological deposit, present the findings of this assessment to the ERO.

Consultation with Descendant Communities: On discovery of an archeological site⁶⁵ associated with descendant Native Americans or the Overseas Chinese an appropriate representative⁶⁶ of the descendant group and the ERO shall be contacted. The representative of the descendant group shall be given the opportunity to monitor archeological field investigations of the site and to consult with ERO regarding appropriate archeological treatment of the site, of recovered data from the site, and, if applicable, any interpretive treatment of the associated archeological site. A copy of the Final Archaeological Resources Report shall be provided to the representative of the descendant group.

If the ERO in consultation with the archeological consultant determines that a significant archeological resource is present and that the resource could be adversely affected by the proposed project, at the discretion of the project sponsor either:

- A) The proposed project shall be re-designed so as to avoid any adverse effect on the significant archeological resource; or
- B) An archeological data recovery program shall be implemented, unless the ERO determines that the archeological resource is of greater interpretive than research significance and that interpretive use of the resource is feasible.

If an archeological data recovery program is required by the ERO, the archeological data recovery program shall be conducted in accord with an archeological data recovery plan (ADRP). The project archeological consultant, project sponsor, and ERO shall meet and consult on the scope of the ADRP. The archeological consultant shall prepare a draft ADRP that shall be submitted to the ERO for review and approval. The ADRP shall identify how the proposed data recovery program will preserve the significant information the archeological resource is expected to contain. That is, the ADRP will identify what scientific/historical research questions are applicable to the expected resource, what data classes the resource is expected to possess, and how the expected data classes would address the applicable research questions. Data recovery, in general, should be limited to the portions of the historical property that could be adversely affected by the proposed project. Destructive data recovery methods shall not be applied to portions of the archeological resources if nondestructive methods are practical.

The scope of the ADRP shall include the following elements:

Field Methods and Procedures. Descriptions of proposed field strategies, procedures, and operations.

Cataloguing and Laboratory Analysis. Description of selected cataloguing system and artifact analysis procedures.

⁶⁵ By the term "archeological site" is intended here to minimally include any archeological deposit, feature, burial, or evidence of burial.

⁶⁶ An "appropriate representative" of the descendant group is here defined to mean, in the case of Native Americans, any individual listed in the current Native American Contact List for the City and County of San Francisco maintained by the California Native American Heritage Commission and in the case of the Overseas Chinese, the Chinese Historical Society of America.

Discard and Deaccession Policy. Description of and rationale for field and post-field discard and deaccession policies.

Interpretive Program. Consideration of an on-site/off-site public interpretive program during the course of the archeological data recovery program.

Security Measures. Recommended security measures to protect the archeological resource from vandalism, looting, and non-intentionally damaging activities.

Final Report. Description of proposed report format and distribution of results.

Curation. Description of the procedures and recommendations for the curation of any recovered data having potential research value, identification of appropriate curation facilities, and a summary of the accession policies of the curation facilities.

Human Remains, Associated or Unassociated Funerary Objects. The treatment of human remains and of associated or unassociated funerary objects discovered during any soils disturbing activity shall comply with applicable State and Federal Laws, including immediate notification of the Coroner of the City and County of San Francisco and in the event of the Coroner's determination that the human remains are Native American remains, notification of the California State Native American Heritage Commission (NAHC) who shall appoint a Most Likely Descendant (MLD) (Pub. Res. Code Sec. 5097.98). The archeological consultant, project sponsor, and MLD shall make all reasonable efforts to develop an agreement for the treatment of, with appropriate dignity, human remains and associated or unassociated funerary objects (CEQA Guidelines Sec. 15064.5(d)). The agreement should take into consideration the appropriate excavation, removal, recordation, analysis, curation, possession, and final disposition of the human remains and associated or unassociated funerary objects.

Final Archeological Resources Report. The archeological consultant shall submit a Draft Final Archeological Resources Report (FARR) to the ERO that evaluates the historical significance of any discovered archeological resource and describes the archeological and historical research methods employed in the archeological testing/monitoring/data recovery program(s) undertaken. Information that may put at risk any archeological resource shall be provided in a separate removable insert within the draft final report.

Copies of the Draft FARR shall be sent to the ERO for review and approval. Once approved by the ERO copies of the FARR shall be distributed as follows: California Archaeological Site Survey Northwest Information Center (NWIC) shall receive one (1) copy and the ERO shall receive a copy of the transmittal of the FARR to the NWIC. The Environmental Planning division of the Planning Department shall receive one bound, one unbound and one unlocked, searchable PDF copy on CD of the FARR along with copies of any formal site recordation forms (CA DPR 523 series) and/or documentation for nomination to the National Register of Historic Places/California Register of Historical Resources. In instances of high public interest or interpretive value, the ERO may require a different final report content, format, and distribution than that presented above.

Project Mitigation Measure 2 – Traffic Signal Installation (Mitigation Measure E-1 in the Eastern Neighborhoods FEIR)

To mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, an upgraded traffic signal would need to be installed at this intersection. With this new signal, the average vehicle delay would decrease, and the intersection would operate at LOS B. There are a number of proposed developments in the immediate vicinity of this intersection, most noticeably other development at Pier 70, that would contribute to growth in future traffic volumes and increased delays. Installation of a

traffic signal at the intersection of 20th and Illinois Streets could be linked to these and other proposed development projects.

The project sponsor shall pay its fair share contribution to mitigate the significant cumulative traffic impact at the intersection of 20th and Illinois Streets, which is approximately 9 percent of the cost of the traffic signal at this intersection. The amount and schedule for payment of the proposed project's fair share contribution to the mitigation shall be determined by SFMTA. The proposed project's fair share contribution to the 20th and Illinois Streets intersection mitigation measure would reduce the project's contribution to the Eastern Neighborhoods FEIR significant cumulative impact for the Central Waterfront area. However, due to the uncertainty that the remaining cost of the signal would be obtained, the cumulative traffic impact at the 20th and Illinois Streets intersection would remain significant and unavoidable.

Project Mitigation Measure 3 – Interior Noise Levels (Mitigation Measure F-3 in the Eastern Neighborhoods FEIR)

For new development including noise-sensitive uses located along streets with noise levels above 60 dBA (Ldn), as shown in Figure 18 of the Eastern Neighborhoods FEIR, where such development is not already subject to the California Noise Insulation Standards in Title 24 of the California Code of Regulations, the project sponsor shall conduct a detailed analysis of noise reduction requirements. Such analysis shall be conducted by person(s) qualified in acoustical analysis and/or engineering. Noise insulation features identified and recommended by the analysis shall be included in the design, as specified in the San Francisco General Plan Land Use Compatibility Guidelines for Community Noise to reduce potential interior noise levels to the maximum extent feasible.

Project Mitigation Measure 4 – Siting of Noise-Sensitive Uses (Mitigation Measure F-4 in the Eastern Neighborhoods FEIR)

To reduce potential conflicts between existing noise-generating uses and new sensitive receptors, for new development including noise-sensitive uses, the Planning Department shall require the preparation of an analysis that includes, at a minimum, a site survey to identify potential noise-generating uses within 900 feet of, and that have a direct line-of-sight to, the project site, and including at least one 24-hour noise measurement (with maximum noise level readings taken at least every 15 minutes), prior to the first project approval action. The analysis shall be prepared by persons qualified in acoustical analysis and/or engineering and shall demonstrate with reasonable certainty that Title 24 standards, where applicable, can be met, and that there are no particular circumstances about the proposed project site that appear to warrant heightened concern about noise levels in the vicinity. Should such concerns be present, the Department may require the completion of a detailed noise assessment by person(s) qualified in acoustical analysis and/or engineering prior to the first project approval action, in order to demonstrate that acceptable interior noise levels consistent with those in the Title 24 standards can be attained.

Project Mitigation Measure 5 – Siting of Noise-Generating Uses (Mitigation Measure F-5 in the Eastern Neighborhoods FEIR)

To reduce potential conflicts between existing sensitive receptors and new noise-generating uses, for new development including commercial, industrial or other uses that would be expected to generate noise levels in excess of ambient noise, either short-term, at nighttime, or as a 24-hour average, in the proposed

project site vicinity, the Planning Department shall require the preparation of an analysis that includes, at a minimum, a site survey to identify potential noise-sensitive uses within 900 feet of, and that have a direct line-of-sight to, the project site, and including at least one 24-hour noise measurement (with maximum noise level readings taken at least every 15 minutes), prior to the first project approval action. The analysis shall be prepared by persons qualified in acoustical analysis and/or engineering and shall demonstrate with reasonable certainty that the proposed use would comply with the use compatibility requirements in the general plan and Police Code section 2909, would not adversely affect nearby noise-sensitive uses, and that there are no particular circumstances about the proposed project site that appear to warrant heightened concern about noise levels that would be generated by the proposed use. Should such concerns be present, the Department may require the completion of a detailed noise assessment by person(s) qualified in acoustical analysis and/or engineering prior to the first project approval action.

Project Mitigation Measure 6 – Construction Emissions Minimization (Based on Mitigation Measure G-1 in the Eastern Neighborhoods FER)

- A. Construction Emissions Minimization Plan. Prior to issuance of a construction permit, the project sponsor shall submit a Construction Emissions Minimization Plan (Plan) to the Environmental Review Officer (ERO) for review and approval by an Environmental Planning Air Quality Specialist. The Plan shall detail project compliance with the following requirements:
 - 1. All off-road equipment greater than 25 hp and operating for more than 20 total hours over the entire duration of construction activities shall meet the following requirements:
 - a) Where access to alternative sources of power are available, portable diesel engines shall be prohibited;
 - b) All off-road equipment shall have:
 - i. Engines that meet or exceed either USEPA or ARB Tier 2 off-road emission standards, and
 - ii. Engines that are retrofitted with an ARB Level 3 Verified Diesel Emissions Control Strategy (VDECS).⁶⁷
 - c) Exceptions:
 - i. Exceptions to A(1)(a) may be granted if the project sponsor has submitted information providing evidence to the satisfaction of the ERO that an alternative source of power is limited or infeasible at the project site and that the requirements of this exception provision apply. Under this circumstance, the sponsor shall submit documentation of compliance with A(1)(b) for onsite power generation.
 - ii. Exceptions to A(1)(b)(ii) may be granted if the project sponsor has submitted information providing evidence to the satisfaction of the ERO that a particular piece of off-road equipment with an ARB Level 3 VDECS is: (1) technically not feasible, (2) would not produce desired emissions reductions due to expected operating modes, (3) installing the control device would create a safety hazard or impaired visibility for the operator, or (4) there is a compelling emergency need to use off-road equipment that are not retrofitted with an ARB Level 3 VDECS and the sponsor has submitted documentation to the ERO

⁶⁷ Equipment with engines meeting Tier 4 Interim or Tier 4 Final emission standards automatically meet this requirement, and therefore a VDECS would not be required.

that the requirements of this exception provision apply. If granted an exception to A(1)(b)(ii), the project sponsor must comply with the requirements of A(1)(c)(iii).

iii. If an exception is granted pursuant to A(1)(c)(ii), the project sponsor shall provide the next cleanest piece of off-road equipment as provided by the step down schedules in Table A1 below.

TABLE A1
OFF-ROAD EQUIPMENT COMPLIANCE STEP DOWN SCHEDULE*

Compliance Alternative	Engine Emission Standard	Emissions Control
1	Tier 2	ARB Level 2 VDECS
2	Tier 2	ARB Level 1 VDECS
3	Tier 2	Alternative Fuel*

*How to use the table. If the requirements of (A)(1)(b) cannot be met, then the project sponsor would need to meet Compliance Alternative 1. Should the project sponsor not be able to supply off-road equipment meeting Compliance Alternative 1, then Compliance Alternative 2 would need to be met. Should the project sponsor not be able to supply off-road equipment meeting Compliance Alternative 2, then Compliance Alternative 3 would need to be met.

**Alternative fuels are not a VDECS

2. The project sponsor shall require the idling time for off-road and on-road equipment be limited to no more than two minutes, except as provided in exceptions to the applicable state regulations regarding idling for off-road and on-road equipment. Legible and visible signs shall be posted in multiple languages (English, Spanish, Chinese) in designated queuing areas and at the construction site to remind operators of the two minute idling limit.
3. The project sponsor shall require that construction operators properly maintain and tune equipment in accordance with manufacturer specifications.
4. The Plan shall include estimates of the construction timeline by phase with a description of each piece of off-road equipment required for every construction phase. Off-road equipment descriptions and information may include, but is not limited to: equipment type, equipment manufacturer, equipment identification number, engine model year, engine certification (Tier rating), horsepower, engine serial number, and expected fuel usage and hours of operation. For VDECS installed: technology type, serial number, make, model, manufacturer, ARB verification number level, and installation date and hour meter reading on installation date. For off-road equipment using alternative fuels, reporting shall indicate the type of alternative fuel being used.
5. The Plan shall be kept on-site and available for review by any persons requesting it and a legible sign shall be posted at the perimeter of the construction site indicating to the public the basic requirements of the Plan and a way to request a copy of the Plan. The project sponsor shall provide copies of Plan to members of the public as requested.

- B. Reporting. Quarterly reports shall be submitted to the ERO indicating the construction phase and off-road equipment information used during each phase including the information required in A(4). In addition, for off-road equipment using alternative fuels, reporting shall include the actual amount of alternative fuel used.
- 1. Within six months of the completion of construction activities, the project sponsor shall submit to the ERO a final report summarizing construction activities. The final report shall indicate the start and end dates and duration of each construction phase. For each phase, the report shall include detailed information required in A(4). In addition, for off-road equipment using alternative fuels, reporting shall include the actual amount of alternative fuel used.
- C. Certification Statement and On-site Requirements. Prior to the commencement of construction activities, the project sponsor must certify (1) compliance with the Plan, and (2) all applicable requirements of the Plan have been incorporated into contract specifications.

Project Mitigation Measure 7 – Hazardous Building Materials (Mitigation Measure L-1 in the Eastern Neighborhoods FEIR)

The City shall condition future development approvals to require that the subsequent project sponsors ensure that any equipment containing PCBs or DEPH, such as fluorescent light ballasts, are removed and properly disposed of according to applicable federal, state, and local laws prior to the start of renovation, and that any fluorescent light tubes, which could contain mercury, are similarly removed and properly disposed of. Any other hazardous materials identified, either before or during work, shall be abated according to applicable federal, state, and local laws.

Improvement Measures

The following improvement measure was identified in the Eastern Neighborhoods FEIR for implementation as part of the Eastern Neighborhoods Rezoning and Area Plans.

Project Improvement Measure 1 -- Develop Additional Pedestrian and Roadway Treatments

As an improvement measure to reduce any potential conflicts between pedestrians and freight/delivery vehicles maneuvering in and out of loading zones and within the courtyard area, the project sponsor should provide additional pedestrian treatments to assure safe passage of pedestrians throughout the project site and reduce and/or eliminate any vehicle-pedestrian conflicts. The project sponsor should provide:

- High-visibility crosswalks (e.g., continental, transverse, and/or ladder marking pattern) at the intersection of 20th Street and Georgia Street. Installation of crosswalks will provide enhanced pedestrian circulation and connectivity between buildings north and south of 20th Street;
- Installation of ADA-accessible ramps at all proposed crosswalk locations and at a safe distance from any on-street loading zone;
- Installation of STOP signs along the northbound Michigan Street approach and northbound Louisiana Street approach;

- Additional signage and notifications within the courtyard area to better guide pedestrians attempting to access various buildings from the courtyard area and to maintain a safe distance from any parked or moving vehicles within the courtyard area. Special pavement markings may be installed to delineate the pedestrian walkway within the courtyard area.
- Additional signage along the loading dock areas to inform non-authorized personnel that traversing these areas is strictly prohibited and proper signage should guide non-authorized personnel to the nearest appropriate path of travel.

All pedestrian treatments should be constructed in accordance with the California Manual on Uniform Traffic Control Devices (MUTCD). Such pedestrian treatments may require approvals by the Port of San Francisco, San Francisco Planning Department, Department of Public Works, and SFMTA's Livable Streets Subdivision, as appropriate.

Project Improvement Measure 2 – Designate Safe, Accessible, and Convenient Bicycle Parking

The proposed locations for bicycle parking within the project site have not been finalized and are subject to change. However, as an improvement measure to provide safe, accessible, and convenient bicycle parking for patrons (employees and visitors) and to reduce any potential conflicts with moving vehicles, the project sponsor should locate bicycle parking in an appropriate distance from nearby roadways or loading zones, install bicycle parking in locations that are highly visible for bicyclists, and design bicycle parking that allows for ease of access in and out of these bicycle parking areas. The project sponsor should encourage future building tenants to provide adequate space for Class 1 bicycle parking and to provide bicycle parking that is covered, secured and accessible for employees. The project sponsor should install Class 2 bicycle spaces along sidewalks and/or open space with adequate spacing and/or install bicycle corrals to provide an adequate number of bicycle parking spaces within a concentrated area that is at a safe, convenient distance from moving vehicles. Appropriate signage should also be installed to notify bicyclists of these on-site bicycle parking areas.

Project Improvement Measure 3 – Designate Loading Dock Manager

During the average and peak loading hour, not all freight/delivery vehicles may be accommodated in the off-street loading spaces within the project site. As a consequence, loading and unloading vehicles may need to wait, use on-street loading facilities or possibly double park. As an improvement measure to alleviate potential adverse effects to loading activities within the project site, the project sponsor should require each building tenant to designate a loading dock manager(s) to schedule and/or direct loading vehicles, as appropriate.

Project Improvement Measure 4 – Require Traffic Controllers/Flaggers for Larger Deliveries

During deliveries that require oversized vehicles that require the use of on-site loading dock facilities, or for deliveries that would occur in the presence of high volumes of pedestrian or bicycle traffic, the project sponsor should require tenants to use flaggers to guide vehicles through and/or around the loading zones as well as guide vehicles along public roadways (e.g., 20th, Michigan, Georgia, and Louisiana Streets). Such efforts would minimize potential conflicts with other users of the roadway, including other vehicles, pedestrians, and bicyclists circulating within the project site.

Project Improvement Measure 5 – Limit Peak Hour Truck Movements

Any project construction traffic occurring between 7:00 a.m. and 9:00 a.m. or between 3:30 p.m. and 6:00 p.m. would coincide with peak hour traffic and could temporarily impede traffic and transit flow, although it would not be considered a significant impact. Limiting truck movements to the hours between 9:00 a.m. and 3:30 p.m. (or other times, if approved by SFMTA) would further minimize disruption of the general traffic flow on adjacent streets during the a.m. and p.m. peak periods.

Project Improvement Measure 6 – Develop Construction Management Plan

The project sponsor, the Port of San Francisco, and their construction contractor(s) could meet with the Sustainable Streets Division of the SFMTA, the Fire Department, Muni, and the Planning Department to determine feasible measures to reduce traffic congestion, including potential transit disruption, and pedestrian circulation impacts during construction of the project. To minimize cumulative traffic impacts due to project construction, the project sponsor would coordinate with construction contractors for any concurrent nearby projects (e.g., along Illinois Street, between 18th and 19th Streets, and other parts of Pier 70) that are planned for construction or which later become known.

Project Improvement Measure 7 – Encourage Transit Access for Construction Workers

As an improvement measure to minimize parking demand and vehicle trips associated with construction workers, the construction contractor could include methods to encourage transit use to the project site by construction workers in the Construction Management Plan.

Project Improvement Measure 8 – Provide Project Construction Updates

As an improvement measure to minimize construction effects on nearby businesses, the project sponsor could provide regularly-updated information (typically in the form of community meetings, website, news articles, on-site posting, etc.) regarding project construction and schedule, as well as contact information for specific construction inquiries or concerns.

Project Improvement Measure 9 – Transportation Management Plan

Metrics/Monitoring/Evaluation

- Orton Development, Inc. (ODI) or the Port will provide a TMP coordinator for the site to ensure the following TMP is implemented.
- ODI will require sub-tenant compliance with TMP to make sure employers on site are offering commuter check benefits to employees, per City requirements.
- ODI will work with SFMTA and/or the Planning Department to establish quantitative mode share or non-automobile share targets for all trip purposes for workers and visitors to the site.
- ODI will send out an annual travel behavior survey to employers and will share its report and collected responses with the City.

- In Port-operated lots that serve the project, parking operators will collect data on traffic and parking occupancy during peak commute and peak events annually and report to the Planning Department and/or SFMTA.

Transit and Ride Sharing Incentives

- ODI and the Port will require sub-tenants to adopt a transit-oriented program that promotes transit and ride sharing options before occupancy.
- ODI will encourage tenant employees and the general public to commute to work on Muni, Caltrain, and BART.
- ODI will require tenants to provide 1 partially- or fully-subsidized Muni Fast Pass or similar reasonable financial contribution to a transit Muni Fast Pass/Clipper Card for each employee in addition to the sub-tenant/employer compliance with the City's Commuter Benefits ordinance.
- ODI will require that all future tenants register for San Francisco's free Emergency Ride Home program.
- ODI will provide transit-planning tools (maps and Wayfinding information) in public spaces and common areas in coordination with site-wide wayfinding and historic interpretation.

Bicycling Incentives

- ODI will provide secure Class I and/or Class II bicycle parking in a manner that meets the planning code requirements.
- For this project, ODI will provide a minimum of 33 Class 1 bicycle parking spaces and 30 Class 2 bicycle parking spaces as required in SF Planning Code, Section 155.2 and 155.3.

The location of the bicycle parking is expected to be in the project courtyard and in areas north of Buildings 101, 102, and 104. The exact locations are being determined and will be submitted for Port schematic review. As required by Planning code 155.1(e)(4), "All plans will indicate the "location, dimensions, and type of bicycle parking facilities to be provided, including the model or design of racks to be installed and the dimensions of all aisle, hallways, or routes used to access the parking."

- The Port and ODI agree to coordinate with SFMTA and SF Bike Share representatives to discuss the potential of installing a Pier 70 20th Street Historic Buildings SF Bike Share Station.
- ODI will provide tire inflation and quick repair stations.
- ODI will provide on-site bicycles for subtenants and employers to use that are not open to the public.
- ODI will sponsor and promote on-site bicycle education and bicycle safety classes annually.

Car Sharing, Carpool, and Vanpool Incentives

- The Port operated parking lot at 20th and Illinois will provide premium parking locations for carshare vehicles to meet the requirements of San Francisco Planning Code

Ordinance 286-10, which states that projects that provide more than 10 spaces for non-residential uses must dedicate 5% of these spaces, rounded down to the nearest whole number, to short-term, transient use by vehicles from certified car sharing organizations per Section 166, which include vanpool, rideshare, taxis, or other co-operative auto programs.

- Once tenants are identified, ODI will work to encourage car share memberships and user discounts for on-site businesses.
- ODI and the Port will provide premium-parking locations for visiting carpool and vanpool on an off-site Port operated lot.
- ODI and the Port will provide premium passenger loading zone locations in the form of marked curbs.
- ODI will require tenants to utilize, when possible, car share programs such as Ride Share Match through 511.org.

Parking Management

- Parking will be unbundled from the leasing of commercial/office spaces.
- ODI and Port will charge market rates for all parking.
- ODI will coordinate with the Port of San Francisco to designate appropriate loading and unloading passenger zones as well as short-term parking zones to reduce congestion along 20th Street, Louisiana Street and Michigan Street. The Port will review and approve the final plan. The Port will approve the color curbs for this project.

Walking & Pedestrian Safety

- ODI will encourage future tenant employees to walk to work by providing wayfinding signage and clear and accessible information to walking maps.
- ODI will study dumpster and compost container locations and consider service and small truck delivery routes to reduce effects on pedestrian flow.
- ODI will coordinate with the Port to provide safe paths of travel for pedestrians along 20th, Georgia, Michigan, and Illinois, Streets. The Port will review and approve the final plan.
- Primary pedestrian path of travel to Buildings 114/115/116 and Building 14 will be through the Atrium in Building 113 that will be publicly accessible.
- ODI will include in its subleases rules on loading and truck use of the plaza to minimize effects on pedestrians while supporting industrial tenant needs for truck loading and unloading.

Emergency vehicles

- ODI will continue to coordinate with the Port Fire Marshal to meet turn-around requirements and coordinate emergency vehicle access with traffic and pedestrian flow.

Conclusion

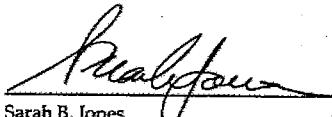
The Eastern Neighborhoods FER incorporated and adequately addressed all potential impacts of the proposed 400-600 20th Street project. As discussed in this Community Plan Exemption Checklist, the 400-

600 20th Street project would not have any additional or peculiar significant adverse effects that were not examined in the *Eastern Neighborhoods FEIR*, nor has any new or additional information come to light that would alter the conclusions of the FEIR. Thus, the proposed project would not have any new significant or peculiar effects on the environment that were not previously identified in the *Eastern Neighborhoods FEIR*, nor would any environmental impacts be substantially greater than described in the FEIR. No mitigation measures previously found infeasible have been determined to be feasible, nor have any new mitigation measures or alternatives been identified but rejected by the project sponsor. Therefore, in addition to being exempt from environmental review under Section 15183 of the CEQA Guidelines, the proposed project is also exempt under Section 21083.3 of the California Public Resources Code.

DETERMINATION:

On the basis of this review, it can be determined that:

- The proposed project qualifies for consideration of a Community Plan Exemption based on the applicable General Plan and zoning requirements; AND
- All potentially significant individual or cumulative impacts of the proposed project were identified in the applicable programmatic EIR (PEIR) for the Plan Area, and all applicable mitigation measures have been or incorporated into the proposed project or will be required in approval of the project.
- The proposed project may have a potentially significant impact not identified in the PEIR for the topic area(s) identified above, but that this impact can be reduced to a less-than-significant level in this case because revisions in the project have been made by or agreed to by the project proponent. A focused Initial Study and MITIGATED NEGATIVE DECLARATION is required, analyzing the effects that remain to be addressed.
- The proposed project may have a potentially significant impact not identified in the PEIR for the topic area(s) identified above. An ENVIRONMENTAL IMPACT REPORT is required, analyzing the effects that remain to be addressed.



