

**NEW ISSUE - BOOK-ENTRY ONLY**

**NOT RATED**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, the interest on the Bonds is exempt from California personal income taxes. Interest on the 2017B Bonds is not intended to be exempt from federal income taxation. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

**CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2014-1  
(TRANSBAY TRANSIT CENTER)**

\$ \_\_\_\_\_\*  
**Special Tax Bonds, Series 2017A**

\$ \_\_\_\_\_\*  
**Special Tax Bonds, Series 2017B  
(Federally Taxable)**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District") will be issuing Special Tax Bonds, Series 2017A (the "2017A Bonds") and Special Tax Bonds, Series 2017B (Federally Taxable) (the "2017B Bonds" and, together with the 2017A Bonds, the "Bonds"). The Bonds are being issued on behalf of the District, which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of [as of date] (the "Fiscal Agent Agreement"), by and between the City and [Fiscal Agent], as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The Bonds are being issued to fund: (i) capital improvements for the Transbay Project (defined herein), (ii) a Reserve Fund, (iii) capitalized interest on the Bonds through \_\_\_\_\_, 20\_\_, (iv) administrative expenses, and (v) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the Bonds shall be payable on each March 1 and September 1, commencing September 1, 2017 (the "Interest Payment Dates") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them.

**The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS - Redemption" herein.**

**All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.**

**Ownership of the Bonds is subject to a significant degree of risk. Potential investors are advised to carefully read the section of this Official Statement entitled "Special Risk Factors." The City has not and does not contemplate making an application to any rating agency for the assignment of a rating to the Bonds. Investors must read the entire Official Statement, including the sections entitled "SPECIAL RISK FACTORS" and "NO RATING" to obtain information essential to making an informed investment decision with respect to the Bonds.**

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

*The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall APLC, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City with respect to the issuance of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about May \_\_, 2017.*

**[Stifel logo]**

Dated: May \_\_, 2017

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$ \_\_\_\_\_ \*

**CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2014-1  
(TRANSBAY TRANSIT CENTER)  
SPECIAL TAX BONDS, SERIES 2017A**

(Base CUSIP<sup>†</sup> \_\_\_\_\_)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_ – Yield: \_\_\_\_% Price: \_\_\_\_% CUSIP<sup>†</sup>: \_\_\_\_\_

\$ \_\_\_\_\_ \*

**CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2014-1  
(TRANSBAY TRANSIT CENTER)  
SPECIAL TAX BONDS, SERIES 2017B (FEDERALLY TAXABLE)**

(Base CUSIP<sup>†</sup> \_\_\_\_\_)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_ – Yield: \_\_\_\_% Price: \_\_\_\_% CUSIP<sup>†</sup>: \_\_\_\_\_

\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriter, or the Municipal Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY AND COUNTY OF SAN FRANCISCO**

**MAYOR**

Edwin M. Lee

**BOARD OF SUPERVISORS**

London Breed, *Board President, District 5*

Sandar Fewer, *District 1*

Mark Farrell, *District 2*

Aaron Peskin, *District 3*

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Hillary Ronen, *District 9*

Malia Cohen, *District 10*

Ahsha Safai, *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*

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall APLC  
San Francisco, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Special Tax Consultant**

Goodwin Consulting Group, Inc.  
Sacramento, California

**Co-Municipal Advisors**

Backstrom Mccarley Berry & Co., LLC  
San Francisco, California

Public Financial Management, Inc.  
San Francisco, California

**Fiscal Agent**

[Fiscal Agent]  
Los Angeles, California

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

*All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.*

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (“EMMA”) website.

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

## **FORWARD LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or similar words.

*The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.*



[insert map location map]

**OFFICIAL STATEMENT**

**CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2014-1  
(TRANSBAY TRANSIT CENTER)**

\$ \_\_\_\_\_\*  
**Special Tax Bonds, Series 2017A**

\$ \_\_\_\_\_\*  
**Special Tax Bonds, Series 2017B  
(Federally Taxable)**

**INTRODUCTION**

**General**

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the “City”) of its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (the “2017A Bonds”) and its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable) (the “2017B Bonds” and, together with the 2017A Bonds, the “Bonds”). The Bonds will be issued by the City on behalf of the District pursuant to the provisions of a Fiscal Agent Agreement, dated as of [as of date] (the “Fiscal Agent Agreement”), by and between the City and [Fiscal Agent], as fiscal agent (the “Fiscal Agent”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”) and Resolution No. \_\_\_ adopted by the Board of Supervisors of the City on \_\_\_\_\_, 2017.