Sarah B. Jones
Environmental Review Officer
for
John Rahaim
Director of Planning

DATE May 7, 2014

EXHIBIT A
FORM OF SERIES 2014C BOND

Unless this bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to City or its agent for registration of transfer, exchange, or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE OF THIS BOND FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

<u>Number R-</u>	<u>UNITED STATES OF AMERICA STATE OF CALIFORNIA CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BOND (SEISMIC SAFETY LOAN PROGRAM 1992), SERIES 2014</u>	<u>Amount \$ _____</u>	
<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ Dollars

The CITY AND COUNTY OF SAN FRANCISCO, State of California (the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner specified above or registered assigns, on the Maturity Date specified above, the Principal Amount of this bond specified above in lawful money of the United States of America, and to pay interest on the Principal Amount in like lawful money from the interest payment date next preceding the date of authentication of this bond (unless this bond is authenticated as of the day during the period from the last day of the month next preceding any interest payment date (the "Record Date") to such interest payment date, inclusive, in which event it shall bear from such interest payment date, or unless this bond is authenticated on or before [November 30, 2014], in which event it shall bear

interest from its dated date) until payment of such Principal Amount, at the Interest Rate per year specified above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on [December 15, 2014] and semiannually thereafter on June 15 and December 15 in each year; provided, that if any interest payment date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (a “**Business Day**”). The principal of this bond is payable to the Registered Owner of this bond upon the surrender of this bond at the office of the Treasurer of the City (the “**Treasurer**”). The interest on this bond is payable to the person whose name appears on the bond registration books of the Treasurer as the Registered Owner of this bond as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check mailed on the interest payment date to such Registered Owner at the owner’s address as it appears on such registration books; provided, that the Registered Owner of bonds in an aggregate principal amount of at least \$1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest by wire transfer to a commercial bank located in the United States of America. This bond is one of a duly authorized issue of bonds (the “**Bonds**”) of like tenor (except for such variations, if any, as may be required to designate varying numbers, denominations, interest rates and maturities), in the aggregate principal amount of \$_____, which is part of a bond authorization in the aggregate original principal amount of \$350,000,000 authorized by the affirmative votes of more than two-thirds of the voters voting at a special election duly and legally called, held and conducted in the City in November 1992 and is issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, the Charter of the City and resolutions adopted by the Board of Supervisors of the City (the “**Board of Supervisors**”) on February 22, 1994, and _____, 2014 and

duly approved by the Mayor of the City on February 25, 1994 and _____, 2014, respectively (collectively, together with the related Certificate of Award, the “**Resolutions**”). The Bonds are issuable as fully registered bonds without coupons the denominations of \$5,000 or any integral multiple of such amount, provided that no bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, provided in the Resolutions, the Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same interest rate and maturity.

This bond is transferable by its registered owner, in person or by its attorney duly authorized in writing, at the office of the Treasurer, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolutions, and upon surrender and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized denomination or denominations for the same interest rate and same aggregate principal amount will be issued to the transferee in exchange for this bond.

The Treasurer will not be required to exchange or register the transfer of this bond during the period (a) from the Record Date for an interest payment date to the opening of business on such interest payment date or (b) after notice of redemption of this bond or any portion of this bond has been mailed.

[Bonds maturing on and before June 15, 20__, are not redeemable prior to their maturity. Bonds maturing on and after June 15, 20__, are subject to optional redemption from any available funds, in whole or in part, on any date on or after June 15, 20__, at a price equal to their principal amount plus in each case accrued interest to the date of redemption, without redemption premium.] If less than all of the outstanding Bonds are to be redeemed, they may be redeemed in any order of maturity as determined by the Treasurer. If less than all of the outstanding Bonds of a maturity are to be redeemed on any one date, (i) if the Bonds are not registered in book-entry only form, the Treasurer will select the Bonds or portions thereof, in denominations of \$5,000 or any integral multiple thereof, to be redeemed from the outstanding Series 2014C Bonds maturing

on such date not previously selected for redemption, by lot, in any manner which the Treasurer deems fair; and (ii) if the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures and with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided pursuant to DTC operational arrangements, and if the Fiscal Agent does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Bonds shall be selected for redemption by lot in accordance with DTC procedures.

Notice of the redemption of Bonds which by their terms shall have become subject to redemption shall be given or caused to be given to the registered owner of each bond or portion of a bond called for redemption not less than 20 or more than 60 days before any date established for redemption of Bonds, by the Treasurer on behalf of the City, first class mail, postage prepaid, sent to the registered owner's last address, if any, appearing on the registration books kept by the Treasurer. Official notices of redemption will contain the information specified in the Resolutions.

On or prior to any redemption date, the City is required to deposit an amount of money sufficient to pay the redemption price of all of the Bonds or portions of Bonds which are to be redeemed on that date or, in the case of optional redemptions only, the optional redemption and notice of it will be rescinded and the City's failure to deposit such amount will not be a default. In addition, the City may at its option rescind any optional redemption and notice of it for any reason on any date prior to the applicable redemption date. Notice of rescission of an optional redemption shall be given in the same manner as notice of redemption was originally given, Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless such redemption and notice of it shall

have been rescinded or unless the City shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner, shall affect the sufficiency of such notice with respect to other Bonds.

Notice of redemption, or notice of rescission of an optional redemption, having been properly given, failure of a registered owner to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. The City and the Treasurer may treat the registered owner of this bond as the absolute owner of this bond for all purposes, and the City and the Treasurer shall not be affected by any notice to the contrary.

The Treasurer may appoint agents to serve as bond registrar or paying agent, as provided in the Resolutions.

The Board of Supervisors certifies, recites and declares that the total amount of indebtedness of the City, including the amount of this bond, is within the limit provided by law, that all acts, conditions and things required by the law to be done or performed precedent to and in the issuance of this bond have been done and performed in strict conformity with the laws authorizing the issuance of this bond, that this bond is in the form prescribed by order of the Board of Supervisors duly made and entered on its minutes, and the money for the payment of principal of this bond, and the payment of interest thereon, shall be raised by taxation upon the taxable property of the City as provided in the Resolutions.

This bond shall not be entitled to any benefit under the Resolutions, or become valid or obligatory for any purpose, until the certificate of authentication and registration on this bond shall have been signed by the Treasurer.

IN WITNESS WHEREOF the Board of Supervisors has caused this bond to be executed by the Mayor of the City and to be countersigned by the Clerk of the Board of Supervisors, all as of the Dated Date set forth above.

Mayor of the City and County of San Francisco

Countersigned:

Clerk of the Board of Supervisors of the City and County of San Francisco

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This is one of the bonds described in the within-mentioned Resolutions, which has been authenticated on the date set forth below.

Date of Authentication: _____

Treasurer of the City and
County of San Francisco



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

SUBJECT: CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS

Unreinforced Masonry Building Seismic Safety Loan Program, Series 2014C

DATE: Tuesday, June 24, 2014

I respectfully request that the Board of Supervisors consider for review and adoption the resolution authorizing the sale and issuance of general obligation bonds financing the Seismic Safety Loan Program (SSLP).

In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, June 24, 2014, and we respectfully request that the items be heard on the July 9, 2014 meeting of the Budget and Finance Committee.

Background:

A two-thirds majority of voters of the City approved Proposition A in November 1992 ("Proposition A"), which authorized the issuance of not to exceed \$350,000,000 in general obligation bonds to provide loans for the seismic strengthening of unreinforced masonry buildings (the "Seismic Safety Loan Program"). Of the amount authorized under Proposition A, \$150,000,000 is allocated to affordable housing buildings and \$200,000,000 is allocated to market-rate residential, commercial and institutional buildings. Proposition A allows a maximum of \$35,000,000 of the general obligation bonds to be issued each fiscal year, with unissued portions of the authorized maximum amount carried over and issued in future years.

The first series of Proposition A bonds was sold on March 1, 1994 (the "Series A Bonds") pursuant to Resolution 160-94 (the "1994 Resolution"), as adopted by the Board of Supervisors on February 22, 1994 and approved by the Mayor on February 25, 1994. Proceeds from the sale of the Series A Bonds were used to fund the Seismic Safety Loan Program and have been repaid in full.

The Board of Supervisors adopted on February 6, 2007 and the Mayor approved on February 16, 2007 Resolution No. 65-07 that authorized the second issuance of general obligation bonds (the “2007 Bonds”) in an amount not to exceed \$35,000,000 financing the Seismic Safety Loan Program. The City has issued 2007 Bonds in the principal amount of \$30,315,450 funding Seismic Safety Loan Program loans. Of the 2007 Bonds originally issued, aggregate principal in the amount of \$25,193,793 remains outstanding.

The proposed not to exceed \$24,000,000 in City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992) (the “Bonds”) will finance a portion of the seismic improvements to Buildings 113/114 and 104 located along the Central Waterfront of San Francisco at Pier 70. Construction of all of the seismic work is expected to commence in October 2014 and completion is expected first quarter of calendar 2017. The City anticipates issuing the Bonds in October 2014.

Seismic Safety Loan Program Background:

The Seismic Safety Loan Program is administered by the Mayor’s Office of Housing and Community Development (MOHCD) under Administrative Code Sections 66 and 66A and the Seismic Safety Loan Program Regulations adopted through Ordinance No. 122-06. MOHCD administers the program and the cash proceeds from the bond sales are used to make loans to individual property owners whose applications are approved by its UMB Seismic Safety Loan Committee. Recipients of the loans complete the necessary seismic repairs to their unreinforced masonry buildings. Repayments from seismic safety loans are used to pay the debt service on the general obligation bonds. Property Taxes assessed on all taxable property owners in the City pay the difference between the cost of debt service and repayments by loan recipients. With the City’s most recent 2007 Bonds, MOHCD funded and administers a Seismic Safety Loan Program portfolio with an outstanding balance of approximately \$25,193,783. Attachment 1 provides additional detail on the existing SSLP loan and project portfolio.

Project Background:

On May 23, 2014, the UMB Seismic Safety Loan Committee approved a loan in the amount of \$20,100,871 for the 20th Street Historic Buildings on Pier 70, San Francisco. Building 113/114 (1885 Union Iron Works Machine Shop) and Building 104 (the 1896 Office Building) are both located at Pier 70 and are unreinforced masonry buildings in need of rehabilitation and verified by a structural engineer to be unreinforced masonry construction.

Buildings 113/114 and 104 are located on 69 acres of Port Commission property on San Francisco’s Central Waterfront, just south of Mission Bay. In 2010, the Port completed the community planning process to determine a Master Plan for Pier 70 and through a competitive process, the Port selected Orton Development Inc. (ODI) in February 2012 as the developer for the historic rehabilitation of Pier 70’s 20th Street Historic Buildings, a set of six large historic buildings located on or near 20th Street that includes Building 113/114 and 104.

Financing Parameters:

The proposed resolution authorizes the issuance of not to exceed par amount of \$24,000,000. The Bonds are anticipated to contribute approximately \$20,100,871 to the Seismic Safety Loan Program to

fund loans for the Buildings 113/114 and 104 seismic projects. Table 1 outlines anticipated sources and uses for the Bonds.

Table 1: Anticipated Sources and Uses for the Bonds.

Estimated Sources	Amount
<u>Par Amount</u>	<u>\$ 22,485,000</u>
Total Estimated Sources	<u>\$ 22,485,000</u>
 Estimated Uses	
SSLP Loan - Project Account	\$ 20,100,871
Bond Account	1,712,654
Other Costs of Issuance	671,475
Costs of Issuance	502,838
Underwriter's Discount	168,638
Total Estimated Uses	<u>\$ 22,485,000</u>

Based upon a conservative estimate of 5.1% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately \$1,791,000. During the period of construction of the seismic improvements to Buildings 113/114 and 104, interest payments on the Bonds will be paid from the Bond Account. The total par amount is estimated to result in approximately \$13,343,000 million in interest payments over the life of the Bonds. The total principal and interest payment over the approximate 20 year life of the Bonds is approximately \$35,828,000.

In addition, the project is subject to the periodic oversight and review by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC") but are not subject to the requirement set forth in Administrative Code Section 5.31(c), pertaining to the deposit of a portion of gross bond proceeds in a fund established by the Controller's Office to cover the costs of CGOBOC.

Financing Timeline:

The Bonds are expected to be issued and delivered in October 2014. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Consideration by the Capital Planning Committee	June 23, 2014
Introduction of authorizing resolution to the Board	June 24, 2014
Issuance and delivery of Bonds	October 2014
Closing of SSLP Loan, Lease and Construction Loan	October 2014

*Please note that dates are estimated unless otherwise noted.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. As of June 16, 2014, there were \$1.94 billion in general obligation bonds outstanding or approximately 1.12% of the net assessed value of property in the City for Fiscal Year 2013-14. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.44% of the net assessed value of

property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.02% to 1.14%—within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2014-15 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information:

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, June 24, 2014. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Bond Purchase Contract, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale: The Official Notice of Sale for the Bonds announces the date and time of the competitive bond sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Pending market conditions, the Bonds may be bid separately by series or bids may be received for all of the Bonds.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, the Controller is authorized to award the Bonds 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.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell City and County of San Francisco General Obligation Bonds Unreinforced Masonry Building Seismic Safety Loan Program, Series 2014C. 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.

Bond Purchase Contract: The Bond Purchase Contract is an agreement between the City and an underwriter for the purchase of the Bonds under the terms of a negotiated sale. The proposed resolution authorizes the Controller and the Director of Public Finance to determine if a negotiated sale is expected to provide a lower cost of financing or more flexibility than a competitive sale. Upon such a determination, the proposed resolution further authorizes Controller and Director of Public Finance to select one or more underwriters for the sale of the Bonds at a rate of compensation not to exceed 0.5% of the principal amount of the Series 2014C Bonds sold. The Controller or the Director of Public Finance shall provide the name of the underwriter or underwriters selected for any negotiated sale at the earliest practical Board meeting occurring after the selection thereof.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix

A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolutions, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

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. Pursuant to the Resolution, City staff will revise the Official Statement, including the Appendix, to reflect new information regarding the Mayor’s Proposed Budget, Controller’s Revenue Letter, and June election results.

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 Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this matter is greatly appreciated. Please contact me at 554-5956 if you have any questions. Thank you.

CC: Angela Calvillo, Clerk of the Board
(via email) Jason Elliott, Mayor's Office
Kate Howard, Mayor's Budget Office
Teresa Yanga, Mayor's Office of Housing and Community Development
Anne Romero, Mayor's Office of Housing and Community Development
Jonathan Stern, Port of San Francisco
Phil Williamson, Port of San Francisco
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Mark Blake, Deputy City Attorney

OFFICIAL NOTICE OF SALE

AND

OFFICIAL BID FORM

\$ _____ *

**CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C**

The City and County of San Francisco will receive sealed bids and electronic bids for the above-referenced bonds at the place and up to the time specified below:

SALE DATE: _____ day, _____, 2014

(Subject to postponement or cancellation in accordance with this Official Notice of Sale)

TIME: 8:30 a.m. (California time)

PLACE: Controller's Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336,
San Francisco, California 94102

DELIVERY DATE: _____, 2014*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

\$ _____ *

CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (SEISMIC SAFETY LOAN PROGRAM, 1992) SERIES 2014C

NOTICE IS HEREBY GIVEN that electronic bids and sealed bids will be received in the manner described below, and in the case of electronic bids, through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") by the City and County of San Francisco (the "City") for the purchase of \$ _____ aggregate principal amount of City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C (the "Bonds"), more particularly described hereinafter, at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 on:

_____, 2014, at 8:30 a.m. (California time)*
(subject to postponement or cancellation in accordance with this Official Notice of Sale)

See "TERMS OF SALE—Form of Bids; Delivery of Bids" hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

THE RECEIPT OF BIDS ON _____ DAY, _____, 2014, * MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH BLOOMBERG BUSINESS NEWS ("BLOOMBERG") AND PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids will be given through Bloomberg and Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the original or new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the co-financial advisors to the City: (i) Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, California 94611; telephone (510) 339-3212 (office), Attention: Jo Mortensen (e-mail: jmortensen@pragla.com); and (ii) Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California; telephone (415) 912-5612 (office), Attention: Peter J. Ross (e-mail: rossfinancial@smkc.com) (collectively, "Co-Financial Advisors"), *provided*, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE—Postponement or Cancellation of Sale."

* Preliminary, subject to change.

The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through Bloomberg and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sales. See "TERMS OF SALE—Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, dated _____, 2014, of the City with respect to the Bonds (the "**Preliminary Official Statement**") for additional information regarding the City, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS—Official Statement." Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system. If the summary of the terms of sale of the Bonds posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale will control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

IMPORTANT INFORMATION REGARDING THE BONDS, INCLUDING THE SECURITY AND SOURCES OF PAYMENT THEREFOR, AND THE CITY IS PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER MUST REVIEW AND WILL BE DEEMED TO HAVE REVIEWED, PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Subject to the foregoing, the Bonds are generally described as follows:

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of \$5,000 or any integral multiple of that amount, as designated by the successful bidder (the "**Purchaser**"), all dated the date of delivery, which is expected to be _____, 2014*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Bonds purchased. As of the

* Preliminary, subject to change.

date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. The interest on the Bonds will be payable on June 15 and [December 15] of each year, beginning [December 15, 2014] (each an "**Interest Payment Date**"). Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months, from the dated date of the Bonds.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity may not exceed twelve percent (12%) per annum;
- (iii) no Bond may bear a zero rate of interest;
- (iv) each Bond must bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and
- (v) all Bonds maturing at any one time must bear the same rate of interest.

Premium Bids; No Net Discount Bids. Bids may include a net premium on the par value of the Bonds; provided that the amount of total net premium with respect to the Bonds may not exceed twelve percent (12%) of the aggregate principal amount of the Bonds. No net discount bids will be accepted.

Principal Payments. The Bonds will be serial and/or term Bonds, as specified by each bidder, and principal will be payable on June 15 of each year, commencing on [June 15, 2016] as shown below. The final maturity of the Bonds will be [June 15, 2034]. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year must be in integral multiples of \$5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. **Bidders will provide bids on the Total Principal Amount only.** Subject to adjustment as hereinafter provided, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Principal Payment Date <u>(June 15)</u>	Principal Amount*	Principal Payment Date <u>(June 15)</u>	Principal Amount*
TOTAL			\$ _____ *

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds in increments of \$5,000, as determined in the sole discretion of the City.** Any such adjustment of principal payments on the Bonds will be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.

THE PURCHASER WILL NOT BE PERMITTED TO WITHDRAW ITS BID OR CHANGE THE INTEREST RATES IN ITS BID AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Redemption. (a) **Optional Redemption.** The Bonds maturing on or before June 15, 20[22], will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 20[23], are subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds (other than mandatory sinking fund payments), as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 20[22], at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

(b) **Mandatory Sinking Fund Redemption.** Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from

* Preliminary, subject to change.

mandatory sinking fund payments, on each June 15 on or after June 15, 20[23], designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

TERMS OF SALE

Par and Premium Bids. All bids must be for par or better; no net discount bids will be accepted. [No bid may have a premium of more than twelve percent (12%) of par.]

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds, (2) unconditional, and (3) either (i) submitted on the Official Bid Form attached as *Exhibit A* and signed by the bidder, or (ii) submitted via Parity, along with a facsimile transmission by the winning bidder, after the verbal award, of the completed and signed applicable Official Bid Form conforming to the Parity bid, with any adjustments made by the City pursuant hereto, by not later than 11:00 a.m. California time on the sale date. Electronic bids must conform to the procedures established by Parity. [Sealed bids must be enclosed in a sealed envelope, delivered to the City and County of San Francisco c/o Nadia Sesay at the address set forth on the cover and clearly marked "Bid for the City and County of San Francisco Taxable General Obligation Bonds" or words of similar import, as hereinafter described, and received by 8:30 a.m. California time, at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; phone: (415) 554-5956. No bid submitted to the City may be withdrawn or modified by the bidder.]

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids will be rejected. No bid submitted to the City may be withdrawn or modified by the bidder. No bid will be accepted after the time for receiving bids. The City retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either of the Co-Financial Advisors or Parity, phone: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds [may] be submitted electronically via Parity. The City will attempt to accommodate bids submitted electronically via Parity. None of the City, the City Attorney, the Co-Financial Advisors or Co-Bond Counsel (defined below) assumes any responsibility for any error contained in any bid submitted electronically or for the failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission

by such bidder including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. The time for receiving bids will be determined by the City at the place of bid opening, and the City will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the City, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice of Sale or the Official Bid Form.

Process of Award. The City will take final action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

The following five (5) steps constitute the City's process for a final award of the Bonds:

(1) The Co-Financial Advisors, on behalf of the City, will give a verbal notice of award to the apparent winning bidder (the "Apparent Winning Bidder") to be determined as described below under "Basis of Award."

(2) If the Apparent Winning Bidder submitted its bid via Parity, such Apparent Winning Bidder shall, promptly after verbal award, but no later than one hour after the City has given notice of such verbal award, fax or email to the City (in c/o its

Co-Financial Advisors and to the City's Director of Public Finance at the fax and/or email addresses provided for such purpose) the executed and completed Official Bid Form (attached hereto as Exhibit A), executed on the Apparent Winning Bidder's behalf by duly authorized signatory;

(3) The Apparent Winning Bidder shall provide the Good Faith Deposit by wire transfer, as described under "Good Faith Deposit;"

(4) The Co-Financial Advisors will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Bonds, after adjustments, if any, are made, as described under "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments;" and

(5) The City will fax or email to the Apparent Winning Bidder its written final award.

Upon completion of all five (5) steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Bonds and will be bound by the terms of the contract to purchase the Bonds, which contract shall consist of: (a) this Official Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity or provided in the bidder's written sealed bid, as applicable; (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments;" and (d) the Official Bid Form executed and delivered, provided, however, in case of any inconsistencies between the information in the bid as originally transmitted by the Apparent Winning Bidder (either electronically or in the form of a written sealed bid) and the Official Bid Form subsequently submitted by such Apparent Winning Bidder, the data submitted electronically through Parity (or the written sealed bid, as applicable) shall control.

Basis of Award. The City reserves the right to reject all the bids or postpone the bids for any reason. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder which timely submits a conforming bid that represents the lowest true interest cost ("TIC") to the City and which timely provides the Good Faith Deposit as described under "Good Faith Deposit" below. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the City will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the City.

Estimate of TIC. Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the City.

Multiple Bids. If multiple bids are received from a single bidder by any means or combination of means, the City will accept the bid representing the lowest TIC to the City. Each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. A good faith deposit (a “**Good Faith Deposit**”) satisfying the requirements set forth below is required for each bid. The amount of the Good Faith Deposit for the Bonds is \$_____.

Except as otherwise provided below, a Good Faith Deposit in the form of a certified, treasurer’s or cashier’s check drawn on a solvent commercial bank or trust company in the United States of America or a financial surety bond (the “**Financial Surety Bond**”) issued by an insurance company licensed to issue such surety bond in the State of California and made payable to the order of the City and County of San Francisco, to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid, is required for any bid to be accepted. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, such surety bond must be submitted to the City or its Co-Financial Advisors prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Good Faith Deposit is guaranteed by such Financial Surety Bond. If the winning bidder on the Bonds is determined to be a bidder utilizing a Financial Surety Bond, then that bidder is required to submit its Good Faith Deposit to the City in the form of a cashier’s check (or to wire transfer such amount as instructed by the City or its Co-Financial Advisors) not later than 10:00 a.m. (California time) on the next business day following the bid opening. If such Good Faith Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Good Faith Deposit requirement. If the apparent winning bidder on the Bonds is determined to be a bidder which has not submitted a Good Faith Deposit in the form of a Financial Surety Bond or check, as provided above, the Co-Financial Advisors will request the apparent winning bidder to immediately wire the Good Faith Deposit to the City and the winning bidder will provide the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors within 60 minutes of such request by the Co-Financial Advisors. The Bonds will not be officially awarded to a bidder which has not submitted a Good Faith Deposit in the form of a Financial Surety Bond or check, as provided above, until such time as the bidder has provided a Federal wire reference number for the Good Faith Deposit to the Co-Financial Advisors.

No interest on the Good Faith Deposit will accrue to any bidder. The City will deposit the Good Faith Deposit of the Purchaser. The Good Faith Deposit (without accruing interest) of the Purchaser will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the Good Faith Deposit plus any interest accrued on the Good Faith Deposit will be retained by the City. Good Faith Deposits accompanying bids other than the bid which is accepted will be returned promptly upon the determination of the best bidder.

Electronic Bids; Delivery of Form of Bids. If the City accepts a bidder’s bid that was submitted through Parity, the successful bidder must submit a signed, completed and conforming Official Bid Form by facsimile transmission to the Director of Public Finance, fax: (415) 554-4864, as soon as practicable, but not later than one hour after the verbal award of the Bonds.

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will be given through Parity and Bloomberg as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through Parity and Bloomberg as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Time for Award. The Controller of the City (the “**Controller**”) will take official action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Co-Bond Counsel, Schiff Hardin LLP and Richards | Watson | Gershon (collectively, “**Co-Bond Counsel**”), will each deliver an opinion to the effect that under present California law, interest on the Bonds is exempt from State of California personal income taxes. See “**TAX MATTERS**” in the Preliminary Official Statement.

A copy of the proposed form of the opinions of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. The approving legal opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the opinions will be filed with the Controller.

Equal Opportunity. Pursuant to the spirit and intent of the City’s Local Business Enterprise (“**LBE**”) Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, Room 800, San Francisco, California 94102: phone: (415) 252-2500.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about _____, 2014.* Payment for the Bonds (including any premium) must be made to the Treasurer of the City at the time of delivery in immediately available funds. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F—"PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL" to the Official Statement.

Qualification for Sale. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided*, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The City will deliver a certificate stating that no litigation is pending with service of process having been accomplished or, to the knowledge of the officer of the City executing such certificate, threatened, concerning the validity of the Bonds, the ability of the City to levy and collect the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the City, or the title to their respective offices of the officers of the City who will execute the Bonds.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the City fails to execute the Bonds and tender the same for delivery within thirty (30) days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of each series of the Bonds. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill

* Preliminary, subject to change.

Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The City will take no responsibility for the accuracy of such numbers.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Co-Financial Advisors. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Co-Financial Advisors is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 200) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the City in writing within two days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Bonds, the Purchaser agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to file promptly a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board governing the offering, sale and delivery of the Bonds to the Purchaser, including without limitation, the delivery of a final Official Statement to each investor who purchases Bonds.

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

Certificate of the City Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that, to the best of the knowledge of such authorized representative, the Official Statement (except for information regarding DTC and its book-entry system, as to which no view will be expressed), as of the date of sale of the Bonds and as of the date of their delivery, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Purchaser's Certificates Concerning Official Statement. As a condition of delivery of the Bonds, the Purchaser will be required to execute and deliver to the City, prior to the delivery date of the Bonds, a certificate to the effect that while the Purchaser has not undertaken any responsibility for the contents of the Official Statement, the Purchaser, in

accordance with and as part of its responsibilities under federal securities laws, had an opportunity to review the information in the Official Statement and to speak to officials and staff of the City and has not notified the City or its officials or staff of the need to modify or supplement the Official Statement.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be included in the final Official Statement. The City has not failed, in the prior five years, to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of listed events.