The Act was enacted by the State of California (the “State”) Legislature to provide an alternate method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified electors within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and levy and collect special taxes to repay its bonds.

The Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. See “THE BONDS.” The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. See “THE BONDS - Book-Entry System” herein. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them.

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\* Preliminary, subject to change.  
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## **Use of Proceeds**

The Bonds are being issued on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”), which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of [as of date] (the “Fiscal Agent Agreement”), by and between the City and [Fiscal Agent], as fiscal agent (the “Fiscal Agent”), and will be secured as described herein. The Bonds are being issued to fund: (i) capital improvements for the Transbay Project (defined herein), (ii) a Reserve Fund, (iii) capitalized interest on the Bonds through \_\_\_\_, 20\_\_, (iv) administrative expenses, and (v) costs of issuance, all as further described herein. See “THE FINANCING PLAN” herein.

## **The District**

The District is located in downtown San Francisco immediately south of Market Street near the City’s new Transbay Transit Center, designed to be a hub of transit connections serving regional commuters. On July 15, 2014, the Board of Supervisors of the City adopted Resolution No. 247-14 stating its intent to form the District under the Act. On the same date, the Board of Supervisors of the City also adopted Resolution No. 246-14, which authorized bonded indebtedness on behalf of the District in an aggregate amount not to exceed \$1,400,000,000, approved an Amended Rate and Method of Apportionment of Special Tax (the “Rate and Method”), approved the levy of special taxes within the District to pay the principal of, and interest on, the authorized bonded indebtedness and approved an appropriations limit for the District not to exceed \$300,000,000. On December 29, 2014, an election was held within the District pursuant to the Act at which the qualified electors approved the formation of the District and incurrence of bonded indebtedness in an aggregate amount not to exceed \$1,400,000,000. See “SECURITY FOR THE BONDS,” “THE DISTRICT” herein and APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The following diagram sets forth the current boundaries of the District and identifies the three properties that currently contribute 100% of the Special Tax Revenues (as defined herein) levied by the Board of Supervisors of the City within the District. See “THE DISTRICT” and “SPECIAL RISK FACTORS – Concentration of Property Ownership” herein.

[Remainder of page intentionally left blank.]

[insert diagram regarding the composition of the District]

## **Security for the Bonds**

The Bonds are secured by the pledge of Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. “Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure. “Special Taxes” means the special taxes levied by the Board of Supervisors within the District under the Act, the Ordinance and the Fiscal Agent Agreement. “Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment. See “SECURITY FOR THE BONDS – General” herein.

Properties that receive a zoning bonus to exceed the current height and floor-to-area ratios in the City’s Planning Code are annexed into the District. However, Special Taxes can only be levied on a property within the District if a Certificate of Occupancy (defined herein) and Tax Commencement Authorization (defined herein) is issued by the City. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

## **Reserve Fund**

The City on behalf of the District has established a Reserve Fund for the Bonds pursuant to the Fiscal Agent Agreement to be funded at the Reserve Requirement. See “SECURITY FOR THE BONDS – Reserve Fund” herein.

## **Foreclosure Covenant**

The City on behalf of the District has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the District will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS – The Special Taxes” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

## **Limited Obligations**

*All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.*

## **Further Information**

Brief descriptions of the Bonds, the security for the Bonds, special risk factors, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent

Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the Bonds, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" hereto.

## **THE TRANSBAY PROJECT**

### **History of the Transbay Project Site**

The City's former Transbay Terminal was built in 1939 at First and Mission Streets as the terminal for East Bay trains using the newly opened Bay Bridge. For the first time, San Francisco was directly linked by rail to the East Bay, Central Contra Costa County and even Sacramento. The Terminal was financed and operated as part of the Bay Bridge, and was paid for by Bay Bridge tolls. At the time, trucks and trains used the lower deck of the Bay Bridge, and automobiles operated in both directions on the upper deck.

In its heyday at the end of World War II, the Terminal's rail system served 26 million passengers annually. After the war ended and gas rationing was eliminated, the Terminal's use began to steadily decline. In 1958, the lower deck of the Bay Bridge was converted to automobile traffic only and the transit line crossing the Bay Bridge was dismantled. By 1959, the inter-modal Transbay Terminal was converted into a bus-only facility.

### **Transit Center District Plan**

In 2012, the City adopted the Transit Center District Plan ("TCDP") after a multi-year public planning process. The TCDP is a comprehensive vision for shaping growth on the southern side of downtown San Francisco to respond to and support the construction of the new Transbay Transit Center project (the "Transbay Project" or "Project"), including the Downtown Rail Extension ("DTX"). TCDP lays out policy recommendations to accommodate additional transit-oriented growth, sculpt the downtown skyline, improve streets and open spaces, and expand protection of historic resources. In adopting the TCDP, the Board of Supervisors of the City authorized the formation of the District. See "THE DISTRICT" herein.

The Transbay Joint Powers Authority ("TJPA") is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (*ex officio*). The TJPA is responsible under State law for developing the Transbay Project.

### **The Transbay Project**

**Phase 1.** The Transbay Project includes two major phases as well as certain activities related to implementation of the Redevelopment Plan for the Transbay Redevelopment Project Area. The first phase ("Phase 1") will create a new six-story Transbay Transit Center to replace the former Terminal with above-grade bus level, rooftop park (the "Rooftop Park"), concourse retail and circulation level, ground-floor, two below-grade rail levels serving Caltrain and future California High Speed Rail (the exterior shell of the two below-grade levels collectively referred to as the "Train Box"), a new off-site bus storage facility and a new bus ramp that will connect the Transit Center and the bus storage facility with the San Francisco-Oakland Bay Bridge. The overall budget for Phase 1 is \$2.064 billion. Construction is well underway and completion of Phase 1 is anticipated in the fall, 2017.

## Rooftop Park

The Transbay Transit Center's roof will be a 5.4 acre park. The 1,400-foot long elevated park will feature a wide range of activities and amenities, including an outdoor amphitheater, gardens, trails, open grass areas, and children's play space, as well as a restaurant and cafe. In addition to being a generous amenity for the quickly developing Transbay neighborhood, Rooftop Park will double as a "green roof" for the Transit Center, one of many environmentally-friendly building features. A landscaped "green roof," also known as a "vegetative" or "living" roof, offers significant environmental benefits. It will shade much of the ground-level sidewalk when the sun is strongest and provide biological habitat for flora and fauna and public open space for transit passengers, neighborhood residents, and employees. It also acts as insulation for interior spaces, moderating heat build-up in warm weather and retaining heat during cooler weather. Unlike asphalt paving or dark colored roofing surfaces, planting on the green roof cools the surrounding environment and improves air quality by acting as a carbon sink. As a biological organism itself, the park will help to capture and filter the exhaust in the area and help to improve the air quality of the neighborhood.

The park will be just over a quarter mile long and the design includes active space allowing organized events like concerts and fairs along with quiet areas where visitors can relax in informal natural settings. The plaza located in the center of the park will receive the largest influx of visitors from the building's main escalator and elevator which connect to the ground level. Plenty of seating as well as opportunities for retail and food services are expected to be offered on the main plaza.

The park's western end will feature an amphitheater and stage for programmed performances. Botanic displays and open lawn areas will allow visitors to enjoy the park setting. Children will also find places for active and dynamic exploration. These areas will fit into the overall park plan, and will contain gardens, water features and other elements.

## Train Box

The Train Box is part of the Downtown Rail Extension that will extend the Caltrain rail tracks from 4th & King Streets to the Transbay Transit Center, a facility projected to achieve LEED Gold certification due to its sustainable design features. The Train Box, 1500-foot long x 190-foot wide x 60-foot deep, is the core-and-shell of the two below-grade levels of the Transbay Transit Center. The bottom level will be the Train Station Platform and have three passenger platforms that will accommodate six train tracks for Caltrain and California High Speed Rail. The Lower Concourse is one level below grade and will serve as the passenger connection between the Transit Center ground floor and Train Station Platform. Space will be provided in the concourse for retail, ticketing and bike storage. Train Box construction includes a cement-soil mix shoring wall and excavation, temporary internal bracing, an underground drilled shaft buttress for an adjacent property, underground geothermal loops and piping, micropile tie-downs, structural steel columns and beams, concrete box walls, concrete slabs (mat and grade) for the rail/passenger/street levels, and waterproofing.