Dated: _____, 2014

EXHIBIT A

BID TIME: 8:30 A.M. (California time)

____ day, _____, 2014

OFFICIAL BID FORM FOR THE PURCHASE OF

\$ _____ *

**CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C**

Controller

City and County of San Francisco
c/o Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirm Number: (415) 554-6643

BIDDING FIRM'S NAME: _____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated _____, 2014, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the "Bonds") and hereby offer to purchase all of the \$ _____ aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of \$ _____ within the time and in the manner specified in the Official Notice of Sale; and to pay therefor the price of \$ _____, which is equal to the aggregate principal amount of the Bonds plus a net premium of \$ _____ (not to exceed 12%) (such amount being the "Purchase Price"). The Bonds will mature and will be subject to mandatory sinking fund redemption commencing no earlier than June 15, 20[23] (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedules below.

Maturity Schedule

(Check one) ⁽¹⁾					(Check one) ⁽¹⁾				
Principal Payment Date (June 15)	Annual Principal Payment*	Serial Maturity	Mandatory Sinking Fund Redemption ⁽²⁾	Interest Rate	Principal Payment Date (June 15)	Annual Principal Payment*	Serial Maturity	Mandatory Sinking Fund Redemption ⁽²⁾	Interest Rate
<hr/>									

TOTAL

* Subject to adjustment in accordance with the Official Notice of Sale.

(1) Circle the final maturity of each term bond specified.

(2) There may not be serial maturities for dates after the first mandatory sinking fund redemption payment.

Authorized Signatory

Title: _____

Phone Number: _____

Fax Number: _____

TIC (optional and not binding): _____

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.

NOTICE OF INTENTION TO SELL

\$ _____ *

CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C

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

_____ day, _____, 2014 at 8:30 a.m. (California time)*

by sealed bids at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102, and by electronic bids through Ipreo LLC's BIDCOMP™/PARITY® System ("Parity"), \$ _____ * aggregate principal amount of City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C (the "Bonds").

The City reserves the right to postpone or cancel the sale of the Bonds, or change the terms thereof, upon notice given through Bloomberg News ("Bloomberg") and/or Parity. In the event that no bid is awarded for the Bonds, the City will reschedule the sale of the Bonds to another date or time by providing notification through Bloomberg and/or Parity.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale dated _____, 2014 relating to the Bonds. Further information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds and the Official Notice of Sale, are available through Bloomberg or may be obtained from either of the City's Co-Financial Advisors: Public Resources Advisory Group, 1950 Mountain Boulevard, Suite 1, Oakland, California 94611; telephone (510) 339-3212 (office), Attention: Jo Mortensen (e-mail: jmortensen@pragla.com); and Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone (415) 912-5612 (office), Attention: Peter J. Ross (e-mail: rossfinancial@smkc.com).

The Preliminary Official Statement for the Bonds and the Official Notice of Sale for the Bonds will be posted electronically at Ipreo Prospectus at www.i-dealprospectus.com on or around _____ day, _____, 2014. Failure of any bidder to receive either document shall not affect the legality of the sale.

Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend the Official Notice of Sale relating to the Bonds in any respect, as more fully described in the Official Notice of Sale; provided, however, that any such modification or amendment will be communicated to potential bidders solely through Bloomberg and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment shall not affect the sufficiency of any such notice or the legality of the sale.

Date: _____, 2014

*Preliminary, subject to change.

\$
**CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C**

BOND PURCHASE CONTRACT

_____, 2014

City and County of San Francisco
Controller's Office of Public Finance
1 Carlton B. Goodlett Place, Room 336
San Francisco, CA 94102

Ladies and Gentlemen:

The undersigned, _____, as representative (the "Representative") of itself and _____ (together, the "Underwriters") offers to enter into this bond purchase contract (this "Purchase Contract") with the City and County of San Francisco (the "City"), which will be binding upon the City and the Underwriters upon acceptance hereof by the City. This offer is made subject to the acceptance by the City by the execution of this Purchase Contract and its delivery to the Representative on or before 11:59 p.m., California time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Representative withdraws this offer, or the Underwriters' obligation to purchase the Bonds (as hereinafter defined) is otherwise terminated pursuant to Section 8(d) hereof, then and in such case, the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(a) hereof, and the City shall be free to sell the Bonds to any other party. The Representative represents that it has been duly authorized by the other Underwriters to act hereunder on its behalf and has full authority to take such action as it may deem advisable in respect of all matters pertaining to this Purchase Contract and that the Representative has been duly authorized to execute this Purchase Contract. Any action taken under this Purchase Contract by the Representative will be binding upon all the Underwriters.

Capitalized terms not otherwise defined herein shall have the meanings set forth in Resolution No. _____ adopted by the Board of Supervisors of the City (the "Board") on _____ and signed by the Mayor on _____ (the "Resolution").

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters agree, jointly and severally, to purchase from the City, and the City hereby agrees to sell and deliver to, or for the account of, the Underwriters, all (but not less than all) of the City and County of San Francisco, Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C (the "Bonds"). The

Bonds shall be dated their date of delivery and shall have the maturities and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto.

The purchase price for the Bonds shall be \$ _____ (comprised of the principal amount of the Bonds, plus a net original issue premium on the Bonds of \$ _____, less an Underwriters' discount in the amount of \$ _____). The Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, the Resolution. The Bonds shall mature and shall be as otherwise described in the Official Statement (defined herein).

Section 2. Authorization for the Bonds; Purpose of Issue. The Bonds are authorized to be issued pursuant to voter approval of Proposition A at the election in November, 1992. The issuance of the Bonds was approved by the Board pursuant to the Resolution. The Bonds are being issued to provide funds for loans to finance the seismic strengthening of unreinforced masonry buildings within the City.

Section 3. Public Offering. It shall be a condition to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds that the entire principal amount of the Bonds be sold and delivered by the City to the Underwriters. Subsequent to the initial public offering, the public offering prices of the Bonds may change as determined by the Underwriters as deemed necessary in connection with the marketing of the Bonds.

Section 4. Delivery of Official Statement. Prior to the date hereof, the City has provided to the Underwriters for review a form of the preliminary official statement relating to the Bonds dated _____, 2014 (including the cover page and appendices thereto, the "Preliminary Official Statement"), which as of its date, a representative of the City on behalf of the City "deemed final" for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for certain information permitted to be omitted therefrom by Rule 15c2-12. By its acceptance of this offer, the City hereby ratifies and consents to the use and distribution by the Underwriters of the Preliminary Official Statement and the City has authorized the delivery of a final official statement relating to the Bonds dated the date hereof (both in print or electronic format) which will consist of the Preliminary Official Statement and all information previously permitted to have been omitted by Rule 15c2-12. The City will deliver a continuing disclosure certificate substantially in the form set forth as an Appendix to the Preliminary Official Statement (the "Continuing Disclosure Certificate") on the Closing Date (as defined herein). A form of the Continuing Disclosure Certificate will be attached as an appendix to the Official Statement.

The City hereby acknowledges that the Preliminary Official Statement has been made available to investors on the Internet at www.MuniOS.com. The City hereby agrees to deliver or cause to be delivered to the Underwriters within seven Business Days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customers, not more than 100 copies of the final official statement (including all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the City and the Representative) (the "Official Statement") to enable the Underwriters to comply with the rules of the Securities and Exchange City (the

“SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). The City hereby approves of the use and distribution by the Underwriters of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Representative shall file a copy of the Official Statement with the MSRB or its designee (including the MSRB’s Electronic Municipal Market Access (“EMMA”) system).

Section 5. The Closing. At 8:00 a.m., California time, on _____, 2014, or at such other time or on such other date as the City and the Representative may agree (the “*Closing Date*”), the City shall deliver, or cause to be delivered, the Bonds to or for the account of the Underwriters through the facilities of The Depository Trust Company (“DTC”) in fully registered, book-entry eligible form, duly executed and authenticated, and registered in the name of Cede & Co., as nominee of DTC. Concurrently with the delivery of the Bonds to the Underwriters, the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California, or another place to be mutually agreed upon by the City and the Underwriters. The Underwriters shall accept such delivery and pay the purchase price for the Bonds set forth in Section 1 by federal funds wire or certified or bank check(s) in federal funds, immediately available, to the order of the Trustee for the account of the City. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “*Closing*.” The City with the assistance of the Underwriters shall cause CUSIP identification numbers to be printed on the Bonds; *provided* that neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept the Bonds. The Underwriters represents that the CUSIP numbers set forth on Schedule I hereof are the correct CUSIP numbers for the Bonds.

Section 6. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriters as follows:

(a) *Due Organization, Existence and Authority.* The City is a duly constituted public commission of the City and County of San Francisco duly organized and validly existing pursuant to its Charter and the Constitution and laws of the State, with full authority to: (i) adopt the Resolution; (ii) execute and deliver the Continuing Disclosure Certificate and this Purchase Contract; (iii) approve the Official Statement and authorize its distribution by the Underwriters; (iv) sell and deliver the Bonds to the Underwriters as provided herein and (v) carry out and consummate the other transactions contemplated by such documents.

(b) *Accuracy and Completeness of the Official Statement.* The information with respect to the City, its activities and the Port as described in the Preliminary Official Statement was, as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the date of the Closing will be, true and correct in all material respects, and the Preliminary Official Statement contained and the Official Statement contains and will contain no misstatement of any material fact and did not and will not omit any statement and information that is necessary to make the statements and information with respect to the City contained therein, in the light of the circumstances under which such statements were made, not misleading in any material respect, excluding in each case any information contained

in the Preliminary Official Statement and Official Statement relating to DTC and the book-entry only system and the information under the caption "UNDERWRITING."

(c) *Official Statement.* If, at any time prior to the date twenty-five (25) days following the later of (a) the Closing or (b) the date the Underwriters no longer retains, directly or as member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public (the later of (a) or (b) being the "*End of the Underwriting Period*"), an event occurs or facts or conditions become known of which the City has knowledge, which in the reasonable opinion of Schiff Hardin LLP and Richards | Watson | Gershon ("Co-Bond Counsel") or the General Counsel to the City or the City Attorney might or would cause the information in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will notify the Representative, and, if in the reasonable opinion of the Representative and the City such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will amend or supplement the Official Statement in a form and in a manner reasonably approved by the Underwriters and the City, provided all expenses incurred in connection with preparing an amendment or supplement to the Official Statement will be paid by the City. As used herein and for the purposes of the foregoing, the term "*End of the Underwriting Period*" for the Bonds shall refer to the Closing, unless the City shall have been notified in writing to the contrary by the Representative on or prior to the Closing. For the purposes of this subsection, the City will furnish such information as the Representative may from time to time reasonably request in writing prior to the End of the Underwriting Period.

(d) *No Breach or Default.* As of the time of acceptance hereof and as of the Closing Date and except as otherwise disclosed in the Official Statement, neither the execution nor the delivery by the City of the Continuing Disclosure Certificate or this Purchase Contract, the adoption of the Resolution, or the compliance by the City with such documents or authorizations, or the consummation of the transactions contemplated by such documents or by the Resolution or the Official Statement conflicts with or constitutes a material breach of or default under any applicable law or administrative regulation of the State or the United States, or any other statute or administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the City is subject which breach, default or conflict would have a material adverse effect on the ability of the City to repay the Bonds or have a material adverse effect on the ability of the City to perform its obligations under the Resolution, the Continuing Disclosure Certificate or this Purchase Contract.

(e) *No Other Bond Issues or Debt.* Between the time of acceptance hereof and the Closing Date, the City will not, without prior written notice to the Representative, issue any bonds or securities or incur any other indebtedness secured by the Net Revenue of the City.

(f) *No Litigation.* The City shall certify that, as of the date hereof and as of the Closing Date, and except as disclosed in the Official Statement, there is no action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the City, threatened against the City: (i) affecting the existence of the City or the titles of its officers to their respective

offices; (ii) seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution; (iii) in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution or any action of the City contemplated by any of said documents; (iv) in any way contesting the completeness or accuracy of the Official Statement or any amendment or supplement thereto; or (v) contesting the powers of the City with respect to the Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the members of the City, as evidenced by the representative of the City signing this Purchase Contract, is there any basis therefor. The City shall further certify that, as of the date hereof and as of the Closing Date, and except as disclosed in the Official Statement, there is no action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the City, threatened against the City in which a final adverse decision would materially and adversely affect the operations of the Port, Net Revenue or the consummation of the transactions contemplated by this Purchase Contract, or contesting in any way the completeness, accuracy or fairness of the Official Statement.

(g) *Further Cooperation; Blue Sky.* The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate; *provided, however,* that the City will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

Section 7. Representations, Covenants and Agreements of the Underwriters. The Underwriters represent, covenant and agree with the City that:

(a) The Underwriters have been duly authorized to enter into this Purchase Contract.

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

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

Section 8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriters under this Purchase Contract are and shall be subject to the following conditions:

(a) *Bring-Down Representation.* The representations and warranties of the City contained herein shall be true, accurate and correct in all material respects at the date hereof and on the Closing Date, as if made on the Closing Date.

(b) *Executed Documents and Performance Thereunder.* At the time of the Closing: (i) the Resolution, this Purchase Contract and the Official Statement shall be in full force and effect, and shall not have been amended, modified or supplemented except with the consent of the Representative (which consent will not be unreasonably withheld); and (ii) the City shall perform or have performed all of its obligations required under or specified in this Purchase Contract, the Official Statement and the Resolution to be performed prior to the Closing.

(c) *No Default.* At the time of the Closing, no default shall have occurred or be existing under the Resolution or this Purchase Contract.

(d) *Termination Events.* The Representative may terminate this Purchase Contract by notification in writing to the City, but only after consultation with the City in the manner set forth in the paragraphs immediately below, if, at any time on or prior to the Closing, any of the following occurs and, as a result of the occurrence of such an event, the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Representative after consultation with the City, would be materially adversely affected, *provided, however,* that, in the event the City and the Representative disagree as to the effect of the occurrence of such event on the ability of the Representative to market the Bonds, this Purchase Contract may only be terminated by the Representative after the Representative and the City shall have negotiated in good faith to determine if there is an alternate time, place and manner which would permit the Underwriters to successfully market the Bonds:

(i) any event shall occur which makes untrue any statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading and the City fails to amend or supplement the Official Statement pursuant to Section 6(c) hereof; or

(ii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative and upon consultation with the City, materially adversely affects the market price or marketability of the Bonds or the ability to enforce contracts for the sale of the Bonds at the contemplated offering price; or

(iii) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Resolution need be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Resolution is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in the United States in securities generally by any governmental authority or by any national securities exchange; or

(vi) a general banking moratorium shall have been declared by federal, State or State of New York authorities or a disruption in securities settlement, payment or clearance services materially affecting the Bonds shall have occurred; or

(vii) the ratings on the Bonds shall have been downgraded or withdrawn subsequent to the date of this Purchase Contract by one of the three rating agencies rating the Bonds; or

(viii) the marketability of the Bonds or the market prices thereof, in the opinion of the Representative, have been materially affected by the declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other calamity or crisis (including any act of terrorism) the effect of any of which has caused a material disruption to the municipal bond market and as such, in the opinion of the Representative, makes it impracticable (or inadvisable, as agreed to by the City and the Representative) for the Underwriters to market the Bonds or to enforce contracts for the sale of the Bonds; or

(ix) there shall be (a) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts or by federal or state agencies, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (b) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Closing Date), (c) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Closing Date) or (d) any judgment, ruling or order issued by any court or administrative body, which in any such case would, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from underwriting the Bonds as provided herein or selling the Bonds to the public.

The termination of this Purchase Contract pursuant to this Section 8(d) by the Representative with respect to the Bonds shall not prohibit the City from selling such Bonds to any other underwriters.

(e) *Closing Documents.* At or prior to the Closing, the Underwriters shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents, in each case satisfactory in form and substance to the Representative:

(i) *Approving Authorizations.* A certified copy of the Resolution.

(ii) *Final Opinion.* An approving opinion or opinions of Co-Bond Counsel, dated the Closing Date, and substantially in the form attached to the Official Statement, and a letter of such counsel addressed to the Underwriters to the effect that such opinion may be relied upon by the Underwriters to the same extent as if it had been addressed to each of them.

(iii) *Supplemental Opinion.* A supplemental opinion or opinions of Co-Bond Counsel addressed to the City and the Underwriters, dated the Closing Date, to the following effect:

(1) The statements contained in the Official Statement under the captions "TERMS OF THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," Appendix A - "SUMMARY OF THE LEGAL DOCUMENTS," Appendix E - "PROPOSED FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Port Bond Ordinance, Section 9.107 of the City Charter, the Bonds, the Resolution, and the opinion of Co-Bond Counsel with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes are accurate in all material respects.

(2) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(3) This Purchase Contract and the Continuing Disclosure Certificate have each been duly authorized, executed and delivered by the City and constitute the valid, legal and binding agreements of the City, each enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights, by the application of equitable principles if equitable remedies are sought and limitations on the enforcement of legal remedies against public agencies in the State.

(iv) *Disclosure Counsel Opinion as to Official Statement.* An opinion or opinions of Hawkins, Delafield & Wood LLP, as Disclosure Counsel to the City, addressed to the City and the Underwriters, dated the Closing Date, in form and substance satisfactory to the City and the Underwriters.

(v) *Certificate of the City.* A certificate of the City dated the Closing Date, signed on behalf of the City by an authorized officer of the City, to the effect that:

(1) The representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date.

(2) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(vi) *California Debt and Investment Advisory Commission Filings.* Copies of the Report of Proposed Debt Issuance and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code.

(vii) *Continuing Disclosure Certificate.* An executed copy of the Continuing Disclosure Certificate in substantially the form attached to the Official Statement as Appendix C.

(viii) *Rating Letters for the Bonds.* Rating Letters of Moody's Investors Service, Inc. ("Moody's") Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), evidencing that such rating agencies have assigned their municipal bond ratings of "____", "____" and "____", respectively.

(ix) *Opinion of the City Attorney.* An opinion of the City Attorney addressed to the Underwriters, dated the Closing Date, in form satisfactory to the Representative.

(x) *Blue Sky Memorandum.* A copy of the Blue Sky Memorandum with respect to the Bonds, prepared by _____, counsel to the Underwriters ("Underwriters' Counsel");

(xi) *Opinion of the Underwriters' Counsel.* The opinion of Underwriters' Counsel, dated the Closing Date and addressed to the Representative, to the effect that (a) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended, and the Continuing Disclosure Certificate satisfies paragraph (b)(5) of Rule 15c2-12; and (b) without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement and based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriters, nothing has come to their attention which would cause them to believe that the Preliminary Official Statement, as of the date of this Purchase Contract, or the Official Statement, as of the date thereof and the Closing Date, contained any untrue statement of

a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that no opinion need be expressed with respect to the financial statements and the statistical data included in the Official Statement, and Appendices A through E thereto, and information regarding DTC and its book-entry only system;

(xii) *Additional Documents.* Such additional certificates, instruments and other documents as Co-Bond Counsel, the Representative or the City Attorney may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations of the City and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and the Underwriters and the City shall not be under further obligation hereunder, except as further set forth in Section 10 hereof.

Section 9. Good Faith Deposit. To secure the City from any loss resulting from the failure of the Underwriters to accept delivery of and pay the purchase price for the Bonds pursuant to the terms of this Purchase Contract, the Underwriters agree to deliver to the City, concurrently with the execution and delivery of this Purchase Contract, either an official bank check (which may be deposited by the City upon receipt) or a federal funds wire transfer in the amount of \$ _____ (representing approximately one percent (1%) of the principal amount of the Bonds) (the "Good Faith Deposit"). At the Closing, the Good Faith Deposit will be applied towards and deducted from the aggregate net purchase price for the Bonds as provided in Section 1 of this Purchase Contract. If the Underwriters fail to pay the purchase price in full upon tender of the Bonds (other than for a reason permitted under Section 8 hereof), the City may retain such Good Faith Deposit as and for liquidated damages for such failure by the Underwriters. In such circumstance, the Underwriters will have no right to recover the Good Faith Deposit or to any allowance or credit therefor. Retaining the Good Faith Deposit shall constitute the City's sole and exclusive remedy and full liquidated damages for the Underwriters' failure (other than for a reason expressly set forth herein) to purchase and accept delivery of the Bonds pursuant to the terms of this Purchase Contract and the Underwriters shall be released and discharged from any and all claims for damages by the City against the Underwriters related to such failure and any other defaults by Underwriters hereunder. The Underwriters and the City hereby acknowledge and agree that the amount fixed pursuant to this Section for liquidated damages does not constitute a penalty and is a reasonable estimate of the damages that the City would sustain in the event of the Underwriters' failure to purchase and to accept delivery of the Bonds on the Closing Date pursuant to the terms of this Purchase Contract. The amount is agreed upon and fixed as liquidated damages because of the difficulty of ascertaining as of the date hereof the actual amount of damages that would be sustained in such event. If the City fails to deliver the Bonds on the Closing Date pursuant to this Purchase Contract, or if the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds as set forth in this Purchase Contract shall not be satisfied (unless waived in writing by the

Underwriters pursuant to this Purchase Contract), or if this Purchase Contract is terminated for a reason set forth in Section 8 hereof, the City shall promptly return the Good Faith Deposit to the Underwriters, plus interest (which shall accrue at the interest rate at which private depository institutions lend balances at the Federal Reserve to other depository institutions). Upon such return of the Good Faith Deposit to the Underwriters, this Purchase Contract shall terminate, and neither party shall have any further obligations hereunder.

Section 10. Expenses.

(a) *City.* The City shall pay or cause to be paid (but solely from the proceeds of the Bonds and not otherwise) the expenses incident to the performance of the obligations of the City hereunder, including but not limited to: (1) the cost of printing of the Preliminary Official Statement and the final Official Statement in reasonable quantities and all other documents prepared in connection with the transactions contemplated hereby; (2) the fees and disbursements of Co-Bond Counsel and of Public Resources Advisory Group and Ross Financial, as Co-Financial Advisors to the City, and any other experts or consultants retained by the City in connection with the transactions contemplated hereby; (3) the reasonable out-of-pocket costs and expenses of the Underwriters in connection with the transactions contemplated hereby (and included in the expense component of the Underwriters' Discount) including travel, the fees and charges of the California Debt and Investment Advisory Board, Underwriters' Counsel, CUSIP Global Services, Ipreo, Internet Roadshow, and DTC; (4) the costs related to obtaining ratings; and (5) all other costs connected to the issuance of the Bonds except those costs specifically described below.

(b) *Underwriters.* The Underwriters shall pay: (1) all other advertising expenses in connection with the public offering of the Bonds; and (2) all other expenses incurred by the Underwriters not included in the expense component of the Underwriters' discount in connection with their public offering and distribution of the Bonds, including, security exemption filing fees (if any) and MSRB fees.

Section 11. City Contracting Requirements. The Representative hereby represents to the City that the Underwriters have reviewed and will comply with the following City contracting requirements:

(a) *Conflict of Interest.* By the execution of this Purchase Contract, the Underwriters each acknowledge 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 Purchase Contract.

(b) *Proprietary or Confidential Information of City.* The Underwriters understand and agree that, in the performance of the work or services under this Purchase Contract or in contemplation thereof, Underwriters may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or

confidential details, the disclosure of which to third parties may be damaging to City. The Underwriters agree that all information disclosed by City to the Underwriters shall be held in confidence and used only in performance of the Purchase Contract. The Underwriters shall exercise the same standard of care to protect such information as a reasonably prudent underwriter would use to protect its own proprietary data.

(c) *Ownership of Results.* Any interest of the Underwriters Subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Underwriters or its Subcontractors in connection with services to be performed under this Purchase Contract, shall become the property of and will be transmitted to City. However, the Underwriters may retain and use copies for reference and as documentation of their experience and capabilities.

(d) *Works for Hire.* If, in connection with services performed under this Purchase Contract, the Underwriters 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 shall 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 Underwriters or its Subcontractors under this Purchase Contract are not works for hire under U.S. law, the Underwriters hereby assign 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 Underwriters may retain and use copies of such works for reference and as documentation of its experience and capabilities.

(e) *Audit and Inspection of Records.* The Underwriters agree to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Purchase Contract. The Underwriters will permit 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 Purchase Contract, whether funded in whole or in part under this Purchase Contract. The Underwriters shall 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 Purchase Contract 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 Purchase Contract shall have the same rights conferred upon City by this Section.

(f) *Subcontracting.* The Underwriters are prohibited from subcontracting this Purchase Contract or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Purchase Contract, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

(g) *Assignment.* The services to be performed by the Underwriters are personal in character and neither this Purchase Contract nor any duties or obligations hereunder may be

assigned or delegated by the Underwriters unless first approved by City by written instrument executed and approved in the same manner as this Purchase Contract.

(h) *Non-Waiver of Rights.* The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

(i) *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. Each Underwriter shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Purchase Contract becomes effective (unless the Underwriter 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 Underwriter; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Purchase Contract. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by Underwriter of the terms of this Purchase Contract. If, within thirty days after the Representative receives written notice of such a breach, said Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, said Underwriter 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 Purchase Contract or under applicable law. Any Subcontract entered into by the Underwriters shall require the Subcontractor to comply, as to the Subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

(j) *Local Business Enterprise Utilization; Liquidated Damages*

(i) **The LBE Ordinance.** Each Underwriter, shall 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 Underwriter's obligations or liabilities, or materially diminish the Underwriter's rights, under this Purchase Contract. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Purchase Contract as though fully set forth in this Section. Any Underwriter's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Underwriter's obligations under this Purchase Contract and shall entitle City, subject to any applicable notice and cure provisions set forth in this Purchase Contract, to exercise any of the remedies provided for under this Purchase Contract, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall

be cumulative unless this Purchase Contract expressly provides that any remedy is exclusive. In addition, the Underwriters shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(ii) **Compliance and Enforcement.** If any Underwriter 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 Purchase Contract pertaining to LBE participation, the Underwriter shall be liable for liquidated damages in an amount equal to the Underwriter's net profit on this Purchase Contract, or 10% of the total amount of this Purchase Contract, 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 Underwriter authorized in the LBE Ordinance, including declaring the Underwriter to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Underwriter'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 §14B.17. By entering into this Purchase Contract, any Underwriter acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. Each Underwriter further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Underwriter on any contract with City. Each Underwriter 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 Purchase Contract, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

(k) *Nondiscrimination; Penalties*

(i) **The Underwriters Shall Not Discriminate.** In the performance of this Purchase Contract, the Underwriters agree not to discriminate against any employee, City and County employee working with such Underwriter or Subcontractor, applicant for employment with such Underwriter 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.

(ii) **Subcontracts.** The Underwriters shall incorporate by reference in all of its respective subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) entered into in connection with the services provided hereunder by the Underwriters and shall require all Subcontractors to comply with such provisions. The Underwriters'

failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Contract.

(iii) **Nondiscrimination in Benefits.** The Underwriters do not as of the date of this Purchase Contract and will not during the term of this Purchase Contract, in any of their respective 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 §12B.2(b) of the San Francisco Administrative Code.

(iv) **Condition to Contract.** As a condition to this Purchase Contract, each Underwriter shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Purchase Contract as though fully set forth herein. The Underwriters shall comply fully with and be bound by all of the provisions that apply to this Purchase Contract under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriters understand that pursuant to §§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 Purchase Contract may be assessed against the offending Underwriter and/or deducted from any payments due to the Underwriter.

(l) *MacBride Principles—Northern Ireland.* Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco 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 and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the Representative on behalf of the Underwriters acknowledges and agrees that he or she has read and understood this Section.

(m) *Tropical Hardwood and Virgin Redwood Ban.* Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges the Underwriters not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

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

(o) *Resource Conservation.* Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by the Underwriters to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of the Purchase Contract.

(p) *Compliance with Americans with Disabilities Act.* The Underwriters acknowledge 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 an Underwriter, must be accessible to the disabled public. The Underwriters shall provide the services specified in this Purchase Contract in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Underwriters agree not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Contract and further agree that any violation of this prohibition on the part of the Underwriters, or their respective employees, agents or assigns will constitute a material breach of this Purchase Contract.

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

(r) *Public Access to Meetings and Records.* If an Underwriter 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 Underwriter shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Purchase Contract, the Underwriters agree to open their meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. The Underwriters further agree to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Underwriters acknowledge that their material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Purchase Contract. The Underwriters further acknowledge that such material breach of the Purchase Contract shall be grounds for the City to terminate and/or not renew the Purchase Contract, partially or in its entirety.

(s) *Limitations on Contributions.* Through execution of this Purchase Contract, the Underwriters acknowledge that they are familiar with Section 1.126 of the City’s Campaign and

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

(t) *Requiring Minimum Compensation for Covered Employees*

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

(ii) The MCO requires the Underwriters to pay the Underwriters' 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 Underwriters are obligated to keep informed of the then-current requirements. Any subcontract entered into by the Underwriters shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Underwriters' obligation to ensure that any Subcontractors of any tier under this Purchase Contract comply with the requirements of the MCO. If any Subcontractor under this Purchase Contract fails to comply, City may pursue any of the remedies set forth in this Section against the Underwriters.

(iii) The Underwriters shall 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 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

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

(v) The City is authorized to inspect the Underwriters' job sites and conduct interviews with employees and conduct audits of the Underwriters.

(vi) The Underwriters' commitment to provide the Minimum Compensation is a material element of the City's consideration for this Purchase Contract. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Underwriters fail to comply with these requirements. The Underwriters agree 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 Underwriters' noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

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

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

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

(u) *Requiring Health Benefits for Covered Employees*

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

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

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

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

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

(v) No Underwriter shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to the Underwriter's

noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

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

(viii) The Underwriters shall keep themselves informed of the current requirements of the HCAO.

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

(x) Each Underwriter shall provide 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.

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

(xii) City may conduct random audits of the Underwriters to ascertain its compliance with HCAO. The Underwriters agree to cooperate with City when it conducts such audits.

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

(v) *Prohibition on Political Activity with City Funds.* In accordance with San Francisco Administrative Code Chapter 12.G, the Underwriters may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Contract. Each Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event an Underwriter violates the provisions of this Section, the City may, in addition to any other

rights or remedies available hereunder, (i) terminate this Purchase Contract or the Underwriters' participation hereunder, and (ii) prohibit the Underwriter from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider an Underwriter's use of profit as a violation of this Section.

(w) *Preservative-treated Wood Containing Arsenic.* The Underwriters may not purchase preservative-treated wood products containing arsenic in the performance of this Purchase Contract 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" shall 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 Underwriters 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 Underwriters from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

(x) *Compliance with Laws.* The Underwriters shall keep themselves fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Purchase Contract, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

(y) *Protection of Private Information.* The Underwriters have read and agree 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 Underwriters agree that any failure of the Underwriters to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Purchase Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Purchase Contract, bring a false claim action against the Underwriters pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Underwriters.

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

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

Any failure of the Underwriters to comply with this Section of this Purchase Contract shall constitute a material breach of this Purchase Contract.

(aa) *Food Service Waste Reduction Requirements.* Effective June 1, 2007, the Underwriters agree to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. This provision is a material term of this Purchase Contract. By entering into this Purchase Contract, the Underwriters agree that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Underwriters agree 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 City will incur based on the violation, established in light of the circumstances existing at the time this Purchase Contract was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of the Underwriters' failure to comply with this provision.

(bb) *Cooperative Drafting.* This Purchase Contract has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Purchase Contract reviewed and revised by legal counsel. No party shall be considered the drafter of this Purchase Contract, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Purchase Contract.

Section 12. Notices. Any notice or other communication to be given under this Purchase Contract to the City or the Underwriters may be given by delivering the same in writing at the addresses set forth below:

If to the City:

City and County of San Francisco
Controller's Office of Public Finance
1 Carlton B. Goodlett Place, Room 336
San Francisco, CA 94102
Attention: Director
Telephone: (415) 554-5956
Fax: (415) 554-4864

If to the Underwriters:

_____, California
Attention: _____
Telephone: (____) ____ - ____
Fax: (____) ____ - ____

Section 13. Entire Agreement. This Purchase Contract, when accepted by the City, shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriters with the consent of the City) and no other person shall acquire or have any right hereunder by virtue hereof. All of the City's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract. This Purchase Contract may be amended, supplemented or modified in a writing, signed by the City and the Representative.

Section 14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Purchase Contract may be signed in counterparts, and upon delivery to the other party of such signed Purchase Contract, which delivery may be by facsimile transmission or electronic mail, shall constitute the binding agreement of each party to this Purchase Contract.

Section 15. Mutual Reliance on Representations and Warranties. The City hereby acknowledges that the Underwriters, in executing this Purchase Contract and in paying for the Bonds as provided herein, are relying upon the representations and warranties of the City set forth herein. The Underwriters hereby acknowledge that the City, in executing this Purchase

Contract and issuing the Bonds described herein, is relying upon the representations and warranties of the Underwriters set forth herein.

Section 16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity; illegality or unenforceability shall not affect any other provision hereof, but this Purchase Contract shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 17. State of California Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract shall be enforceable in the State of California, and any action arising out of this Purchase Contract shall be filed with and maintained in City and County of San Francisco Superior Court, San Francisco, California; provided, that the City may waive the requirement of venue.

Section 18. Limited Liability. The obligations and liabilities of the City hereunder are limited obligations of the City payable solely from Revenues as defined and set forth in the Resolution. None of the Board of Supervisors, the officers or employees of the City, or any person executing this Purchase Contract shall be liable personally for the obligations of the City hereunder or be subject to any personal liability or accountability by reason of the execution hereof. Neither of the faith and credit nor the taxing power of the State or any political subdivision thereof, including the City, is pledged to the obligations of the City hereunder.

[Remainder of Page Intentionally Left Blank.]

Section 19. No Fiduciary or Advisory Role; Arm's Length Transaction. The Underwriters and the City acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between City, on the one hand, and the Underwriters, on the other hand, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as a municipal advisor, a financial advisor, or a fiduciary of the City, and may have financial and other interests that differ from those of the City, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the discussions, undertakings and procedures leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has provided or is currently providing services or advice to City on other matters), (iv) the only obligations the Underwriters have to the City with respect to the transactions contemplated hereby are expressly set forth in this Purchase Contract, and (v) the City and the Underwriters have consulted with their respective legal, financial and other advisors to the extent they deemed appropriate in connection with the offering of the Bonds. None of the Underwriters is acting as a Municipal Advisor (as defined in Section 15B of the Exchange Act of 1934, as amended) in connection with the matters contemplated by this Purchase Contract.

Very truly yours,

THE UNDERWRITERS:
[List Underwriters]

By: _____, as
Representative of the Underwriters

By: _____
Authorized Officer

Accepted as of the date first stated above:

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Executive Director

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By: _____
Mark D. Blake
Deputy City Attorney

SCHEDULE I
TO THE PURCHASE CONTRACT

MATURITY SCHEDULE

\$ _____

<u>MATURITY</u> <u>(MARCH 1)</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>	<u>YIELD</u>	<u>PRICE</u>	<u>CUSIP</u> <u>(BASE NO. _____)</u>
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PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

NEW ISSUE – BOOK-ENTRY ONLY

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

In the separate opinions of Schiff Hardin LLP and Richards, Watson & Gershon, Co-Bond Counsel, under present law, interest on the Bonds is not excludable from the gross income of their owners for federal income tax purposes, but is exempt from present California personal income taxes under present California law. See "Tax Matters" in this Official Statement for a more complete discussion of these matters.



**\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C**

Dated: Date of Delivery

Due: June 15, as shown in 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 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C (the "Bonds") will be issued under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "City"). The issuance of the Bonds has been authorized by Resolution No. 160-94 and Resolution No. _____-14, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on February 22, 1994 and _____, 2014, respectively, and duly approved by the Mayor of the City on February 25, 1994 and _____, 2014, respectively. See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to provide a loan to partially finance seismic improvements on certain buildings at Pier 70 as described herein, and to pay certain costs related to the issuance of the Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration." The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing [December 15, 2014]. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal."

The Bonds will be subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

The Board of Supervisors has the power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon when due. See "SECURITY FOR THE BONDS."

**MATURITY SCHEDULES
(See Inside Cover)**

The Bonds are offered when, as and if issued by the City and accepted by the initial purchaser, subject to the approval of legality by Schiff Hardin LLP, San Francisco, California, and Richards, Watson & Gershon, San Francisco, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about _____, 2014.

Dated: _____, 2014.

* Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP¹ Number: 797646)

\$[Par Amount]*
SERIES 2014C BONDS

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield ²	CUSIP ¹ Suffix
----------------------------	---------------------	------------------	--------------------------	------------------------------

\$ _____ % Term Bond Due June 15, 20____ Yield/Price - ____ CUSIP¹: 797646 ____

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP numbers are provided for convenience of reference only. Neither the City nor the initial purchaser take any responsibility for the accuracy of such numbers.

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

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein other than that provided by the City, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President, District 3*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Katy Tang, *District 4*
London Breed, *District 5*
Jane Kim, *District 6*

Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*

Nadia Sesay, *Director of Public Finance*

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Schiff Hardin LLP
San Francisco, California

Richards, Watson & Gershon
San Francisco, California

Co-Financial Advisors

Public Resources Advisory Group
Oakland, California

Ross Financial
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California



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OFFICIAL STATEMENT

\$[Par Amount]*
**CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C**

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C (the "Bonds"). The Board of Supervisors of the City has the power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due. See "SECURITY FOR THE BONDS" herein.

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

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

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's 2013 population is approximately 839,100.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail,

* Preliminary, subject to change.

entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

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

The City benefits from a highly skilled, educated and professional labor force. The CAFR estimates that per-capita personal income of the City for fiscal year 2012-13 was \$73,197. The San Francisco Unified School District operates 5 transitional kindergarten schools, 72 elementary and K-8 school sites, 13 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 34 State-funded preschool sites, and sponsors 13 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2012-13, SFO serviced approximately 44.7 million passengers and handled 370,195 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The City's proposed budget for fiscal years 2014-15 and 2015-16 totals \$____ billion and \$____ billion, respectively. The General Fund portion of each year's proposed budget is \$____ billion in fiscal year 2014-15 and \$____ billion in fiscal year 2015-16, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 28,387 full-time-equivalent employees at the end of fiscal year 2012-13. According to the Controller of the City (the "Controller"), fiscal year 2013-14 total net assessed valuation of taxable property in the City is approximately \$172.5 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

[RECENT DEVELOPMENTS]

[To be updated, if necessary.]

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the Bonds by its Resolution No. 160-94, adopted by the Board of Supervisors of the City on February 22, 1994, and duly approved by the Mayor of the City on February 25, 1994, and by its Resolution No. ____-14, adopted by the Board of Supervisors on _____, 2014, and duly approved by the Mayor on _____, 2014 (together, the "Resolution").

The Bonds will constitute the third series of bonds to be issued from an aggregate authorized amount of \$350,000,000 of City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), duly approved by at least two-thirds of the voters voting on Proposition A at an election held on November 3, 1992 ("Proposition A"), the proceeds of which bonds would be used to provide loans for the seismic strengthening of unreinforced masonry buildings devoted to affordable housing and to market-rate residential, commercial and institutional uses and to pay necessary administrative costs incidental thereto. The City previously issued \$35,000,000 and \$30,315,450 of the bonds authorized by Proposition A on April 6, 1994 and _____, 2007, respectively. A portion of the proceeds of the Bonds will be loaned to Orton Development, Inc. ("ODI") in order to partially finance required seismic improvements and related soft costs at two unreinforced masonry buildings within the 20th Street Historic Buildings at Pier 70. ODI will rehabilitate and operate the buildings through a public/private partnership under a long-term ground lease with the Port of San Francisco. See "SOURCES AND USES OF FUNDS." [While the Resolution provides that any available seismic loan repayments will be used to pay the debt service on the Bonds, the City is obligated, after taking into account any such available loan repayment amounts, to levy ad valorem taxes in the full amount needed to pay debt service on the Bonds. Accordingly, such loan repayments should not be viewed as security for the Bonds.]

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in the denomination of \$5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds will be issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Interest and Principal

The City Treasurer will act as paying agent and registrar with respect to the Bonds. Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing [December 15, 2014], at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The interest on the Bonds will be payable in lawful money of the United States to the person whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a business day. Each Bond authenticated on or before [November 30, 2014] will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date;

provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds.

The Bonds will mature on the dates shown on the inside cover page hereof. The Bonds will be subject to redemption prior to maturity, as described below. See "- Redemption" below. The principal of the Bonds will be payable in lawful money of the United States to the owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the City Treasurer.

The registered owner of an aggregate principal amount of at least \$1,000,000 of the Bonds may submit a written request to the City Treasurer on or before a Record Date for payment of interest on the succeeding interest payment date and thereafter by wire transfer to a commercial bank located within the United States of America. For so long as the Bonds are held in book-entry form by a securities depository selected by the City, payment may be made to the registered owner of the Bonds designated by such securities depository by wire transfer of immediately available funds.

Redemption

Optional Redemption of the Bonds

The Bonds maturing on or before June 15, [2022] will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, [2023] will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, [2022], at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

Selection of Bonds for Redemption

Whenever less than all of the outstanding Bonds are called for redemption on any date, the Treasurer will select the maturities of the Bonds to be redeemed in the sole discretion of the Treasurer. Whenever less than all of the outstanding Bonds maturing on any one date are called for redemption on any one date, (i) if the Bonds are not registered in book-entry only form, the Treasurer will select the Bonds or portions thereof, in denominations of \$5,000 or any integral multiple thereof, to be redeemed from the outstanding Bonds maturing on such date not previously selected for redemption, by lot, in any manner which the Treasurer deems fair; and (ii) if the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed will be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures and with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided pursuant to DTC operational arrangements. If the Treasurer does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Bonds will be selected for redemption by lot in accordance with DTC procedures.

Notice of Redemption

The City Treasurer will mail, or cause to be mailed, notice of any redemption of the Bonds, postage prepaid, to the respective registered owners thereof at the addresses appearing on the Bond registration books not less than 20 days and not more than 60 days prior to the Redemption Date.

Notice of redemption also will be given, or caused to be given, by the City Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii) overnight delivery service, or (iv)

to the extent applicable to the intended recipient, email or similar electronic means, to (a) all organizations registered with the Securities and Exchange Commission as securities depositories and (b) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Bonds or portions of such Bonds to be redeemed will cease to accrue after the designated Redemption Date. Any notice of redemption may be conditioned on the receipt of funds or any other event specified in the notice. See "– Conditional Notice; Right to Rescind Notice of Optional Redemption" below.

The actual receipt by the owner of any Bond of such notice of redemption will not be a condition precedent to redemption of such Bond, and failure to receive such notice, or any defect in such notice, will not affect the validity of the proceedings for the redemption of such Bond or the cessation of the accrual of interest on such Bond on the Redemption Date.

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the redemption account for the Bonds (the "Redemption Account") established under the Resolution, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the applicable Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such Bonds only to the Redemption Account. Moneys held in the Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER & TAX COLLECTOR – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit of sufficient moneys to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the applicable Bonds have not been deposited or (ii) any other event specified in the notice of redemption did not occur, such Bonds for which notice of conditional optional redemption was given will not be redeemed and will remain Outstanding for all purposes and the redemption not occurring will not constitute a default under the Resolution.

In addition, the City may rescind any optional redemption and notice thereof for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the Registered Owner of all Bonds so called for redemption. Notice of such rescission of redemption will be given in the same manner notice of redemption was originally given. The actual receipt by the Registered Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed will not affect the validity of the rescission.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds' respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to such Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolution.

As used in this section, the following terms have the meanings given below:

"Defeasance Securities" means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations (as defined below); (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the Redemption Account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by the City Treasurer or, if appointed by the City Treasurer pursuant to the Resolution, an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) [the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by the respective Rating Agency on United States Obligations.]

"United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) [any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies (as defined below) at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, no lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.]

"Rating Agencies" means Moody's Investors Service, Inc., Fitch Ratings, and Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies.

SOURCES AND USES OF FUNDS

The following are the sources and estimated uses of funds in connection with the Bonds:

Sources

Principal Amount of Bonds
Net Original Issue Premium
Total Sources of Funds

Uses

Deposit to 2014 Loan Account
Deposit to 2014 Bond Account
Underwriter's Discount
Costs of Issuance*
Total Uses of Funds

* Includes fees for services of rating agencies, Co-Financial Advisors, Co-Bond Counsel, Disclosure Counsel, costs of the City, printing, and other miscellaneous costs associated with the issuance of the Bonds.

Deposit and Investment of Bond Proceeds

Any bid premium received upon the delivery of the Bonds, and all taxes collected for payment of the Bonds, will be deposited into a special account established for the payment of the Bonds. The account was created by the Resolution specifically for payment of the Bonds (the "2014 Bond Account").

All remaining proceeds of the sale of the Bonds are required to be deposited by the City Treasurer into a special loan account within the Seismic Safety Loan Fund created by the City to hold the proceeds of the sale of all bonds issued pursuant to Proposition A approved on November 3, 1992. The account was created by the Resolution specifically to hold the proceeds of the Bonds (the "2014 Loan Account").

Under the Resolution, the 2014 Bond Account and the 2014 Loan Account may each be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in any such account with other City moneys, or deposit amounts credited to such accounts into a separate fund or funds for investment purposes only. All interest earned on any such account will be retained in that account. See APPENDIX C - "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER & TAX COLLECTOR - INVESTMENT POLICY."

A portion of the proceeds of the Bonds will be used to pay certain costs related to the issuance of the Bonds. See "THE BONDS - Authority for Issuance; Purposes" herein.

DEBT SERVICE SCHEDULE

Scheduled debt service payable with respect to the Bonds is as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Fiscal Year Total</u>
Total⁽¹⁾				

⁽¹⁾ Totals may appear inconsistent due to rounding of components.

SECURITY FOR THE BONDS

General

The Board of Supervisors of the City has the power and is obligated, and under the Resolution has covenanted, to levy *ad valorem* taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due.

At the option of the Board of Supervisors, other available funds of the City that are not restricted by law to specific uses may be used to pay debt service on the Bonds.

Factors Affecting Property Tax Security for the Bonds

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from *ad valorem* property taxes may cause the City's overall property tax rate to increase.

The principal factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year are discussed in detail in APPENDIX A, as referred to below.

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. Total net assessed valuation of taxable property in the City in fiscal year 2013-14 is approximately \$172.5 billion. During economic downturns, declining real estate values, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies."

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See "Seismic Risks" below. Other natural or manmade disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the Bay Area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. For fiscal year 2013-14, no single assessee owned more than 0.57% of the total taxable property in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Tax Levy and Collection."

Property Tax Rates. One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per \$100 of assessed value (including the basic countywide 1% rate required by statute) is discussed further in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Assessed Valuations, Tax Rates and Tax Delinquencies."

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2013-14 is approximately \$5.17 billion, based on a net assessed valuation of approximately \$172.5 billion. [As of December 1, 2013, the City had outstanding approximately \$1.89 billion in aggregate principal amount of general obligation bonds, which equals approximately 1.10% of the net assessed valuation for fiscal year 2013-14.] *[To be updated.]* See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of December 1, 2013, the City had voter approval to issue up to \$750.67 million in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. *[To be updated.]* See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – CAPITAL FINANCING AND BONDS – General Obligation Bonds." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs, quantified in the City's most recent ten-year Capital Plan at \$25.1 billion. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Capital Plan."

City Long-Term Challenges

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

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

In addition, the City faces long term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken significant steps to address long-term unfunded liabilities for employee pension and other post employment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial liabilities of almost \$8 billion for these benefits, comprised of \$4.4 billion for retiree health obligations and \$3.4 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for

future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

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

There is no assurance that other challenges not discussed here may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

Seismic Risks

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

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost \$100 billion of damage. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values.

Risk of Sea Level Changes and Flooding

In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly \$100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay.

A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The City is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City and the local economy.

Natural Gas Transmission and Distribution Pipelines

In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City. The City cannot provide any assurances as to the condition of PG&E pipelines in the City, or predict the extent of damage to surrounding property that would occur if a PG&E pipeline located within the City were to explode.

Other Natural Events

Seismic events, wildfires and other calamitous events may damage City infrastructure and adversely impact the City's ability to provide municipal services. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region.

TAX MATTERS

[To come from Co-Bond Counsel.]

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of Schiff Hardin LLP, San Francisco, California, and Richards, Watson & Gershon, San Francisco, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

The proposed forms of the legal opinions of Co-Bond Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

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

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

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

PROFESSIONALS INVOLVED IN THE OFFERING

Public Resources Advisory Group, Oakland, California and Ross Financial, San Francisco, California, have served as Co-Financial Advisors to the City with respect to the sale of the Bonds. The Co-Financial Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Co-Financial Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, the ability of the City to levy the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Bonds and other documents and certificates in connection therewith. The City will furnish to the initial purchaser of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2013-14, which is due not later than March 27, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated

events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

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

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "____," "____," and "____," respectively, to the Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Bonds. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF THE BONDS

The Bonds were sold at competitive bid on _____, 2014. The Bonds were awarded to _____ (the "Purchaser"), which submitted the lowest true interest cost bid, at a purchase price of \$_____. Under the terms of its bid, the Purchaser will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Bond Counsel, and certain other conditions to be satisfied by the City.

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

MISCELLANEOUS

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

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2013***

* The Comprehensive Annual Financial Report may be viewed online or downloaded from the City Controller's website at <http://www.sfgov.org/controller>.

APPENDIX C

**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR
INVESTMENT POLICY**

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SEISMIC SAFETY LOAN PROGRAM, 1992)
SERIES 2014C

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are issued pursuant to Resolution No. 160-94 and Resolution No. ____-14, adopted by the Board of Supervisors of the City on February 22, 1992 and _____, 2014, respectively, and duly approved by the Mayor of the City on February 25, 1992 and _____, 2014, respectively (together, the "Resolution"). The City covenants and agrees as follows:

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

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2013-14 Fiscal Year (which is due not later than March 27, 2015), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

- (a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;
- (b) a summary of budgeted general fund revenues and appropriations;
- (c) a summary of the assessed valuation of taxable property in the City;
- (d) a summary of the *ad valorem* property tax levy and delinquency rate;
- (e) a schedule of aggregate annual debt service on tax-supported indebtedness of the City; and
- (f) summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
11. Modifications to rights of Bond holders;
12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;
15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

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

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual

Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2014.

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

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

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL
OBLIGATION BONDS (SEISMIC SAFETY LOAN PROGRAM), SERIES 2014C

Date of Issuance: _____, 2014

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated _____, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]

Title: _____

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the City, and "Agent" means the Paying Agent.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer and exchange of the Bonds.

Payment of the interest on any Bond shall be made by check mailed on the interest payment date to the owner at the owner's address at it appears on the registration books described below as of the Record Date (as defined herein).

The City Treasurer will keep or cause to be kept, at the office of the City Treasurer, or at the designated office of any registrar appointed by the City Treasurer, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection, and, upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

Any Bond may, in accordance with its terms, be transferred, upon the registration books described above, by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

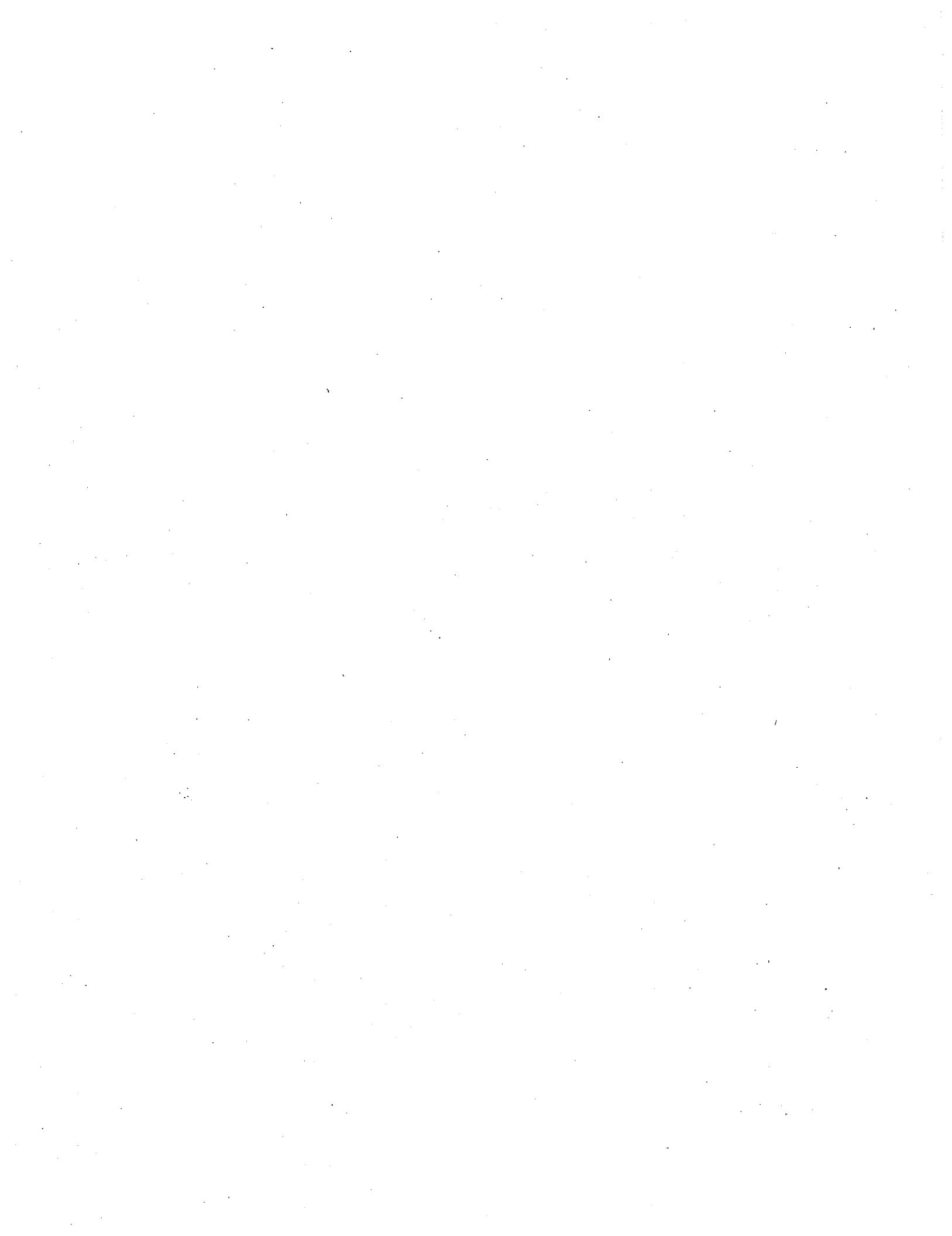
Any Bonds may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the designated City officials shall execute and the City Treasurer shall authenticate and deliver a new Bond or Bonds of the same series, interest rate and maturity, for a like aggregate principal amount. The City Treasurer shall require the payment by any Bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in this Official Statement) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Bond.

APPENDIX F
PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

[To come.]



APPENDIX A
CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of December 1, 2013.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is governed as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State"), and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments", as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission, and may remove department heads.

Mayor and Board of Supervisors

Edwin M. Lee is the 43rd and current Mayor of the City. The Mayor is the chief executive officer of the City, with responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Lee was elected to his current four-year term as Mayor on November 8, 2011. Prior to being elected, Mayor Lee was appointed by the Board of Supervisors in January 2011 to fill the remaining year of former Mayor Gavin Newsom's term when Mayor Newsom was sworn in as the State's Lieutenant Governor. Mayor Lee served as the

City Administrator from 2005 up until his appointment to Mayor. He also previously served in each of the following positions: the City's Director of Public Works, the City's Director of Purchasing, the Director of the Human Rights Commission, the Deputy Director of the Employee Relations Division, and coordinator for the Mayor's Family Policy Task Force.

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Board of Supervisors.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Eric Mar, <i>District 1</i>	2008	2017
Mark Farrell, <i>District 2</i>	2010	2015
David Chiu, <i>Board President, District 3</i>	2008	2017
Katy Tang, <i>District 4</i>	2013	2014
London Breed, <i>District 5</i>	2012	2017
Jane Kim, <i>District 6</i>	2010	2015
Norman Yee, <i>District 7</i>	2012	2017
Scott Wiener, <i>District 8</i>	2010	2015
David Campos, <i>District 9</i>	2008	2017
Malia Cohen, <i>District 10</i>	2010	2015
John Avalos, <i>District 11</i>	2008	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his third four-year term as City Attorney in November 2009. The City Attorney represents the City in legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was elected Assessor-Recorder of the City in November 2013. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2013. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed

budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by Mayor Lee on February 7, 2012. The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. In January 2012, Mrs. Kelly became Acting City Administrator. From January 2011, she served as Deputy City Administrator where she was responsible for the Office of Contract Administration, Purchasing, Fleet Management and Central Shops. Mrs. Kelly led the effort to successfully roll out the City's new Local Hire program last year by streamlining rules and regulations, eliminating duplication and creating administrative efficiencies. In 2004, Mrs. Kelly served as the City Purchaser and Director of the Office of Contract Administration. Mrs. Kelly has also served as Special Assistant in the Mayor's Office of Neighborhood Services, in the Mayor's Office of Policy and Legislative Affairs and served as the City's Executive Director of the Taxicab Commission.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. In July 2013, the City adopted a full two-year budget. The City's fiscal year 2013-14 adopted budget appropriates annual revenues, fund balance, transfers, and reserves of approximately \$7.91 billion, of which the City's General Fund accounts for approximately \$3.95 billion. In fiscal year 2014-15 appropriated revenues, fund balance, transfers and reserves total approximately \$7.93 billion and \$4.05 billion of General Fund budget. For a further discussion of the fiscal years 2013-14 and 2014-15 adopted budgets, see "City Budget Adopted for Fiscal Years 2013-14 and 2014-15" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes, and charges for services. A significant portion of the City's revenues come in the form of intergovernmental transfers from the State and Federal governments. Thus, the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and Federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors, and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES": herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the Fiscal Year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

The City's fiscal year commences on July 1. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit the complete budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the accuracy of economic assumptions underlying the revenue

estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from the said website are not incorporated herein by reference. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after ten days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year reflecting the year-end revenue and expenditure appropriations for that fiscal year.

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires three significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets were approved in July 2012 by the Board of Supervisors for four departments for fiscal year 2012-13 and 2013-14: the Airport, the Port, the Public Utilities Commission, and MTA. All other departments prepared balanced, rolling two-year budgets beginning in fiscal year 2012-13.
- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The first five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was adopted by the Board of Supervisors on June 7, 2011, and was updated on March 7, 2012. A new five-year financial plan, covering fiscal years 2013-14 through 2017-18 was adopted by the Board of Supervisors on April 10, 2013. See "Five Year Financial Plan" below.
- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15. Charges the Controller's Office with proposing to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt, and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent year.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the General Reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. On November 8 and 22, 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent on nonrecurring expenditures. These policies are described in further detail below. The Controller's Office may propose additional financial policies by October 1 of any year.

Role of Controller; Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the City Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The City Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the City Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The City Controller issued the most recent of these reports, the fiscal year 2012-13 Nine Month Budget Status Report (the "Nine Month Report"), on May 9, 2013. In addition, under Proposition A of November 2009, the Mayor must submit a Five-Year Financial Plan every two years to the Board of Supervisors which forecasts revenues and expenditures for the next five fiscal years and proposes actions to balance them. On April 10, 2013, the Board of Supervisors approved the City's second Five-Year Financial Plan. For details see "Five Year Financial Plan" below. Finally, as discussed above, the City Charter directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 11, 2013 the Controller released the Discussion of the Mayor's FY 2013-14 and FY 2014-15 Proposed Budget (the "Revenue Letter"). All of these reports are available from the City Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal year 2013-14 and 2014-15 Original Budgets total \$3.95 billion, and \$4.05 billion respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port, and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2009-10 through 2012-13 and the Original Budgets for fiscal years 2013-14 through 2014-15. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2012-13 was issued on November 27, 2013. The fiscal year 2012-13 CAFR reported that as of June 30, 2013, the General Fund available for appropriation in subsequent years was \$240.4 million (see Table A-4), of which \$122.7 million was assumed in the fiscal year 2013-14 Original Budget and \$111.6 million was assumed in the fiscal year 2014-15 Original Budget, and \$6.1 million remains available for future appropriations. This represents a \$20.1 million increase in available fund balance over the \$220.3 million available as of June 30, 2012 and resulted primarily from savings and greater-than-budgeted additional tax revenue,

particularly property tax and state realignment revenues, in fiscal year 2012-13. In addition to this available year-end General Fund balance, the City's Rainy Day Reserve Economic Stabilization Account totaled \$23.3 million.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2009-10 through 2014-15

	(000s)					
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
	Final Revised	Final Revised	Final Revised	Final Revised	Original	Original
	Budget	Budget	Budget	Budget	Budget ^{2,3}	Budget ²
Prior-Year Budgetary Fund Balance & Reserves	\$390,512	\$312,040	\$427,886	\$557,097	\$156,426	\$129,329
<u>Budgeted Revenues</u>						
Property Taxes	\$1,021,015	\$984,843	\$1,028,677	\$1,078,083	\$1,153,417	\$1,220,417
Business Taxes	371,848	342,350	389,878	452,806	532,988	564,180
Other Local Taxes	456,140	528,470	602,455	733,295	846,924	869,812
Licenses, Permits and Franchises	25,138	23,242	24,337	25,332	23,061	25,533
Fines, Forfeitures and Penalties	11,662	3,794	7,710	7,194	9,097	9,435
Interest and Investment Earnings	10,984	9,547	6,050	6,776	10,946	11,010
Rents and Concessions	19,884	22,346	22,894	21,424	25,534	20,597
Grants and Subventions	686,058	681,090	679,486	721,967	780,936	782,440
Charges for Services	146,680	145,443	153,678	168,963	177,048	177,805
Other	21,713	30,929	19,232	24,844	14,301	21,175
Total Budgeted Revenues	\$2,771,122	\$2,772,054	\$2,934,397	\$3,240,685	\$3,574,252	\$3,702,404
Bond Proceeds & Repayment of Loans	1,725	785	589	627	1,105	760
<u>Expenditure Appropriations</u>						
Public Protection	\$954,816	\$951,516	\$991,840	\$1,058,324	\$1,130,932	\$1,155,085
Public Works, Transportation & Commerce	44,276	25,763	53,878	68,351	80,797	111,993
Human Welfare & Neighborhood Development	657,274	650,622	677,953	670,958	700,254	717,018
Community Health	481,805	513,625	573,970	635,960	701,978	702,791
Culture and Recreation	93,755	100,043	99,762	105,580	119,579	115,632
General Administration & Finance	174,907	178,709	190,014	190,151	244,591	248,135
General City Responsibilities ¹	96,336	88,755	99,274	86,527	96,975	102,802
Total Expenditure Appropriations	\$2,503,169	\$2,509,032	\$2,686,691	\$2,815,852	\$3,075,105	\$3,153,456
Budgetary reserves and designations, net	\$16,653	\$6,213	\$11,112	\$4,191	\$69,883	\$50,121
Transfers In	\$94,678	\$119,027	\$160,187	\$195,388	\$217,982	\$214,792
Transfers Out	(564,945)	(504,740)	(567,706)	(646,018)	(804,777)	(843,708)
Net Transfers In/Out	(\$470,267)	(\$385,713)	(\$407,519)	(\$450,630)	(\$586,795)	(\$628,916)
Budgeted Excess (Deficiency) of Sources						
Over (Under) Uses	\$173,270	\$183,921	\$257,550	\$527,736	\$0	\$0
Variance of Actual vs. Budget	138,770	243,965	299,547	146,901		
Total Actual Budgetary Fund Balance³	\$312,040	\$427,886	\$557,097	\$674,637	\$0	\$0

¹ Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

² FY 2013-14 and FY 2014-15 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

³ Total Actual Budgetary Fund Balance for FY 2013-14 will be available upon release of the FY 2013-14 Final Revised Budget in the CAFR.

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2013 was \$540.9 million (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$3.3 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2009 through June 30, 2013.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Year Ended June 30¹
(000s)

	2009	2010	2011	2012	2013
Restricted for rainy day (Economic Stabilization account)	\$98,297	\$39,582	\$33,439	\$31,099	\$23,329 ²
Restricted for rainy day (One-time Spending account)	-	-	-	3,010	3,010 ²
Committed for budget stabilization (citywide)	-	-	27,183	74,330	121,580
Committed for Recreation & Parks expenditure savings reserve	6,575	4,677	6,248	4,946	15,907 ²
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	65,902	69,562	57,846	62,699	74,815 ²
Assigned for appropriation carryforward	91,075	60,935	73,984	85,283	112,327 ²
Assigned for baseline appropriation funding mandates	-	-	-	-	²
Assigned for budget savings incentive program (citywide)	-	-	8,684	22,410	24,819 ²
Assigned for salaries and benefits (MOU)	316	4,198	7,151	7,100	6,338 ²
Assigned for litigation	-	-	-	-	²
Total Fund Balance Not Available for Appropriation	\$262,165	\$178,954	\$214,535	\$290,877	\$382,125 ³
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies	\$32,900	\$27,758	\$44,900	\$23,637	\$30,254 ⁴
Assigned for General reserve	-	-	-	\$22,306	\$21,818
Assigned for subsequent year's budget	95,447	105,328	159,390	104,284	122,689 ⁵
Unassigned (available for future appropriation)	-	-	9,061	115,993	117,751 ⁶
Total Fund Balance Available for Appropriation	\$128,347	\$133,086	\$213,351	\$266,220	\$292,512 ⁶
Total Fund Balance, Budget Basis	\$390,512	\$312,040	\$427,886	\$557,097	\$674,637
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$390,512	\$312,040	\$427,886	\$557,097	\$674,637
Unrealized gain or loss on investments	(1,148)	1,851	1,610	6,838	(1,140) ⁷
Nonspendable fund balance	11,307	14,874	20,501	19,598	23,854 ⁷
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(56,426)	(71,967)	(43,072)	(46,140)	(38,210)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(37,940)	(55,938)	(63,898)	(62,241)	(93,910)
Deferred Amounts on Loan Receivables	(4,630)	(9,082)	(13,561)	(16,551)	(20,067)
Pre-paid lease revenue	-	-	(1,460)	(2,876)	(4,293)
Total Fund Balance, GAAP Basis	\$301,675	\$191,778	\$328,006	\$455,725	\$540,871

¹ Summary of financial information derived from City CAFRs. GASB Statement 54, issued in March 2009, and implemented in the City's FY 2010-11 CAFR, establishes a new fund balance classification based primarily on the extent to which a government is bound to observe constraints imposed on the use of funds. Subsequent footnotes in this table provide the former descriptive titles for 2011 fund balance amounts.

² Prior to 2011, each line item was titled "reserved" for the purpose indicated

³ Prior to 2011, titled "Total Reserved Fund Balance"

⁴ Prior to 2011, titled "Designated for litigation and contingencies"

⁵ Prior to 2011, titled "Unreserved, undesignated fund balance available for appropriation"

⁶ Prior to 2011, titled "Total Unreserved Fund Balance"

⁷ Prior to 2011, titled "Reserved for Assets Not Available for Appropriation"

Source: Office of the Controller, City and County of San Francisco.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2013 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2013." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Audited Statement of Revenues, Expenditures and Changes in General Fund Balances

Fiscal Year Ended June 30¹
(000s)

	2009	2010	2011	2012	2013
Revenues:					
Property Taxes	\$999,528	\$1,044,740	\$1,090,776	\$1,056,143	\$1,122,008
Business Taxes ²	387,313	353,471	391,057	435,316	479,627
Other Local Taxes	479,194	520,733	608,197	751,301	756,346
Licenses, Permits and Franchises	24,750	24,249	25,252	25,022	26,273
Fines, Forfeitures and Penalties	5,618	17,279	6,868	8,444	6,226
Interest and Investment Income	9,193	7,900	5,910	10,262	2,125
Rents and Concessions	19,096	18,733	21,943	24,932	35,273
Intergovernmental	645,365	651,074	657,238	678,808	720,625
Charges for Services	135,926	138,615	146,631	145,797	164,391
Other	11,199	21,856	10,377	17,090	14,142
Total Revenues	\$2,717,182	\$2,798,650	\$2,964,249	\$3,153,115	\$3,327,036
Expenditures:					
Public Protection	\$889,594	\$948,772	\$950,548	\$991,275	\$1,057,451
Public Works, Transportation & Commerce	61,812	40,225	25,508	52,815	68,014
Human Welfare and Neighborhood Development	630,112	632,713	610,063	626,194	660,657
Community Health	487,638	473,280	493,939	545,962	634,701
Culture and Recreation	97,415	94,895	99,156	100,246	105,870
General Administration & Finance	170,109	169,980	175,381	182,898	186,342
General City Responsibilities	73,904	87,267	85,422	96,132	81,657
Total Expenditures	\$2,410,584	\$2,447,132	\$2,440,017	\$2,595,522	\$2,794,692
Excess of Revenues over Expenditures	\$306,598	\$351,518	\$524,232	\$557,593	\$532,344
Other Financing Sources (Uses):					
Transfers In	\$136,195	\$94,115	\$108,072	\$120,449	\$195,272
Transfers Out	(550,910)	(559,263)	(502,378)	(553,190)	(646,912)
Other Financing Sources	4,157	3,733	6,302	3,682	4,442
Other Financing Uses	(-\$410,558)	(\$461,415)	(\$388,004)	(\$429,059)	(\$447,198)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency				(815)	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(\$103,960)	(\$109,897)	\$136,228	\$127,719	\$85,146
Total Fund Balance at Beginning of Year	405,635	\$301,675	\$191,778	\$328,006	\$455,725
Total Fund Balance at End of Year – GAAP Basis⁴	\$301,675	\$191,778	\$328,006	\$455,725	\$540,871
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
– GAAP Basis	\$28,203	(\$2,050)	\$48,070	\$133,794	\$135,795 ³
– Budget Basis	\$95,447	\$105,328	\$168,451	\$220,277	\$240,410 ⁴

¹ Summary of financial information derived from City CAFRs. Fund balances include amounts reserved for rainy day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

² Does not include business taxes allocated to special revenue fund for the Community Challenge Grant program.

³ Prior to adoption of GASB Statement 54 in 2011, titled "Unreserved & Undesignated Balance, Year End"

⁴ Total FY 2012-13 amount is comprised of \$122.7 million in assigned balance subsequently appropriated for use in FY 2013-14 plus \$117.8 million unassigned balance available for future appropriations.

Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco.

Five-Year Financial Plan

The Five-Year Financial Plan is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the plan to forecast expenditures and revenues for the next five-fiscal years, propose actions to balance revenues and expenditures during each year of the plan, and discuss strategic goals and corresponding resources for City departments. The first Five-Year Financial Plan, covering fiscal years 2011-12 through 2015-16, was prepared by the Mayor's Office and Controller's Office in collaboration with City departments and adopted by the Board of Supervisors on June 7, 2011 and updated on March 7, 2012.

The Five-Year Financial Plan for fiscal year 2013-14 through 2017-18 was approved by the Board of Supervisors on April 2, 2013. For General Fund Supported Operations for fiscal year 2013-14 through fiscal year 2017-18, the Plan projected budgetary shortfalls of \$124 million, \$256 million, \$368 million, \$423 million and \$487 million over the next five fiscal years. The \$487 million projected shortfall is a significant improvement from the first Five-Year Financial Plan which in 2011 projected a five-year shortfall of \$829 million. This Plan projected continued recovery in local tax revenues. However, projected increases in employee salary and benefits, citywide operating expenses, and departmental costs are rising faster than projected revenue growth. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls will decrease.

The fiscal year 2013-14 and fiscal year 2014-15 budget approved by the Board of Supervisors on July 23, 2013, closed budget gaps identified in the Five Year Financial Plan. Strategies used to balance the budget are discussed in the budget section below. To the extent that the Mayor's budget is balanced with ongoing savings or revenues, this will reduce the projected deficits for subsequent fiscal years.

The City currently projects revenue growth of \$578 million over the five-year period of this Plan, and expenditure growth of \$1.065 billion. Employee pension costs, wages and other benefit growth are the single largest driver of cost growth and the imbalance between revenues and expenditures, growing by \$459 million, 43% of the total expenditure growth, during the five years of the plan. Other costs projected to increase include: Citywide Operating Costs (\$298 million, 28% of expenditure growth), Department of Public Health specific cost increases (\$133 million, 13%), Charter Mandated Baseline and Reserve Changes (\$118 million, 11%), and Other Department Specific Cost Increases (\$57 million, 5%).

The Plan proposes the following strategies to restore fiscal stability: controlling capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; adjustments to baselines and revenue allocations; limiting growth in contract and materials costs; reduced reliance on non-recurring revenues and savings; and ongoing departmental revenues and savings initiatives.

City Budget Adopted for Fiscal Years 2013-14 and 2014-15

On July 24, 2013, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2014 and June 30, 2015. This is the second two-year budget for the entire City. The Controller's Office issued its required Controller's Discussion of the Mayor's fiscal year 2013-14 and fiscal year 2014-15 Proposed Budget on June 11, 2013. The Mayor's budget closed the \$124 million and \$256 million general fund shortfalls for fiscal year 2013-14 and fiscal year 2014-15 identified in the Five Year Financial Plan through a combination of (a) net citywide revenue increases of \$91 million and \$83 million, respectively; (b) a net Citywide expenditure increase of \$6 million in fiscal year 2013-14 for capital projects, followed by Citywide expenditure savings of \$60 million in fiscal year 2014-15, both made possible in part by lower than expected health costs and improved pension system returns; (c) one-time revenues of \$28 million and \$13 million, respectively; (d) departmental savings totaling \$11 million and \$47 million respectively, the largest component of which was securing alternative sources for furniture, fixtures and equipment for the new San Francisco General Hospital building (\$17 million and \$34 million), and (e) cost savings of \$53 million in fiscal year 2014-15 made up of \$33 million in reduced funding for growth in contracts and \$20 million of deferred education enrichment fund allocations to the San Francisco Unified School District and First Five Commission.

On June 27, 2013 the Board of Supervisors Budget and Finance Committee unanimously approved the Mayor's proposed budget with minor revisions totaling \$25 million in fiscal year 2013-14 and \$15.4 million in fiscal year

2014-15. The revisions in fiscal year 2013-14 were funded by \$10.1 million in Committee reductions to the Mayor's budget and \$15 million of additional sources identified by the Mayor, including \$7.5 million in additional expenditure savings identified from fiscal year 2012-13 and \$3.6 million in additional expenditure savings in fiscal year 2013-14, \$1.4 million in additional fiscal year 2012-13 property tax revenue above the amount required to be deposited in the Budget Stabilization Reserve and to fund baseline transfers, \$1.4 million in leftover funds in the budget's technical adjustment reserve and \$1 million from Consumer Protection funds.

The Original Budget for fiscal years 2013-14 and 2014-15 totals \$7.91 billion and \$7.93 billion respectively, representing increases over prior year of \$554 million and \$23 million. The General Fund portion of each year's budget is \$3.95 billion in fiscal year 2013-14 and \$4.05 billion in fiscal year 2014-15 representing consecutive increases of \$463 million and \$98 million. There are 27,669 funded full time positions in the fiscal year 2013-14 Original Budget and 27,850 in the fiscal year 2014-15 Original Budget representing increases of 813 and 181, respectively.

The budget for fiscal years 2013-14 and 2014-15 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long term obligations.

Impact of the State of California Budget on Local Finances

The State continues its slow economic recovery. Revenues from the State represent approximately 21.5% of the General Fund revenues appropriated in the fiscal year 2013-14 Original Budget, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2013, Governor Brown signed the 2013-14 California State budget into law. In contrast to recent budgets, which closed multibillion dollar shortfalls, spending in fiscal year 2013-14 is set to increase by 3 percent over fiscal year 2012-13, including a \$1.1 billion reserve, due to voter-approved tax increases, economic recovery and prior reductions. The City's Original Budget for fiscal years 2013-14 and 2014-15 does not include the allowance for unallocated State funding reductions deemed necessary in budgets for fiscal years 2009-10 through 2012-13. The largest source of uncertainty in the City's budget is related to the implementation of national health care reform (the Affordable Care Act, or ACA). The State's fiscal year 2013-14 budget includes a \$300 million reduction in funding for indigent health care to counties to reflect the expected enrollment of over one million additional adults in Medi-Cal beginning in January, 2014, of which San Francisco's share is \$17 million. The timing and extent to which reduced subventions will be made up by increased insurer reimbursements is not certain at this time, and budget adjustments may be required should the Mayor and the Board of Supervisors wish to backfill lost revenue and increased costs.

Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances

On December 26, 2013, the President signed a two-year federal budget. The budget partially repeals sequester-related budget cuts for Fiscal Years 2013-14 and 2014-15. The City is currently reviewing the budget and the projected financial impact to the City is unknown at this time.

Budgetary Reserves and Economic Stabilization

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the reserve equal to one percent of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. The required starting balance of the General Reserve was \$32.2 million in fiscal year 2012-13 and is \$44.7 million and \$55.5 million in fiscal years 2013-14 and 2014-15 respectively.

In addition to the operating cash and general reserves the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (\$13.1 million in fiscal year 2013-14 and \$13.5 million in fiscal year 2014-15), and the Litigation Reserve (\$11.0 million in each year). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the City Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into the following two accounts within the Rainy Day Reserve and for other lawful governmental purposes.

- 50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2011-12 revenue exceeded the deposit threshold, resulting in a \$6.0 million deposit to the Rainy Day Reserve Economic Stabilization account and a \$3.0 million deposit to the One-Time Capital Expenditures account. The deposit threshold was not exceeded in fiscal year 2012-13 and the fiscal year 2013-14 and 2014-15 budgets do not anticipate deposits to the reserve.

Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in

any year will be allocated to capital and other one-time expenditures. Moneys in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Except for the transfer to SFUSD described below, no draw from the Rainy Day Reserve is budgeted in fiscal years 2013-14 and 2014-15.

If the City Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. The fiscal year 2012-13 ending balance of this account was \$23.3 million. The fiscal year 2013-14 and 2014-15 budgets include allocations of \$5.8 million and \$4.4 million, respectively, to the SFUSD. Assuming no other withdrawals or deposits, this would leave a balance remaining in the Rainy Day Reserve at the end of fiscal year 2014-15 of \$13.1 million.

On April 13, 2010, the Board of Supervisors unanimously approved the City Controller's proposed financial policies on reserves and the use of certain volatile revenues. The policies were approved by the Mayor on April 30, 2010, and can only be suspended for a given fiscal year by a two-thirds vote of the Board. With these policies the City created two additional types of reserves: General Reserve and the Budget Stabilization Reserve described below.

Budget Stabilization Reserve

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues to the new reserve, including Real Property Transfer Tax receipts in excess of the five-year annual average (controlling for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The fiscal year 2012-13 ending balance in the reserve was \$121.6 million, an increase of \$47.3 million from the prior year end and \$19.1 million greater than the Nine-Month Report projected ending balance of \$102.5 million, due to fund balance above that appropriated in the subsequent years' budgets. In addition, the Original Budget assumes transfer tax revenue will be above the prior five year adjusted average in both fiscal years 2013-14 and 2014-15, resulting in reserve deposits of \$16.0 million and \$14.4 million, respectively.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately \$357 million for fiscal year 2013-14 based on fiscal year 2013-14 Original Budget. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn. In the second year, the maximum withdrawal is 50%, and in the third year, the entire remaining balance may be drawn.

San Francisco Redevelopment Agency Dissolution

On February 1, 2012, the San Francisco Redevelopment Agency (the "SFRDA") ceased to exist by operation of law as a result of Assembly Bill No. X1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26"), and a California Supreme Court decision described below. AB 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statute of 2011-12) ("AB 1484" and together with AB 26, the "Dissolution Act").

The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the Community Redevelopment Law that have not been repealed, restricted or revised pursuant to AB 26 will be vested in the successor agency. The successor agency for each redevelopment agency is generally the county or city that authorized the creation of the redevelopment agency. On January 26, 2012 the City adopted a Board of Supervisors resolution providing for the City to become the successor agency to the SFRDA (the "Successor SFRDA"). The resolution also approved the retention by the City of all the affordable housing assets of the SFRDA (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the Mayor's Office of Housing

to manage the housing assets and exercise the housing functions that the SFRDA formerly performed. The resolution places most of the non-housing assets of the SFRDA under the jurisdiction of the Director of the Department of Administrative Services.

Pursuant to AB 1484, the Successor SFRDA is a separate public agency from the City, and the assets and liabilities of the former SFRDA will not be transferred to the City. The Successor SFRDA will succeed to the organizational status of the former SFRDA, but without any legal authority to participate in redevelopment activities, except in connection with approved enforceable obligations as provided in the Dissolution Act. In general, the debt of the former SFRDA will become the debt of the Successor SFRDA as the SFRDA's successor agency. Such debt will be payable only from the property tax revenues (former tax increment) or other revenue sources that originally secured such debt. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds.

There are significant uncertainties regarding the meaning of certain provisions of the Dissolution Act and the impact of the Dissolution Act on the City, including, among other matters, the obligation imposed on the City in performing its duties as Successor SFRDA, performing the enforceable obligations as Successor SFRDA, paying the debt of the former SFRDA as Successor SFRDA and completing certain projects of the former SFRDA. Future legislation and court decisions may clarify some of these uncertainties. There is also uncertainty about how the City may pursue certain community development goals that the former SFRDA undertook and that are not covered by enforceable obligations, and the City's use of alternative funding sources for projects and programs to pursue such goals.

The total General Fund impact of the dissolution will depend on State decisions regarding the use of tax increment in redevelopment project areas. The State may or may not allow the redevelopment successor agency to retain cash balances to meet contractual obligations for affordable housing and infrastructure improvements. Property tax revenue estimates in the proposed Five Year Financial Plan assume tax increment is used for debt service, to meet obligations made to developers, and approximately \$3.4 million annually for non-debt service uses, resulting in residual tax increment available to be distributed to the taxing entities of approximately \$25.6 million in fiscal year 2013-14, rising to approximately \$42.3 million in fiscal year 2017-18, of which just under 57% would be allocated to the General Fund. This amount could increase depending on uses allowed by the State.

Although uncertainty remains, the State Department of Finance (DOF) has completed reviews of two funds held by the Successor Agency to the San Francisco Redevelopment Agency (the Office of Community Infrastructure and Investment, or OCII). DOF's December 14, 2012 review of the Low and Moderate Income Housing Fund (LMIHF) required \$106.9 million to be surrendered and distributed to taxing entities, and its April 1, 2013 review of the Other Assets Fund (OAF) required \$204.2 million to be surrendered. These amounts were substantially reduced upon appeal by the OCII, and on May 31, 2013, Successor SFRDA remitted \$10.6 million of LMIHF and \$1.0 million of OAF balances, resulting in a total increase of property tax revenue to the City of \$7.5 million, of which \$6.5 million accrued to the General Fund.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor SFRDA. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF verified that the Successor SFRDA does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. In addition, the receipt of the Finding of Completion allows the Successor SFRDA to submit a Long Range Property Management Plan ("LRPMP") to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six months of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and has submitted it to DOF.

AB 26 and Supreme Court Decision

On December 29, 2011 the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos* (No. S194861) ("Matosantos") regarding the constitutionality of two budget bills involving redevelopment, AB 26 and ABX1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) ("AB 27"). AB 26 dissolved all redevelopment agencies, and designated "successor agencies" with certain powers and duties. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB 26, if the city or county

that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities. In *Matosantos* the Court upheld AB 26 requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of AB 26.

As a consequence of the *Matosantos* decision, all California redevelopment agencies, including the former SFRDA, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the former SFRDA, will be allocated to the applicable Redevelopment Property Tax Trust Fund created by the County Auditor-Controller for the "successor agency." Such funds are to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

The Dissolution Act requires successor agencies, such as the Successor SFRDA, to continue to make payments and perform other obligations required under enforceable obligations for former redevelopment agencies. AB 26 defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. The Dissolution Act generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards and by the State Controller and State Department of Finance.

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds (but as discussed below, the City's costs of performing its obligations under AB 26 and of pursuing the economic development goals of the former SFRDA are uncertain and could be significant).

The Oversight Board and the Department of Finance has approved the ROPS for July 1, 2013 to December 31, 2013.

Impact of Dissolution Act and Information concerning SFRDA

Although provisions have been made under the Dissolution Act to provide funds (i.e. property tax revenues) to continue certain enforceable obligations of the Successor SFRDA, the costs of performing its duties under the Dissolution Act, including performing all enforceable obligations of the former SFRDA, and pursuing community development goals that the former SFRDA undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the City's general fund not offset by property tax revenues.

The provisions of the Dissolution Act are unclear as to numerous aspects of the operations and finances of the Successor SFRDA, including but not limited to the administration of enforceable obligations (including bonds), the flow and uses of tax increment moneys and the disposition of SFRDA assets. Therefore, there are significant uncertainties regarding the finances and operations of the Successor SFRDA entity and administration of its bonds once the City became the successor agency to the SFRDA. Interpretations and clarification of AB 26 are likely to come from future State legislation or administrative guidance and court decisions. At present, the City cannot predict many aspects or the overall outcome of AB 26 on the City's finances and the SFRDA bonds; however it is likely that at least certain aspects of the implementation of AB 26 may materially impact the finances of the City and may materially impact the SFRDA bonds. Further, future redevelopment and housing activities in the City that would have been undertaken by the SFRDA had it continued in existence will no longer occur, if they are not required under preexisting enforceable obligations.

In its audited financial statement for the year ended June 30, 2013, the City included financial information pertaining to the Successor SFRDA in the City's audited financial statements. The Successor SFRDA also prepares its own financial statements.

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and the San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-25: "Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor SFRDA (also known as the Office of Community Investment and Infrastructure or OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations, causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor SFRDA received \$114 million of property tax increment in fiscal year 2012-13, diverting about \$65 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplementals) has increased slightly from 98.18% for fiscal year 2011-12 to 98.65% for fiscal year 2012-13. This table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with statistical reports provided to the State of California. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 363 for fiscal year 2012-13 compared to 802 for fiscal year 2011-12, 927 in fiscal year 2010-11, 901 in fiscal year 2009-10, and 633 in fiscal year 2008-09. This represents 0.18%, 0.32%, 0.45%, 0.46%, and 0.40%, respectively, of total parcels in such fiscal years.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2013-14
(\$000s)

Fiscal Year	Net Assessed Valuation (NAV) ¹	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.54%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	97.96%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.18%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.65%
2013-14	172,489,208	4.5%	1.188	2,049,172	n/a	n/a

¹ Based on Certificate of Assessed Valuation dated as of August 15, 2013. Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

² Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

³ The Total Tax Levy and Total Tax Collected through FY 2012-13 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported on Treasurer/Tax Collector Report 100 and reported to the State of California (available on the website of the California State Controller's Office).

Total Tax Levy for FY 2013-14 is based on NAV times the 1.1880% tax rate.

Note: This table has been modified from the corresponding table in previous bond disclosures to make levy and collection figures consistent with statistical reports provided to the State of California.

Source: Office of the Controller, City and County of San Francisco.

For fiscal year 2013-14, the total net assessed valuation of taxable property within the City is \$172.5 billion. Of this total, \$162.6 billion (94.3%) represents secured valuations and \$9.87 billion (5.7%) represents unsecured valuations. (See "–Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.)

Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIII A of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Every year, some taxpayers appeal the Assessor's determination of their properties' assessed value, and some of the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments. With respect to the fiscal year 2012-13 levy, property owners representing approximately 18.2% of the total assessed valuation in the City filed appeals for a reduction of their assessed value.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCCD, BAAQMD, and BART share proportionately in any

refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary general fund appeal reserve fund for fiscal years 2007-08 through 2012-13 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
(000s)

Year Ended	Amount Refunded
June 30, 2009	\$7,288
June 30, 2010	14,015
June 30, 2011	41,730
June 30, 2012	53,288
June 30, 2013	36,744

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2013, the Assessor granted 18,409 temporary reductions in property assessed values worth a total of \$2.02 billion (equating to a reduction of about \$11.4 million in discretionary general fund taxes), compared to 21,228 temporary reductions with a value of \$2.82 billion (equating to a reduction of about \$16.0 million in discretionary general fund taxes) granted in Spring 2012. The fiscal year 2013-14 \$2.02 billion temporary reduction total represented 1.17% of the fiscal year 2013-14 Net Assessed Valuation of \$172.49 billion shown in Table A-5. The average temporary reduction in assessed value granted, excluding timeshare properties, decreased from \$175,980 in 2012 to \$151,559 in 2013. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board (AAB) within a certain period of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2013, the total number of open appeals before the Assessment Appeals Board (AAB) was 7,421, compared to 7,729 open AAB appeals as of June 30, 2012, including 5,500 filed since July 1, 2012 with the balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is \$42.3 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of \$488.6 million with an impact on the discretionary general fund of about \$239.4 million. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District, and BART. The total tax levy for all taxing entities in fiscal year 2013-14 is estimated to produce \$2.05 billion, not including supplemental, escape, and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive \$1.153 billion into the General Fund and \$127.9 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive \$125.0 million and \$23.5 million, respectively, and the local ERAF is estimated to receive \$411.3 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill shifts). The Successor SFRDA will receive about \$121.9 million. The remaining portion is allocated to various other

governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD, and BART may only be applied for that purpose.

The City's General Fund is allocated about 57% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts.

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to *ad valorem* taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO

Teeter Plan

Tax Loss Reserve Fund Balance

(000s)

Year Ended	Amount Funded
June 30, 2009	\$16,220
June 30, 2010	17,507
June 30, 2011	17,302
June 30, 2012	17,980
June 30, 2013	18,341

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year ending June 30, 2013 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO

Top 10 Parcels Total Assessed Value

Fiscal Year 2012-13

(000s)

Assessee	Location	Parcel Number	Type	Total Assessed	
				Value ¹	% of Basis of Levy ²
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	\$941,010	0.57%
Paramount Group Real Estate Fund	1 Market St	3713 007	Commercial Office	770,892	0.47%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	430,661	0.26%
SPF China Basin Holdings LLC	185 Berry St.	3803005	Commercial Office	423,273	0.26%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	398,608	0.24%
S.F. Hilton Inc.	1 Hilton Square	325031	Commercial Hotel	389,595	0.24%
Post-Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	387,267	0.23%
SHR St. Francis LLC	301-345 Powell St	0307 001	Commercial Hotel	368,994	0.22%
PPF Off One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	367,384	0.22%
Wells REIT II - 333 Market St. LLC	333 Market St	3710020	Commercial Office	349,062	0.21%
				\$4,826,746	2.91%

¹ Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures.

² The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

Source: Office of the Assessor-Recorder, City and County of San Francisco.

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2013-14 valuation of property assessed by the State Board of Equalization is \$2.62 billion, as recorded on the fiscal year 2013-14 Certificate of Assessed Valuation.

OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Businesses in the City may be subject to two types of taxes. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. Recent changes were made to the tax exempted small businesses with annual payroll of less than \$250,000 and subjected partnership profit distributions to the tax. The net effect of these provisions was estimated to be approximately \$10.5 million in new revenues beginning in fiscal year 2009-10. The City also levies a registration tax on businesses, which varies from \$25 to \$500 per year per subject business based on the prior year computed payroll tax liability.

Business tax revenues in fiscal year 2012-13 were \$480.1 million representing an increase of \$26.3 million (5.8%) over fiscal year 2012-13 Original Budget and \$42.4 million (9.7%) over fiscal year 2011-12 actual revenue. Business tax revenue is budgeted at \$534.0 million in fiscal year 2013-14 representing an increase of \$53.9 million (11.2%) over FY 2012-13 receipts and \$565.2 million in fiscal year 2014-15 representing an increase of \$31.2 million (5.8%) over FY 2013-14 budget.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2008-09 through 2014-15

All Funds
(000s)

Fiscal Year	Revenue	Change	
2008-09	\$388,654	(\$7,371)	-1.9%
2009-10	354,020	(34,634)	-8.9%
2010-11	391,779	37,759	10.7%
2011-12	437,677	45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14 budgeted	533,988	53,857	11.2%
2014-15 budgeted	565,180	31,192	5.8%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and, beginning in FY 2014-15, Gross Receipts Tax revenues. Figures for FY 2008-09 through FY 2012-13 are audited actuals. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

In April 2011, the Board of Supervisors adopted Ordinance 68-11 that established a payroll expense tax exclusion for certain business located in the Central Market and Tenderloin Area. The Ordinance expires according to its terms in 2019. The Controller projects the loss to the City in payroll expense tax revenue due to Ordinance 68-11 to be approximately \$4.2 million annually. Additionally, fiscal year 2011-12 and fiscal year 2012-13 payroll tax amounts include \$4.4 and \$3.5 million respectively in General Fund loss each year from a requirement pursuant to Business and Tax Regulations Code Section 906E, that \$500 credits be provided to Payroll Tax payers if prior year Payroll Tax revenues grew more than 7.5% from the year before. Fiscal year 2011-12 payroll tax revenues ended the year 11.4% higher than fiscal year 2010-11 and fiscal year 2012-13 payroll tax revenues ended the year 9.7% higher than fiscal year 2011-12.

The Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E) was approved by San Francisco voters on November 6, 2012. The ordinance replaces the existing tax which is 1.5% of a business' payroll with a tax on a business' gross receipts at rates that vary by the size and type of business. The new tax structure will be phased-in over a five year period and at the end of the period the gross receipts tax rates will remain fixed. The new tax structure will generate annual tax revenues equal to what would have been generated under the existing tax structure plus the amount of the additional administrative cost of the new system. In addition, the existing business registration fee structure will be replaced by a new higher graduated registration fee structure projected to generate a net revenue increase to the City of approximately \$28.0 million beginning in fiscal year 2013-14. The gross receipts tax will apply to businesses with \$1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. The ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (ADR) and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, reached a historic high averaging \$180 in fiscal year 2012-13. Increases in RevPAR are budgeted to continue albeit at a slower pace through fiscal year 2014-15. Total hotel tax revenue for fiscal year 2012-13 was \$241.9 million, and budgeted to be \$277.0 million in fiscal year 2013-14 and \$294.2 million in fiscal year 2014-15.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that there was no obligation on the part of online travel companies to remit hotel tax to the City. San Francisco received a similar judgment as to its hotel tax on February 6, 2013 overturning administrative hearings it conducted to require payment from online travel companies. San Francisco has received approximately \$63 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. While the City plans to appeal the judgment, the City can give no assurance regarding the outcome of this litigation.

In fiscal years prior to 2013-14, the allocation of hotel tax revenues was set by the Administrative provisions of the Annual Appropriation Ordinance, and all of the gain or loss in revenue from budgeted levels fell to the General Fund, contributing to the large variances from prior periods. Table A-10 sets forth a history of transient occupancy tax receipts for fiscal years 2008-09 through 2014-15. Beginning in fiscal year 2013-14, hotel tax budgeted in the General Fund in fiscal year 2013-14 will increase by \$56.4 million because revenue previously budgeted in special revenue funds is now deposited to the General Fund.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2008-09 through 2014-15
All Funds
(000s)

Fiscal Year	Tax Rate	Revenue	Change
2008-09	14.00%	\$219,777	(\$5,037) -2.2%
2009-10	14.00%	192,082	(27,695) -12.6%
2010-11	14.00%	215,512	23,430 12.2%
2011-12	14.00%	242,843	27,331 12.7%
2012-13	14.00%	241,871	(972) -0.4%
2013-14 <i>budgeted</i>	14.00%	277,019	35,148 14.5%
2014-15 <i>budgeted</i>	14.00%	294,175	17,157 6.2%

Includes portion allocated to special revenue funds. Figures for FY 2008-09 through FY 2012-13 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Current rates are \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000 for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$20.00 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; and \$25 per \$1,000 for properties valued at more than \$10.0 million.

Real property transfer tax revenue in fiscal year 2012-13 was \$232.7 million, approximately \$0.9 million (0.4%) less than the revenue received in fiscal year 2011-12 due to flattening slight decline in real property sales from their fiscal year 2011-12 peak. Fiscal year 2013-14 and 2014-15 budgets for real property transfer tax revenues are \$225.2 million in each year, reflecting budgeting of continued slowing market activity.

Table A-11 sets forth a history of real property transfer tax receipts for fiscal years 2008-09 through 2012-13, and budgeted receipts for fiscal years 2013-14 and 2014-15.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2008-09 through 2014-15
(000s)

Fiscal Year	Revenue	Change
2008-09	\$48,957	(\$37,262) -43.2%
2009-10	83,694	34,737 71.0%
2010-11	135,184	51,489 61.5%
2011-12	233,591	98,407 72.8%
2012-13	232,730	(861) -0.4%
2013-14 budgeted	225,150	(7,580) -3.3%
2014-15 budgeted	225,150	0.0%

Figures for FY 2008-09 through FY 2012-13 are audited actuals. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Sales and Use Tax

The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. The rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund.

Local sales tax collections in fiscal year 2012-13 were \$122.3 million, an increase of \$0.5 million from Original Budget and a \$5.2 million (4.4%) increase from fiscal year 2011-12 revenue. Revenue growth is budgeted to continue during FY 2013-14 with \$125.7 million budgeted, an increase of \$3.4 million (2.8%) from fiscal year 2012-13 revenue. Continued growth is expected during fiscal year 2014-15 as revenues are budgeted to reach \$130.1 million, \$4.4 million (3.5%) more than fiscal year 2013-14.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2008-09 through 2012-13, and budgeted receipts for fiscal years 2013-14 and 2014-15, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2008-09 through 2014-15
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change
2008-09	9.50%	0.75%	\$101,662	(\$9,749) -8.8%
2008-09 adj. ¹	9.50%	1.00%	137,415	(11,314) -7.6%
2009-10	9.50%	0.75%	96,605	(5,057) -5.0%
2009-10 adj. ¹	9.50%	1.00%	128,286	(9,129) -6.6%
2010-11 ²	9.50%	0.75%	106,302	9,698 10.0%
2010-11 adj. ¹	9.50%	1.00%	140,924	12,639 9.9%
2011-12	8.50%	0.75%	117,071	10,769 10.1%
2011-12 adj. ¹	8.50%	1.00%	155,466	14,542 10.3%
2012-13	8.50%	0.75%	122,271	5,200 4.4%
2012-13 adj. ¹	8.50%	1.00%	162,825	7,359 4.7%
2013-14 budgeted ²	8.75%	0.75%	125,697	3,426 2.8%
2013-14 adj. ¹ budgeted	8.75%	1.00%	167,751	4,926 3.0%
2014-15 budgeted ²	8.75%	0.75%	130,096	4,399 3.5%
2014-15 adj. ¹ budgeted	8.75%	1.00%	173,622	5,871 3.5%

Figures for FY 2008-09 through FY 2012-13 are audited actuals. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

¹Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in FY 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

²In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

Source: Office of the Controller, City and County of San Francisco.

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol (VOIP). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2012-13 Utility User Tax revenues were \$91.9 million, representing no change from Original Budget and a \$0.2 million (0.2%) increase from fiscal year 2011-12. Utility User Tax revenue is budgeted to grow at a rate of 2% in fiscal years 2013-14 and 2014-15 to \$93.5 million and \$95.4 million respectively.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenues for fiscal year 2012-13 were \$42.6 million, \$0.4 million (0.9%) less than Original Budget and \$1.6 (3.9%) million more than fiscal year 2011-12 revenue. ALT revenues are budgeted to grow at a rate of approximately 1.0% in fiscal years 2013-14 and 2014-15 to \$42.6 million and \$43.0 million respectively.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities.

Fiscal year 2012-13 Parking Tax revenue is \$81.6 million \$5.1 million (6.67%) more than final budget and \$5.0 million (6.5%) above fiscal year 2011-12. The recovery in business activity and employment as reflected in increases to payroll and sales tax revenues is driving increases in parking tax revenues.

Original Budget for fiscal year 2013-14 parking tax revenue is \$83.3 million, a \$6.7 million increase (8.8%) from fiscal year 2012-13 Original Budget and \$1.7 million (2.1%) more than the fiscal year 2012-13 results. In fiscal year 2014-15, parking tax revenue is budgeted at \$85.7 million, \$2.5 million (3.0%) over the fiscal year 2013-14 budgeted amount. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the San Francisco Municipal Transportation Agency for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

San Francisco receives three groups of allocations of State sales tax and VLF revenue: 1991 Health and Welfare Realignment, 2011 Health and Human Services Realignment, and Public Safety Realignment. The Governor's May Revise budget estimates statewide realignment funding savings of \$300 million in fiscal year 2013-14 and \$900 million in fiscal year 2014-15 as a result of Affordable Care Act (ACA) implementation. These savings are expected to be achieved by realigning additional responsibilities to counties without increasing funding for them. Fiscal year 2013-14 and 2014-15 realignment revenues are budgeted as follows:

1991 Health & Welfare Realignment. In fiscal years 2013-14 and 2014-15, General Fund revenue is anticipated to increase by \$10.4 million (6.9%) and \$5.2 million (3.2%), due to statewide sales tax growth projections contained in the Governor's budget. Growth in state sales tax revenue in one year is distributed to counties in the subsequent year, thus the original budget's fiscal year 2013-14 and 2014-15 allocations reflect projected state sales tax revenue increases in fiscal years 2012-13 and 2013-14, respectively. Changes in the allocation methodology reduced the amount of VLF distributed and increased the amount of sales tax distributed in this type of realignment.

2011 Health and Human Services Realignment. Beginning in fiscal year 2011-12 counties received revenue allocations to pay for behavioral health and protective services programs formerly provided by the State. In fiscal year 2013-14 this revenue is budgeted at \$89.1 million, an \$8.6 million (10.6%) increase from the fiscal year 2012-13 revised budget. This increase includes sales tax growth assumed in the Governor's budget. Fiscal year 2014-15 revenue of \$92.4 million is an increase of \$3.4 million (3.8%) from fiscal year 2013-14.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. Based on revised allocation formulas, this revenue is budgeted at \$32.8 million in fiscal year 2013-14, a \$15.5 million (89.7%) increase over the fiscal year 2012-13 budget. The increase reflects state sales tax growth and the change in accounting of Trial Court Security revenue from a cost reimbursement to subvention format. The budget for fiscal year 2014-15 is \$30.8 million, a \$2.0 million (6.2%) decrease due to reductions to state funding for Local Community Corrections projected in fiscal year 2014-15 as described in the Governor's budget.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of statewide sales activity. Revenue from this source for fiscal year 2012-13 was \$83.2 million, an increase of \$6.7 million (8.7%) from fiscal year 2011-12 revenues and \$4.3 million (5.4%) more than fiscal year 2012-13 Original Budget. In fiscal year 2013-14, revenue is budgeted at \$86.8 million, representing an increase of \$7.9 million (10.0%) from the fiscal year 2012-13 budget and \$3.6 million (4.3%) from fiscal year 2012-13 year-end revenue. In fiscal year 2014-15, revenue is budgeted at \$89.9 million, an increase of \$1.7 million (1.9%) from the fiscal year 2013-14 budget. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the County Ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. Fiscal year 2013-14 revenue growth assumes a continuation of the 4.5% increase in base sales tax revenue as projected for fiscal year 2012-13, and an increase of approximately 0.5% in San Francisco's County Ratio. Fiscal year 2014-15 revenue reflects state sales tax growth only and no increase in the Ratio.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, \$407.1 million is budgeted in fiscal year 2013-14 from grants and subventions from State and federal governments to fund public health, social services, and other programs in the General Fund. This represents a \$1.5 million (0.4%) increase from the fiscal year 2012-13 final revenue. The fiscal year 2014-15 budget is \$398.9 million, a decrease of \$8.2 million (2.0%) from fiscal year 2013-14.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2012-13 were \$164.3 million, a decrease of \$2.5 million (1.5%) from the Original Budget and an increase of \$18.4 million (12.6%) from prior year. Charges for services revenue is budgeted at \$166.8 million in fiscal year 2013-14 and \$167.5 million in fiscal year 2014-15, representing growth of \$14.2 million (9.3%) and \$0.8 million (0.5%) respectively from prior year.

Fiscal year 2013-14 growth reflects Fire Department ambulance billing recoveries increases over fiscal year 2012-13 due to AB 678 - Medi-Cal: Ground Emergency Medical Transport, passed by the State legislature in 2011.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is \$751.6 million in fiscal year 2013-14 and \$762.9 million in fiscal year 2014-15.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in table A-13:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2008-09 through 2014-15
(000s)

Major Service Areas	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
	Original Budget						
Public Protection	\$899,378	\$955,519	\$947,327	\$998,237	\$1,058,689	\$1,130,932	\$1,155,085
Human Welfare & Neighborhood Development	654,162	642,810	655,026	672,834	670,375	700,254	717,018
Community Health	513,858	488,330	519,319	575,446	609,892	701,978	702,791
General Administration & Finance	182,139	177,892	169,526	199,011	197,994	244,591	248,135
Culture & Recreation	104,232	95,114	97,510	100,740	111,066	119,579	115,632
General City Responsibilities	78,524	104,476	103,128	110,725	145,560	137,025	142,071
Public Works, Transportation & Commerce	53,143	33,414	26,989	51,588	67,529	80,797	111,993
Total*	\$2,485,436	\$2,497,555	\$2,518,824	\$2,708,581	\$2,861,106	\$3,115,155	\$3,192,725

*Total may not add due to rounding

Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department, and the Sheriff's Office. These departments are budgeted to receive \$406.4 million, \$215.1 million and \$139.4 million of General Fund support respectively in fiscal year 2013-14 and \$406.8 million, \$225.1 million, and \$146.2 million respectively in fiscal year 2014-15. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive \$224.4 million of General Fund support in the fiscal year 2013-14 and \$234.8 million in fiscal year 2014-15.

The Public Health Department is budgeted to receive \$553.4 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2013-14 and \$596.9 million in fiscal year 2014-15. As of the Fiscal Year 2012-13 Six Month Report, the Department of Public Health projected ending the fiscal year with a net General Fund deficit of \$45.9 million. The actual shortfall was approximately \$5.8 million due to recognition of prior year revenues and greater than projected expenditure savings.

For budgetary purposes, enterprise funds are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it is budgeted pursuant to a formula under the Charter to receive a \$232.0 million General Fund transfer in the fiscal year 2013-14 Original Budget.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Years 2013-14 & 2014-15
(Millions)

Baselines & Set-Asides	FY 2013-14	FY 2013-14	FY 2014-15	FY 2014-15
	Required Baseline	Original Budget	Required Baseline	Original Budget
Municipal Transportation Agency	\$168.7	\$168.7	\$176.3	\$176.3
Parking and Traffic Commission	\$63.3	\$63.3	\$66.1	\$66.1
Children's Services	\$125.5	\$131.2	\$131.1	\$132.5
Library Preservation	\$57.7	\$57.7	\$60.3	\$60.3
Public Education Enrichment Funding				
Unified School District	\$47.4	\$47.4	\$37.2	\$37.2
First Five Commission	\$25.7	\$25.7	\$20.2	\$20.2
City Services Auditor	\$12.9	\$12.9	\$13.4	\$13.4
Human Services Homeless Care Fund	\$14.9	\$14.9	\$14.9	\$14.9
Property Tax Related Set-Asides				
Municipal Symphony	\$2.1	\$2.1	\$2.3	\$2.3
Children's Fund Set-Aside	\$48.0	\$48.0	\$50.9	\$50.9
Library Preservation Set-Aside	\$40.0	\$40.0	\$42.4	\$42.4
Open Space Set-Aside	\$40.0	\$40.0	\$42.4	\$42.4
Staffing and Service-Driven				
Police Minimum Staffing	Requirement potentially not met during course of budget year		Requirement potentially met during course of budget year	
Fire Neighborhood Firehouse Funding	Requirement met		Requirement met	
Treatment on Demand	Requirement not met		Requirement not met	
Total Baseline Spending	\$652.81	\$658.57	\$664.18	\$665.58

Source: Office of the Controller, City and County of San Francisco.

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances, and four Rescue Captains (medical supervisors).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling \$3.5 billion in the fiscal year 2011-12 Original Budget (all-funds), and \$3.8 billion and \$4.0 billion in the fiscal year 2012-13 and fiscal year 2013-14 budgets. Looking only at the General Fund, the combined salary and benefits budget was \$1.7 billion in the fiscal year 2011-12 Original Budget and \$1.8 billion per year in the fiscal year 2012-13 and fiscal year 2013-14 budgets. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2013-14 and 2014-15 includes 27,722 and 27,855 budgeted City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 (SEIU); the International Federation of Professional and Technical Engineers, Local 21(IFPTE); and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the Charter. Except for nurses and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of police and fire employees.

In May 2012, the City negotiated two-year agreements (for fiscal years 2012-13 and 2013-14) with most of its labor unions. In general, the parties agreed to: (1) reforms and/or elimination of certain pay premiums; and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures by having employees contribute more toward the cost of enrolling in employee-only health benefits during the term of the two-year contract. A majority of unions have agreed to further reforms in this area effective January 2015. SEIU miscellaneous employees and staff nurses agreed to healthcare benefit reforms that will take place beyond the term of the July 1, 2012 through June 30, 2014 contract.

City employees who are in non-Police, Fire and Nurse classifications will receive a base wage increase for the first time since 2008, as follows: 1% on July 1, 2013; 1% on January 4, 2014 and 1% on March 29, 2014. The two SEIU-represented units' wage increases differ, as follows: SEIU miscellaneous employees will receive 2% on January 4, 2014 and 1% on March 29, 2014 and the SEIU Staff Nurses will receive 3% on March 29, 2014.

In June 2013, the City negotiated a contract extension with the Police Officers' Association (POA), through June 30, 2018, that includes wage increases of 1% on July 1, 2015; 2% on July 1, 2016; and 2% on July 1, 2017. In addition, the union agreed to lower entry rates of pay for new hires in entry Police Officer classifications. The lower entry rates will result in savings of approximately \$0.7 million in fiscal year 2013-14 and \$2.0 million in fiscal year 2014-15. Similar negotiations are underway with the City's firefighters' union.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. The MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year successor agreement that expires on June 30, 2014. The concessions are valued at \$41.1 million dollars over the life of the agreement.

Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2013

<u>Organization</u>	<u>Budgeted Positions</u>	<u>Expiration Date of MOU</u>
Automotive Machinists, Local 1414	416	June 30, 2014
Bricklayers, Local 3/Hod Carriers, Local 36	18	June 30, 2014
Building Inspectors Association	90	June 30, 2014
Carpenters, Local 22	110	June 30, 2014
Carpet, Linoleum & Soft Tile	2	June 30, 2014
CIR (Interns & Residents)	2	June 30, 2014
Cement Masons, Local 580	33	June 30, 2014
Deputy Sheriffs Association	867	June 30, 2014
District Attorney Investigators Association	42	June 30, 2014
Electrical Workers, Local 6	858	June 30, 2014
Glaziers, Local 718	10	June 30, 2014
International Alliance of Theatrical Stage Employees, Local 16	19	June 30, 2014
Ironworkers, Local 377	15	June 30, 2014
Laborers International Union, Local 261	1,019	June 30, 2014
Municipal Attorneys' Association	431	June 30, 2014
Municipal Executives Association	1,102	June 30, 2014
MEA - Police Management	6	June 30, 2015
MEA - Fire Management	9	June 30, 2015
Operating Engineers, Local 3	57	June 30, 2014
Painters	123	June 30, 2014
Pile Drivers, Local 34	23	June 30, 2014
Plumbers, Local 38	341	June 30, 2014
Probation Officers Association	161	June 30, 2014
Professional & Technical Engineers, Local 21	4,929	June 30, 2014
Roofers, Local 40	11	June 30, 2014
S.F. Institutional Police Officers Association	2	June 30, 2014
S.F. Firefighters, Local 798	1,732	June 30, 2015
S.F. Police Officers Association	2,501	June 30, 2018
SEIU, Local 1021	11,260	June 30, 2014
SEIU, Local 1021 Staff & Per Diem Nurses	1,575	June 30, 2014
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2015
Sheet Metal Workers, Local 104	46	June 30, 2014
Stationary Engineers, Local 39	663	June 30, 2014
Supervising Probation Officers, Operating Engineers, Local 3	23	June 30, 2014
Teamsters, Local 853	157	June 30, 2014
Teamsters, Local 856 (Multi-Unit)	105	June 30, 2014
Teamsters, Local 856 (Supervising Nurses)	120	June 30, 2015
TWU, Local 200 (SEAM multi-unit & claims)	318	June 30, 2014
TWU, Local 250-A Auto Service Workers	198	June 30, 2014
TWU-250-A Miscellaneous	93	June 30, 2014
TWU-250-A Transit Operators	2,151	June 30, 2014
Union of American Physicians & Dentists	192	June 30, 2015
Unrepresented Employees	151	June 30, 2014
	31,992	^[1]

^[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

San Francisco Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan (the "Retirement System") that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval by City voters on November 2, 1920 and the California State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuarial firm retained by the Retirement Board to prepare an annual valuation report and other analyses as described below. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2010, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In March 2012, IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the new provisions of Proposition C approved by the City voters in November 2011.

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2012 (the date of most recent valuation report) was 33,655, compared to 33,475 members a year earlier. Active membership includes 4,543 vested members and 1,015 reciprocal members. Vested members are individuals who (i) have separated from City service, (ii) have worked for the City for five or more years, and (iii) have elected to receive a deferred vested pension in the future. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. The total new enrollees in the Retirement System were 2,228 in fiscal year 2011-12 and 2,055 in fiscal year 2010-11. Retirement allowances are paid to approximately 25,000 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program (DROP) program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of June 30, 2012, approximately 184 police officers are enrolled in the program and all will retire over the next two fiscal years.

Table A-16 shows total Retirement System participation for fiscal years 2007-08 through 2011-12.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System
Fiscal Years 2007 - 08 through 2011 - 12

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2008	30,650	3,877	869	35,396	21,514	1.425
2009	29,919	4,096	890	34,905	22,294	1.342
2010	28,222	4,515	978	33,715	23,500	1.201
2011	27,955	4,499	1,021	33,475	24,292	1.151
2012	28,097	4,543	1,015	33,655	25,190	1.115

Sources: SFERS' Actuarial Valuation reports as of July 1, 2012, July 1, 2011, July 1, 2010, July 1, 2009, and July 1, 2008.

Note: Table A-16 includes non-City employees

Funding Practices

The annual actuarial valuation of the Retirement System is a joint effort of the Retirement System and its independent consulting actuarial firm. The City Charter proscribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. Before the valuation is conducted, the consulting actuarial firm recommends three long-term economic assumptions: a long-term investment earnings assumption, a long-term wage/inflation assumption and a long-term consumer price index assumption.

At its December 2011 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board voted to phase in reductions to the Retirement System's long-term investment earnings assumption, long-term wage/inflation assumption and long-term consumer price index assumption over a three-year period as follows: long-term investment earnings assumption from 7.75% to 7.50% (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; fiscal year 2013-14 to 7.50%); long-term wage inflation assumption from 4.00% to 3.75% (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%); and long-term consumer price index assumption from 3.50% to 3.25% (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%). These economic assumptions together with demographic assumptions based on periodic demographic studies are utilized to prepare the actuarial valuation of the Retirement System each year. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as determined by the consulting actuarial firm and approved by the Retirement Board. This process is mandated by the City Charter.

Pursuant to the City Charter, the consulting actuarial firm and the Retirement Board set the actuarially required employer contribution rate using three related calculations:

First, the normal cost is established for the Retirement System. The normal cost of the Retirement System represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Retirement System uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the working careers of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial value of Retirement System liabilities exceeds the actuarial value of Retirement System assets, such amount being known as an "unfunded accrued actuarial liability" or "UAAL."

The UAAL is the difference between estimated liabilities and the value of smoothed plan assets and can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Retirement System assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. On the liability side, assumptions must be made regarding future costs of pension benefits in addition to demographic assumptions regarding the Retirement System members including rates of disability, retirement, and death. When the actual experience of the Retirement System differs from the expected experience, the impacts on UAAL are called actuarial gains or losses. Under the Retirement Board's Actuarial Methods Policy any such gain or loss is amortized over a 15-year period. Similarly, if the estimated liabilities change due to an update in any of the assumptions, the impact on UAAL is also amortized over a 15-year period.

Third, Supplemental costs associated with the various SFERS benefit plans are amortized. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to increase benefits to some or all beneficiaries of the Retirement System, the Retirement System's liability is correspondingly increased in proportion to the amount of the new benefit associated with service time already accrued by the then-current beneficiaries. These supplemental costs are amortized over no more than 20 years.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in that fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contribution rates are mandated by the Charter. Sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. The employer contribution rate is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System. The most recent voter-approved retirement changes are described below.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents, and are therefore subject to change.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment.

In August 2012, Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees. For example, in November 2011, the voters of San Francisco approved Proposition C, which

- a) created new SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;
- b) provided that employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
- c) effective July 1, 2012, provides for an increase or decrease of employee contributions to SFERS for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. (For example, Miscellaneous employees who earn less than \$50,000 per year would pay the minimum Charter-mandated employee contribution rate; Miscellaneous employees who earn between \$50,000 and \$100,000

per year would pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate; and Miscellaneous employees who earn \$100,000 or more per year would pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are required from Safety employees also); and

- d) provides that, effective July 1, 2012, no Supplemental COLA will paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire. A retiree organization has brought a legal action against the requirement to be fully funded in order to pay the Supplemental COLA; however, the City has prevailed at the Superior Court level to this challenge.

The impact of Proposition C is incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report.

Since 2008, the voters of San Francisco have approved three other retirement plan amendments:

- Proposition D enacted in June 2010, which enacted new SFERS retirement plans for Miscellaneous and Safety employees commencing on or after July 1, 2010, which changed average final compensation used in the benefit formula from highest one-year average compensation to highest two-year average compensation, increased the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and provides that, in years when the City's required contribution to SFERS is less than the employer normal cost as described above, the amount saved would be deposited into the Retiree Health Care Trust Fund.
- The enactment of DROP, a Deferred Retirement Option Program available to certain police members effective July 1, 2008, authorized by City voters' approval on an initiative proposition in the February 2008 election. In June 2011, the Board of Supervisors voted to allow the program to sunset on June 30, 2011
- Proposition B enacted in June 2008 which increased the years of service required for City employees hired after January 10, 2009 to qualify for employer-funded retiree health benefits, established a separate Retiree Health Care Trust Fund to fund retiree health costs, and increased retirement benefits and retirement cost-of-living adjustments for "miscellaneous" employees (i.e., those covered under Charter Section A8.409).

SFERS Recent Funding Performance and City Employer Contribution History

From fiscal year 1996-97 through fiscal year 2003-04, the City's contribution to the Retirement System was zero as determined by the consulting actuarial firm of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period was due primarily to higher-than-projected investment earnings and lower-than-projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuarial firm in the manner described above in "Funding Practices." In fiscal year 2011-12, total City employer contributions to the Retirement System were \$391 million, which was 18.09% of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount includes \$162 million from the City General Fund. For fiscal year 2012-13, total City employer contributions to the Retirement System were \$423.3 million, of which \$183 million came from the General Fund. For Fiscal Year 2013-14, total City employer contributions to the Retirement System are budgeted at \$505.1 million, which is 21.3% of pensionable salary. This amount includes \$226.9 million from the General Fund. The latest actuarial report as of July 1, 2012 provides that future employer contribution rates are projected to increase to 28% for fiscal year 2014-2015 as the Retirement System recognizes the 2011 economic assumption changes and the losses incurred by the Retirement System in fiscal years 2007-2008 and 2008-2009.

Table A-17 shows Retirement System contributions for fiscal years 2007-08 through 2011-12. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Retirement System's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Market Percent Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligation. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligation. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2007-08 through 2011-12.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System (in \$000s)
Fiscal Years 2007-08 through 2011-12

As of 1-Jul	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contribution	Employer Contribution Rates ^[1]
2008	15,832,521	15,941,390	15,358,824	103.0	103.8	319,183	5.91%
2009	11,886,729	16,004,730	16,498,649	72.3	97.0	312,715	4.99%
2010	13,136,786	16,069,100	17,643,400	74.5	91.1	413,562	9.49%
2011	15,598,839	16,313,100	18,598,700	83.9	87.7	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	78.9	82.6	608,957	18.09%

^[1] Net employer contribution rates in the Actuarial Valuation Report on July 1, 2012 for fiscal years 2012-2013 was 20.71%.

SFERS' Actuarial Valuation report as of July 1, 2012, July 1, 2011, July 1, 2010 and July 1, 2009.

Table A-17 reflects that the Actuarial Percent Funded ratio decreased to 82.6%, corresponding to an unfunded actuarial liability (UAAL) of approximately \$3.4 billion. The UAAL is the difference between the Actuarial Value of Assets and the total Pension Benefit Obligation. This means that as of June 30, 2012, for every dollar of pension benefits the City is obligated to pay, it had approximately \$0.83 in assets available for payment.

Asset Management and Actuarial Valuation

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. See page 71 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2013. The Fund does not hold hedge funds. The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org. These documents are not incorporated herein by reference.

The liabilities of the Retirement System (the Pension Benefit Obligation) are measured annually by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2013, the Retirement System estimated that the market value of its assets was approximately \$17.0 billion. The estimated market value represents, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are not subject to audit (other than at year end).

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled \$18.1 million in fiscal year 2009-10 and \$17.6 million in fiscal year 2010-11. For fiscal year 2011-12, the City prepaid its annual CalPERS obligation at a level of \$23.4 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2013, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits and GASB 45."

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System" or "HSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries. The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; and until May 15, 2013, four members of the Health Service System, active or retired, elected from among their members. After May 15, 2013 one of the members elected from among the members was replaced by a member nominated by the Controller and approved by the Health Service Board pursuant to Proposition C approved by the voters in November 2011. The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial

statements for the Health Service Trust Fund. This report may be obtained on-line at www.myhss.org/finance or by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted in the Health Service System website. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, the Health Service Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

Contributions by the participating employers and HSS Beneficiaries to HSS Medical Plans are determined according to applicable provisions of the Charter. To the extent annual medical premiums exceed the contributions made by employers and HSS Beneficiaries as required by the Charter, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets held in the Health Service Trust Fund.

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, the Health Service System conducts a survey annually of the 10 most populous counties in California (other than the City) to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into the Health Service Trust Fund.

Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries include the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

- Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.
- In addition to the average contribution described in the second paragraph of this subsection, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.
- After application of the calculations described above, the City contributes 50% of monthly contributions required for the retired city participant and the first dependent.

Change in Contribution Model to Stabilize Medical Plan Membership and Maintain Competition Among Providers

In June 2013, the Health Service Board adopted a flat premium contribution model for unions that approve an MOU agreement with the City incorporating the changes by July 31, 2013. The net flat premium structure for 2015 will smooth increases in premiums with premium contributions from all employees. The long term impact of the flat premium contribution model is a reduction in the relative proportion of the projected increases in the City's contributions for Healthcare, stabilization of the medical plan membership and maintenance of competition among plans.

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the "Health Care Reform Law"). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

The Health Care Reform Law is designed to be implemented in phases from 2010 to 2018. The provisions of the Health Care Reform Law to be implemented in future years include, the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. Many aspects of the law have yet to be clarified and will require substantial regulation or subsequent legislative action. On June 28, 2012 the U.S. Supreme Court ruled to uphold the employer mandate, the individual mandate and the state Medicaid expansion requirements.

Provisions of Health Care Reform already implemented by HSS include discontinued eligibility for non-prescription drugs reimbursement through flexible spending accounts (FSAs) in 2011, eliminated copayments for wellness visits, eliminated life-time caps on coverage, and expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women's preventative health including contraception in 2012 and W-2 reporting on total healthcare premium costs for 2012 plan year and implementation of a medical loss ratio rebate on self-insured plans. In addition, a separate summary of benefits was required to be sent to every member and provided to every new member beginning in 2012. In 2014, healthcare flexible spending accounts (FSAs) will be limited to \$2,500 annually.

As a result of the federal Health Care Reform Law there are two direct fees and one tax that have been factored into the calculation of medical premium rates and premium equivalents for the 2014 plan year. The three fees are the Federal Health Insurer Tax (HIT), Patient Centered Outcomes Research Institute (PCORI) fee, and the Federal Transitional Pre-Existing Condition Fee. The Federal HIT tax is a fixed-dollar amount distributed across health insurance providers for fully insured plans. The 2014 plan year premiums for Kaiser Permanente and Blue Shield of California included the impact of the HIT tax.

The Patient-Centered Outcomes Research Institute fee (previously known as the Comparative Effectiveness fee) will be charged directly to the Health Service System at a rate of \$2 per beneficiary for members of the Self-Insured plan (approximately 9,400). In 2014 through 2019 this amount will increase with health care inflation.

The Federal Transitional Pre-Existing Condition Fee is a \$63/year fee on each Health Service System beneficiary for plan years 2014-2016. This fee will be approximately \$5.5 million in 2014. This amount will decrease in 2015 and 2016. In 2014, the City will need to modify health benefit eligibility to cover temporary employees who work more than 30 hours per week or 130 hours per month to only a 90 day waiting period for coverage.

Local Elections: Proposition C (2011)

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001, and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce. Proposition C changes the Health Service System and Health Service Board (HSB) including the following: 1) replace one elected member of the HSB with a member nominated by the City Controller and approved by HSB; 2) change HSB's voting requirement for approving member health plans from two-third to a simple majority; 3) remove the requirement for a plan permitting the member to choose any licensed medical provider; 4) allow for the option to change to a calendar year plan year; and 5) allow HSB to spend money on ways to limit health care costs. Factors that could cause additional medical costs or savings include: 1) projected City savings might be reduced if future labor negotiations or arbitration awards result in any salary increases to offset higher employee retirement contributions; 2) to the extent that changes to pension formulas in this measure cause employees to delay or speed up retirement dates, this could provide additional City savings or costs related to retiree pension and health insurance subsidies; 3) to the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower; and 4) to the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower. Changing to a calendar plan year allows HSS to convert the City Plan retiree pharmacy benefit to a higher discounted federal program called Employer Group Waiver Plan (EGWP) as of 2013. This will save an estimated \$2.3 million annually, will lower the City's retiree pharmacy expenditures by \$8.5 million annually, and will lower the City's GASB 45 liability.

Employer Contributions for Health Service System Benefits

For fiscal year 2012-13, the Health Service System received approximately \$630.1 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately \$528.1 million; approximately \$156.0 million of this \$528.1 million amount was for health care benefits for approximately 26,564 retired City employees and their eligible dependents and approximately \$372.1 million was for benefits for approximately 61,428 active City employees and their eligible dependents. For fiscal year 2013-14, the Health Service System has budgeted to receive approximately \$642.9 million from participating employers for Health Service System benefit costs. The 2014 aggregate plan costs for the City will increase by only 2.4%. This flattening of the healthcare cost curve is due to a number of factors including lower use of healthcare during recessions, aggressive contracting by HSS, encouraging competition among our vendors, and changing our Blue Shield plan from a fully-funded to a flex-funded product. Flex-funding allows lower premiums to be set by our actuarial consultant, AON-Hewitt, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. In 2015, this flattened trend is anticipated to continue, and the Health Service Board has allocated the Early Retiree Reimbursement Program funds collected of \$3.8M to subsidize coverage based on percent paid by employee/retiree which will continue to stabilize risk pools

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to three percent of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two conditions are met:

- The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,

- The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board, and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,
- The Controller, Mayor, Trust Board, and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements. The City was required to begin reporting the liability and related information for unfunded post-retirement medical and other benefits ("OPEBs") in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under Governmental Accounting Standards Board Statement 45 ("GASB 45"). GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

City's Estimated Liability. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. In its October 8, 2012 report, Cheiron, Inc. estimated that the City's unfunded liability was approximately \$4.42 billion as of July 1, 2010. This estimate assumed a 4.25% return on investments and had an ARC for fiscal year 2011-12 of approximately \$397.9 million. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excesses) amortized over thirty years. The ARC was determined based on the July 1, 2010 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was \$2.3 billion and the ratio of the unfunded actuarial accrued liability to the covered payroll was 191.9%.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2012-13 annual OPEB cost was \$418.5 million, of which the City funded \$160.3 million which caused, among other factors, the City's long-term liability to increase by \$258.2 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(c) and (d) to the City's CAFR, as of June 30, 2013, included as Appendix B to this Official Statement. Four-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18
CITY AND COUNTY OF SAN FRANCISCO
Four-year Trend
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
6/30/2010	374,214	33.9%	852,782
6/30/2011	392,151	37.2%	1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130

The October 2012 Cheiron Report estimates that the total long-term actuarial liability will reach \$5.7 billion by 2030. The calculations in the Cheiron Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's

three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – Recent Voter Approved Changes to the Retirement Plan" above. As of June 30, 2013, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was \$31.2 million. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan (EGWP) prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but will grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2013 is approximately \$31.2 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-18 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2008-09 to fiscal year 2013-14.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2008-09 through 2013-14
(000s)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Actual	Actual	Actual	Actual	Actual	Budget
SFERS and PERS Retirement Contributions	\$197,614	\$294,088	\$368,185	\$428,265	\$452,327	\$527,564
Social Security & Medicare	147,576	145,969	140,828	147,682	156,322	162,729
Health - Medical + Dental, active employees ¹	275,682	285,363	296,708	331,665	339,193	370,172
Health - Retiree Medical ¹	116,894	126,829	145,756	151,301	155,885	162,234
Other Benefits ²	18,998	17,009	22,758	21,362	16,250	16,634
Total Benefit Costs	\$756,764	\$869,258	\$974,235	\$1,080,275	\$1,119,977	\$1,239,332

FY 2008-09 through FY 2012-13 figures are audited actuals. FY 2013-14 figures are original budget.

¹ Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

² "Other Benefits" includes unemployment insurance premiums, life insurance, and other miscellaneous employee benefits.

Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City and County of San Francisco (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity, and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. See "APPENDIX C – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated October 2013. The Investment Policy is also posted at the Treasurer's website: www.sftreasurer.org. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of October 31, 2013, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO

Investment Portfolio

Pooled Funds

As of October 31, 2013

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	\$ 685,000,000	\$ 685,856,641	\$ 690,994,000
Federal Agencies	3,876,513,000	3,889,035,670	3,899,140,500
State and Local Obligations	139,900,000	145,004,378	142,286,593
Public Time Deposits	720,000	720,000	720,000
Negotiable Certificates of Deposit	200,000,000	200,033,502	200,066,578
Banker's Acceptances	-	-	-
Commercial Paper	-	-	-
Medium Term Notes	523,455,000	529,905,320	519,423,880
Money Market Funds	125,065,263	125,065,263	125,065,263
Total	\$ 5,550,653,263	\$ 5,575,620,774	\$ 5,577,696,814

October 2013 Earned Income Yield: 0.69%

Sources: Office of the Treasurer & Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

TABLE A-21

CITY AND COUNTY OF SAN FRANCISCO
Investment Maturity Distribution
Pooled Funds
As of October 31, 2013

Maturity in Months			Par Value	Percentage
0	to	1	\$ 175,065,263	3.15%
1	to	2	97,000,000	1.75%
2	to	3	102,730,000	1.85%
3	to	4	240,000	0.00%
4	to	5	235,765,000	4.25%
5	to	6	21,820,000	0.39%
6	to	12	421,690,000	7.60%
12	to	24	1,740,328,000	31.35%
24	to	36	829,395,000	14.94%
36	to	48	1,113,420,000	20.06%
48	to	60	813,200,000	14.65%
			\$ 5,550,653,263	100.00%

Weighted Average Maturity: 809 Days

Sources: Office of the Treasurer & Tax Collector, City and County of San Francisco
 From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2013 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a ten-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a ten-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure needs over ten years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2014-2023 Capital Plan was approved by the CPC on February 25, 2013 and was adopted by the Board of Supervisors in April 2013. The Capital Plan contains \$25.1 billion in capital investments over the coming decade for all City departments, including \$4.7 billion in projects for General Fund-supported departments. The Capital Plan proposes \$88.0 million for General Fund pay-as-you-go capital projects in fiscal year 2013-14. The amount for General Fund pay-as-you-go capital projects is assumed to grow to \$231 million in fiscal year 2022-23. The Capital Plan is not incorporated by reference herein but may be found at <http://onesanfrancisco.org>. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, fire and park facilities; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the replacement of the Hall of Justice; and seismic upgrades to the Veteran's Memorial Building, among other capital projects. Approximately \$2.0 billion of the capital projects of General Fund supported departments are financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund, and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends \$14.5 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, and the Sewer System Improvement Program, among others. Approximately \$8.2 billion of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund, and other sources.

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

Failure to make the capital improvements and repairs recommended in the Plan may have the following impacts: (i) failing to meet federal, state, or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of December 1, 2013, the City had approximately \$1.89 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of December 1, 2013 ^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2014	\$150,279,486	\$88,438,032	\$238,717,518
2015	151,979,884	81,666,532	233,646,416
2016	105,753,046	74,343,844	180,096,890
2017	97,779,110	69,400,105	167,179,215
2018	98,593,225	64,697,632	163,290,857
2019	97,160,545	60,163,962	157,324,507
2020	94,686,232	55,560,375	150,246,607
2021	90,035,457	51,044,062	141,079,519
2022	96,123,401	46,958,724	143,082,125
2023	98,320,251	42,516,801	140,837,052
2024	99,376,206	37,784,550	137,160,756
2025	98,571,476	32,920,682	131,492,158
2026	92,416,279	28,099,652	120,515,931
2027	96,425,840	23,564,823	119,990,663
2028	99,979,035	18,964,084	118,943,119
2029	98,551,751	14,235,655	112,787,406
2030	93,040,095	9,662,829	102,702,924
2031	50,976,950	5,339,777	56,316,727
2032	52,690,000	3,319,875	56,009,875
2033	16,540,000	1,230,200	17,770,200
2034	5,075,000	520,250	5,595,250
2035	5,330,000	266,500	5,596,500
TOTAL ³	\$1,889,683,269	\$810,698,946	\$2,700,382,215

¹ This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

³ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency indebtedness.

Source: Office of Public Finance, City and County of San Francisco.

General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A, which authorized the issuance of up to \$350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued \$35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed \$35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007, the City initiated an initial borrowing of \$2.0 million, and in October 2007, the City borrowed approximately \$3.8 million from the Credit Bank. In January 2008, the City borrowed approximately \$3.9 million and in November 2008, the City borrowed \$1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the \$35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to \$185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately \$42.5 million in August 2008. The City issued the second series in the amount of approximately \$60.4 million in March 2010 and the third series in the amount of approximately \$73.4 million in March 2012.

In November 2008, voters approved Proposition A, which authorized the issuance of up to \$887.4 million in general obligation bonds to provide funds to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center. The City issued the first series of bonds under Proposition A in the amount of approximately \$131.7 million in March 2009. The City issued the second series in the amount of approximately \$294.6 million in March 2010. The City issued its third series in the amount of approximately \$251 million in August 2012.

In June 2010, voters approved Proposition B, which authorized the issuance of up to \$412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement, and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of \$79.5 million in December 2010 and the second series of bonds in the amount of \$183.3 million in March 2012. The City issued the third series in the amount of approximately \$38.3 million in August 2012 and the fourth series of bonds in the amount of \$31.0 million in June 2013.

In November 2011, voters approved Proposition B, which authorized the issuance of up to \$248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately \$74.3 million in March 2012 and the second series of bonds in the amount of \$129.6 million in June 2013.

In November 2012, voters approved Proposition B, which authorized the issuance of up to \$195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities located in the City and under the

jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition B in the amount of approximately \$71.9 million in June 2013.

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed \$800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance of not to exceed \$1,355,991,219 aggregate principal amount of the City's General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City.

Table A-23 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of December 1, 2013, the City had authorized and unissued refunding general obligation bond authority of approximately \$751 million.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds (as of December 1, 2013)

<u>Description of Issue (Date of Authorization)</u>	<u>Series</u>	<u>Issued</u>	<u>Outstanding</u> ¹	<u>Authorized & Unissued</u> ²
Seismic Safety Loan Program (11/3/92)	2007A	\$30,315,450	\$26,323,269	\$284,684,550
Branch Library Facilities Improvement (11/7/00)	2008A	31,065,000	25,460,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	35,165,000	
	2010B	24,785,000	14,025,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	60,270,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	103,565,000	
	2010A	120,890,000	68,410,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	211,180,000	209,955,000
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	74,230,000	
	2012A	183,330,000	150,505,000	
	2012E	38,265,000	37,010,000	
	2013B	31,020,000	31,020,000	80,165,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	61,695,000	
	2013C	129,560,000	129,560,000	44,145,000
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	71,970,000	123,030,000
SUB TOTALS		\$1,523,090,450	\$1,309,838,269	\$750,674,550
General Obligation Refunding Bonds:				
Series 2006-R1 issued 10/31/06		\$90,690,000	\$54,155,000	
Series 2006-R2 issued 12/18/06		66,565,000	30,300,000	
Series 2008-R1 issued 5/29/08		232,075,000	53,465,000	
Series 2008-R2 issued 5/29/08		39,320,000	24,610,000	
Series 2008-R3 issued 7/30/08		118,130,000	118,130,000	
Series 2011-R1 issued 11/9/2011		339,475,000	299,185,000	
SUB TOTALS		886,255,000	579,845,000	
TOTALS		\$2,409,345,450	\$1,889,683,269	\$750,674,550

¹ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

² Of the \$35,000,000 authorized by the Board of Supervisors in February 2007, \$30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

Source: Office of Public Finance, City and County of San Francisco.

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financing expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-24 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of December 1, 2013. Note that the annual payment obligations reflected in Table A-23 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of December 1, 2013

Fiscal Year	Principal	Interest	Annual Payment Obligation
2014	\$32,446,550	\$39,150,395	\$71,596,945
2015	67,600,751	56,088,843	123,689,594
2016	66,510,000	48,156,382	114,666,382
2017	60,310,000	45,346,520	105,656,520
2018	58,785,000	42,610,401	101,395,401
2019	50,770,000	40,176,612	90,946,612
2020	42,015,000	38,098,182	80,113,182
2021	43,050,000	36,217,345	79,267,345
2022	44,160,000	34,329,701	78,489,701
2023	46,085,000	32,376,293	78,461,293
2024	47,610,000	30,311,319	77,921,319
2025	47,230,000	28,143,340	75,373,340
2026	46,960,000	26,040,319	73,000,319
2027	49,165,000	23,828,851	72,993,851
2028	49,670,000	21,521,169	71,191,169
2029	51,950,000	19,157,247	71,107,247
2030	51,510,000	16,710,856	68,220,856
2031	42,835,000	14,314,379	57,149,379
2032	32,105,000	12,125,573	44,230,573
2033	31,175,000	10,532,806	41,707,806
2034	32,670,000	8,879,731	41,549,731
2035	20,155,000	7,383,525	27,538,525
2036	18,420,000	6,313,469	24,733,469
2037	16,450,000	5,322,520	21,772,520
2038	17,180,000	4,404,563	21,584,563
2039	17,935,000	3,446,211	21,381,211
2040	18,735,000	2,441,919	21,176,919
2041	19,565,000	1,393,151	20,958,151
2042	11,490,000	499,471	11,989,471
2043	1,900,000	95,000	1,995,000
TOTAL ¹	\$1,136,442,301	\$655,416,093 ²	\$1,791,858,394

¹ Totals reflect rounding to nearest dollar.

² For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

Source: Office of Public Finance, City and County of San Francisco.

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, such amount increasing by five percent each fiscal year. As of December 1, 2013 the total authorized amount for such financings was \$61.4 million. The total principal amount outstanding as of December 1, 2013 was \$29.6 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to \$60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued \$22.6 million and \$23.3 million of Proposition B lease revenue bonds, respectively, leaving \$14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to \$100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the home of the San Francisco 49ers football team. If issued, the \$100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. There is no current plan to issue the Proposition D bonds.

On March 7, 2000, voters approved Proposition C, which extended a two and one half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately \$27.0 million and \$42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per \$100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately \$34.3 million in March 2009.

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program (the "CP Program"). Under the proposed CP Program, Commercial Paper Notes (the "CP Notes") will be issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term financing to be issued when market conditions are favorable. Projects will be eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. In June 2010, the City obtained letters of credit securing the CP Notes issued by J.P. Morgan Chase Bank, N.A. with a maximum principal amount of \$50 million and by U.S. Bank, N.A. with a maximum principal amount of \$50 million. The letters of credit expires June 2016.

As of December 1, 2013, the outstanding principal amount of CP Notes is \$32.4 million. The weighted average interest rate for the CP Notes is approximately 0.12%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010 the issuance of not to exceed \$38,000,000 in City and County of San Francisco certificates of participation to partially finance the rebuilding of severely distressed public housing sites, while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (the HOPE SF Project). The City anticipates issuing the certificates in the Summer of 2014.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011 the issuance of not to exceed \$170,000,000 in City and County of San Francisco certificates of participation to finance the construction and installation of certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building. The City anticipates issuing the certificates in the Summer of 2014.

The Board of Supervisors authorized on February 12, 2013 and the Mayor approved on February 15, 2013 the issuance of not to exceed \$507.9 million of City and County of San Francisco Certificates of Participation (Moscone Expansion Project) payable from Moscone Expansion District assessments to finance the costs of additions and improvements to the George R. Moscone Convention Center. The City anticipates issuing the certificates in 2017.

Overlapping Debt

Table A-25 shows bonded debt and long-term obligations as of December 1, 2013 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations

2013-2014 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	\$172,489,208,372
	Outstanding
DIRECT GENERAL OBLIGATION BOND DEBT	12/1/2013
General City Purposes Carried on the Tax Roll	\$1,889,683,269
GROSS DIRECT DEBT	\$1,889,683,269
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS	
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)	\$27,930,000
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	34,850,000
San Francisco Finance Corporation, Equipment LRBs Series 2008A, 2010A, 2011A, 2012A, and 2013A	29,620,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	17,050,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	120,820,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	55,490,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	30,870,000
San Francisco Redevelopment Agency Moscone Convention Center 1992	4,347,301 ¹
San Francisco Refunding Certificates of Participation, Series 2004-R1 (San Francisco Courthouse Project)	18,670,000
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)	139,945,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	148,545,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	35,200,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	32,510,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A	122,060,000
San Francisco COPs, Refunding Series 2011AB (Moscone)	80,585,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	41,860,000
San Francisco COPs, Series 2013A Moscone Center Improvement	28,840,000
San Francisco COPs, Series 2013BC Port Facilities	37,700,000
LONG-TERM OBLIGATIONS	\$1,136,442,301
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	\$3,026,125,570
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	
Bayshore Hester Assessment District	\$660,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	90,643,333
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	106,311,000
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	343,720,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	41,750,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	846,357,806
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	212,403,097
Association of Bay Area Governments Obligations (Special Tax Bonds)	41,658,913
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011	647,360,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	\$2,330,864,149
GROSS COMBINED TOTAL OBLIGATIONS	\$5,356,989,719 ²

Ratios to Assessed Valuation:

Gross Direct Debt (General Obligation Bonds)	1.10%
Gross Direct Debt & Long-Term Obligations	1.75%
Gross Combined Total Obligations	3.11%

Actual Ratio	Charter Req.
1.10%	< 3.00% ³
1.75%	n/a
3.11%	n/a

¹ The accredited value as of July 1, 2013 is \$19,298,279² Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.³ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal property within the City's boundaries that is subject to

Source: Office of Public Finance, City and County of San Francisco.

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to \$295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued \$58.0 million of such authorization in October 2004, \$130.0 million in October 2005, and \$92.0 million in October 2006, leaving \$15.0 million authorized but unissued. In March 2012, the SFUSD issued \$116.1 million in refunding general obligation bonds that refunded \$137.4 million in general obligation bonds authorized under Proposition A of 2003.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed \$980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the \$980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or \$282.0 million. Of such authorization, BART issued \$100.0 million in May 2005 and \$400.0 million in July 2007, of which the allocable City portion is approximately \$29.0 million and \$116.0 million, respectively.

On November 8, 2005, voters approved the issuance of up to \$246.3 million in general obligation bonds to improve, construct and equip existing and new facilities of the SFCCD. SFCCD issued an aggregate principal amount of \$90.0 million of the November 2005 authorization in June 2006. In December 2007, SFCCD issued an additional \$110.0 million of such authorization. SFCCD issued the remaining authorization of \$46.3 million in spring 2010.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed \$450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of \$100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of \$150.0 million under the Proposition A authorization in January 2009. The SFUSD issued the third series in the aggregate principal amount of \$185.0 million under the Proposition A authorization in May 2010.

On November 8, 2011, voters approved Proposition A. Proposition A of 2011 authorized the SFUSD to issue an aggregate principal amount not to exceed \$531.0 million of general obligation bonds to repair and rehabilitate school facilities to current accessibility, health, safety, and instructional standards, and where applicable, replace worn-out plumbing, electrical and other major building systems, replace aging heating, ventilation and air handling systems, renovate outdated classrooms and training facilities, construct facilities to replace aging modular classrooms. The SFUSD issued the first series in the aggregate principal amount of \$115.0 million under the Proposition A of 2011 authorization in March 2012.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants, and others, as well as the financial health of such buyers, tenants, and others. Further, the dissolution of redevelopment agencies may have an adverse impact on the projects described below and many other development projects in the City. See "San Francisco Redevelopment Agency Dissolution" above. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard, a former naval base, is a master planned community of approximately 500 acres located on the southeastern waterfront of San Francisco. The first phase of development, which was conveyed from the Navy in 2005, is currently underway and includes up to 1,600 homes, 27% to 40% of which will be affordable, and 26 acres of parks and open space. Nearly all of the horizontal construction for Phase 1 is complete and the developer broke ground on the vertical development on the first two blocks of homes in June 2013. Two additional blocks are anticipated to break ground in Spring 2014.

In August 2010, the development of the balance of the Shipyard and Candlestick Point received its final approvals from the Board of Supervisors. This includes (i) approximately 10,500 residential housing units across the project site, approximately 32% of which will be offered at below-market rates in a mix of both rental and for-sale housing; (ii) the complete rebuilding of the Alice Griffith Public Housing Development, also known as Double Rock; (iii) approximately 2.5 million square feet of "green" office, research and development uses on the Shipyard; (iv) approximately 150,000 square feet of green office, research and development or other commercial space on Candlestick Point; (v) more than 300 acres of new and restored parks and open space, which includes neighborhood parks, new waterfront parks around the entire perimeter of the Shipyard, connecting to the region's Bay Trail, and a major renovation of the Candlestick Point State Recreation Area into a "Crissy Field" of the southeast, with restored habitat areas and public access to the water; (vi) approximately 635,000 square feet of regional and neighborhood retail on Candlestick Point; and (vii) space for a 10,000-seat performance venue on Candlestick Point. The project is estimated to create thousands of ongoing construction opportunities during the 20- to 30-year construction period, and 10,000 permanent jobs at full build-out. In August 2011, the U.S. Department of Housing and Urban Development (HUD) selected the Alice Griffith Public Housing Development and the surrounding Bayview neighborhood as a recipient of the \$30.5 million Choice Neighborhoods Implementation Grant. The Alice Griffith Plan was one of six finalists submitted by communities nationwide competing for HUD Choice Neighborhoods funding. Construction of infrastructure for Alice Griffith and a new mixed-use retail center on the site of the current stadium will commence in the Summer of 2014 and the first new homes will be available starting in 2016.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 25% of which will be offered at below-market rates; up to 500 hotel rooms; a 400 slip marina; restaurants; retail and entertainment venues; and a world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plans include green building standards and best practices in low-impact development.

In August 2010, then-Mayor Gavin Newsom, U.S. House of Representatives Speaker Nancy Pelosi, and U.S. Secretary of the Navy Ray Mabus signed the terms for the conveyance of former Naval Station Treasure Island from the Navy to the City, signifying a major milestone towards realizing an environmentally sustainable new community on Treasure Island and the thousands of construction and permanent jobs it will bring. In April 2011, the Treasure Island Development Authority (TIDA) Board of Directors and the Planning Commission certified the project's Environmental Impact Report (EIR). In June 2011, the Board of Supervisors unanimously upheld the certification of the EIR and approved numerous project documents, including a Disposition and Development Agreement, Development Agreement, Interagency Cooperation Agreement and Treasure Island Homeless Development Initiative (TIHDI) Agreement. Together, these agreements establish a comprehensive vision for the future of the former military base and represented another significant step in moving the project towards implementation. In January 2014, TIDA, acting with and through the San Francisco County Transportation Authority, will begin construction of new west bound on and off ramps connecting the new eastern span of the San Francisco – Oakland Bay Bridge to Yerba Buena Island. The first major land transfer from the Navy is expected to take place in 2014, and the first phase of construction by the developer, Treasure Island Community Development (TICD), is projected to begin in 2015 and will include extensive horizontal infrastructure improvements (utilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Piers 30-32 and Seawall Lot (SWL) 330 – Warrior's Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a waterfront multipurpose recreation and entertainment venue and associated development on Piers 30-32 and SWL 330. Piers 30-32 are located directly south of the Bay Bridge. On the Piers 30-32 site, the Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts, and family shows. Sixty percent of the Piers 30-32 site will be public, open space. There will also be a robust maritime program, which includes preserving the east apron of the pier as a deep water berth for occasional cruise ship and other large vessel berthing. The project also proposes to relocate the San Francisco Fire Department's Fire Boat station from Pier 22½ to the north apron of Piers 30-32 along with ferry and/or water taxi service. Piers 30-32 will also have restaurants (including Red's Java House), retail, bike valet and a limited amount of parking.

On SWL 330, which sits across the Embarcadero from Piers 30-32, the Warriors propose a mixed-use development, which will include residential units and a hotel use. The SWL site will also have ground floor retail and parking.

Economic & Planning Systems (EPS) was commissioned to author a Fiscal Feasibility Report, which provides both the Economic and Financial benefits of the project for the City. The Fiscal Feasibility Report projects that the project could create \$80 million annually in economic activity and generate approximately 5,000 construction jobs and 2,800 permanent jobs within San Francisco. In addition, the Fiscal Feasibility projects that the project could generate approximately \$53 million in one-time revenues and \$19 million in annual revenue to the City.

Transbay

The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open in August 2017. Demolition of existing structures on the site was completed in August 2011. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The area surrounding the Transbay Transit Center with is being redeveloped with 4,500 new homes, 1,200 to be "affordable" below-market homes, a 1.6 million square-foot tower, parks, and a retail main street. The Pelli Clarke Pelli Architects-designed Transit Center will serve more than 100,000 people per day through nine transportation systems, including future California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The Center is designed to embrace the goals of green architecture and sustainability. The heart of the Center, "City Park," a 5.4-acre public park will sit atop the facility, and there will be a living green roof for the transit facility. The Center will have a LEED rating of Silver. The project is estimated to create more than 48,000 jobs in its first phase of construction, which will last seven years. The \$4.2 billion Transbay Transit Center Project is funded by various public and private funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, and AC Transit, among others. In November 2012, the TJPA finalized the agreement to sell TJPA property to Hines Corporation, paving the way for construction of the 61-story Transbay Transit Tower, which will contain 1.4 million square feet of office space, for \$190 million.

The first phase of the program, which includes constructing the new transit center, is \$300 million over budget. To cover the cost increase, the TJPA will use some of the funding that was committed to the second phase of the project – the Downtown Extension of Caltrain. Planning, OCII, the Mayor's Office and consultants are preparing the origination documents for a Mello-Roos (CFD) to finance a portion of the San Francisco County share of the Downtown Extension, City Park and other public benefits.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco (UCSF) research campus containing 2.65 million square feet of building space on 43 acres donated by Catellus and the City; UCSF's 550-bed hospital; 4.4 million square feet of biotech, 'cleantech' and health care office space; 6,350 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 400,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 50% complete.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a proposed mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 25 acres. The Port, OEWD in its capacity as lead negotiator, and Mission Rock's competitively-selected master developer, Seawall Lot 337 Associates, LLC, have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; 650 to 1,500 new housing units, 15 percent of which will be affordable to low-income households; 1.3 to 1.7 million square feet of commercial space; 150,000 to 250,000 square feet of retail space, approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve San Francisco Giants baseball team patrons as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48 as a new brewery/distillery for Anchor Steam Brewing Company.

The developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders in preparation for the commencement of the environmental review process, which begins in January 2014 and is expected to last until mid- to late 2015. That process will be accompanied by negotiation of transaction agreements with final approvals anticipated in late 2015.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, and OEWD, in its capacity as lead negotiator, have initiated preliminary negotiations with Forest City, the developer selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. The parties have agreed on a development concept and corresponding financial terms for the Waterfront Site, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

Current development plans for the Pier 70 Waterfront Site call for 7 acres of parks and up to 3.25 million square feet of above-grade construction (not including parking) which may include between 1.0 to 2.25 million square feet of office space; up to 400,000 square feet of retail, small-scale production, arts space intended to establish the new district as destination with unique character; and between 950 and 2000 housing units, with 15 to 20 percent of them made available to low-income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development.

Cruise Terminal

On February 26, 2013 the Port of San Francisco cut the ribbon opening the \$67 million core and shell of the new James R. Herman cruise ship terminal at Pier 27 for use during the America's Cup races in the summer of 2013. The \$44 million second phase commenced after the America's Cup competition was completed and will install maritime equipment, complete an operations area within a portion of Pier 29, and complete improvements to the ground transportation area and Northeast Wharf Plaza. When complete in late 2014, the \$111 million, approximately 88,000 square foot, two-level cruise terminal will replace the current outmoded and insufficient facility at Pier 35 and will include a 2.5 acre park along the Embarcadero ground transportation area capability and a strengthened connection between the Bay and the base of Telegraph Hill.

The proposed size of the terminal was defined to serve current and anticipated ship berthing requirements and associated passenger flows. The Pier 27 cruise terminal was designed to optimally handle vessels carrying 2,600 passengers and will have the capacity to serve vessels carrying up to 4,000 passengers, totaling 40-80 cruise calls a year. The facility will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ship festivals and visits by oceanic research vessels. When there are no cruise calls, the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events.

Bay Area Economics was commissioned to provide an economic impact study for the Pier 27 project. The study projects that the project could create approximately \$29.4 million annually in direct economic activity, \$42.2 million in total impacts, and generate approximately 408 jobs within San Francisco. In addition, the Bay Area Economics study projects that the project could generate approximately \$900,000 annually in direct tax revenues that accrue to the City's General Fund. Regionally, Bay Area Economics estimated \$43.4 million in direct impacts and \$66.9 million in total impacts, and approximately 470 jobs in the Bay Area.

America's Cup

On December 31, 2010, the City was selected to host two America's Cup World Series regattas in the summer of 2012 and the 34th America's Cup Challenger Selection Series and Match Finals in the summer of 2013. To accommodate the events, the Port invested in a series of Waterfront improvements along the central and northeast waterfront, primarily on Piers 27-29 for the America's Cup Village and at Piers 30-32 for team bases. Prior to the events, the City completed the Brannan Street Wharf project, the core and shell of the Pier 27 James R. Herman Cruise Terminal building, a portion of Jefferson Street, the Marina Green Bicycle Trail and the Pier 43 Bay Link Trail and made significant investments in deferred maintenance needs at Piers 30-32, Pier 23 and several of the aprons and marginal wharves used for the Events. Now that the events have concluded, the City will complete the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza.

Moscone Convention Center

The Moscone Center Expansion Project would add up to 350,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and repurposed building support area.

In addition to adding new rentable square footage, the project architects seek to create an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian entrance, or 'paseo' from Third St and a new, enclosed pedestrian bridges connecting the upper levels of the new Moscone North and Moscone South. This would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion while maintaining from the successful activity in Yerba Buena Gardens and the children's cultural facilities.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City could lose up to \$2 billion in foregone revenue over the next decade if Moscone was not expanded. The project allows the City to recover approximately \$734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of \$507 million in Certificates of Participation on February 5, 2013. Project sponsors initiated environmental review in March 2013 with the goal of starting construction in late 2014, continuing intermittently around existing convention reservations through 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limits the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIII A) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the consumer price index or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the next two years.

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal

problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes, and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles*, 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes

on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing

sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State statute governing the issue), and that local ordinances were without effect. The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2013, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management Division within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City's policy in this regard is based on its analysis that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's property risk management approach varies depending on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the City's risk exposure. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, MTA, the SF Public Utilities Commission, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination with the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee *sm*
RE: General Obligation Bonds--Seismic Safety Loan Program-- Not to Exceed
\$24,000,000
DATE: June 24, 2014

Attached for introduction to the Board of Supervisors is the resolution Authorizing and Directing the Sale of Not to Exceed \$24,000,000 Aggregate Principal Amount of City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C in One or More Series; Prescribing the Form and Terms of Said Bonds; Authorizing the Execution, Authentication, and Registration of Said Bonds; Providing for the Appointment of Depositories and Other Agents for Said Bonds; Providing for the Establishment of Accounts Related to Said Bonds; Providing for the Manner of Sale of Said Bonds by Competitive Sale or Negotiated Sale; Approving the Forms of Official Notice of Sale, a Notice of Intention to Sell Bonds and a Bond Purchase Contract; Directing the Publication of the Notice of Intention to Sell Bonds in the Event of a Competitive Sale; Authorizing the Selection of Underwriters in the Event of a Negotiated Sale; Approving the Form of the Preliminary Official Statement and Authorizing the Execution of the Official Statement Relating to the Sale of Said Bonds; Approving the Form of the Continuing Disclosure Certificate; Authorizing and Approving Modifications to Documents; Ratifying Certain Actions Previously Taken; and Granting General Authority to City Officials to Take Necessary Actions in Connection with the Authorization, Issuance, Sale, and Delivery of Said Bonds.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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