**Phase 2.** The second phase ("Phase 2") includes the extension of Caltrain rail tracks from their current San Francisco terminus at Fourth and Townsend Streets to a new underground terminus beneath the Transbay Transit Center to accommodate Caltrain and California High Speed Rail. The District was formed to raise funds to finance portions of the Transbay Project, specifically the Rooftop Park and the Caltrain Downtown Extension, including the Train Box.

**THE FINANCING PLAN**

The Bonds are being issued to fund: (i) capital improvements for the Transbay Project, (ii) a Reserve Fund, (iii) capitalized interest on the Bonds through \_\_\_\_, 20\_\_, (iv) administrative expenses, and (v) costs of issuance. See “THE TRANSBAY PROJECT” herein.

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds is set forth below:

<u>Sources of Funds</u>	<u>2017A Bonds</u>	<u>2017B Bonds</u>	<u>Total</u>
Principal Amount	\$	\$	\$
[Net] [Premium/Discount]			
Total Sources			
<u>Uses of Funds</u>			
Deposit to 2017 Improvement Account	\$	-	\$
Deposit to Reserve Fund		\$	
Deposit to Bond Fund <sup>(1)</sup>			
Allocated Bond Proceeds Account		-	
Administrative Expense Fund			
Costs of Issuance Account <sup>(2)</sup>			
Total Uses	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Represents capitalized interest deposited into the 2017A Capitalized Interest Account and the 2017B Capitalized Interest Account, as applicable.

<sup>(2)</sup> Includes Underwriter’s discount, fees for Bond Counsel, Disclosure Counsel, Municipal Advisor, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the Bonds.



## THE BONDS

### Description of the Bonds

The Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, without coupons. The Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The Bonds will bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on the Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent.

### Redemption\*

**Optional Redemption.** The 2017A Bonds maturing on or after September 1, 20\_\_ are subject to redemption prior to their stated maturities, on any date on and after September 1, 20\_\_, in whole or in part, at a redemption price equal to the principal amount of the 2017A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The 2017B Bonds maturing on or after September 1, 20\_\_ are subject to redemption prior to their stated maturities, on any date on and after September 1, 20\_\_, in whole or in part, at a redemption price equal to the principal amount of the 2017B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

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\* Preliminary, subject to change.

**Mandatory Sinking Fund Redemption.** The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

**2017A Bonds**

Sinking Fund Redemption Date ( <u>September 1</u> )	Principal Amount <u>Subject to Redemption</u>
---	--

(maturity)

**2017B Bonds**

Sinking Fund Redemption Date ( <u>September 1</u> )	Principal Amount <u>Subject to Redemption</u>
---	--

(maturity)

Provided, however, if some but not all of the Term Bonds have been redeemed pursuant to optional redemption or Redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

**Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem 2017 Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2017 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, 20__	103%
On September 1, 20__ and March 1, 20__	102
On September 1, 20__ and March 1, 20__	101
On September 1, 20__ and any Interest Payment Date thereafter	100

**Notice of Redemption.** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. Such notice

shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

***Partial Redemption.*** Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption, and by lot within a maturity.

***Purchase of Bonds in Lieu of Redemption.*** In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2017 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2017 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2017 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. Any 2017 Bonds purchased shall be treated as Outstanding 2017 Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

## **The Fiscal Agent**

[Fiscal Agent] has been appointed as the Fiscal Agent for all of the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" hereto.

## **Book-Entry System**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to

DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" hereto.

### DEBT SERVICE SCHEDULE

The following is the debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

<u>Year Ending</u> <u>(September 1)</u>	<u>2017A Bonds</u> <sup>(1)</sup>			<u>2017B Bonds</u> <sup>(1)</sup>			<u>Total Annual</u> <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
	\$	\$	\$	\$	\$	\$	\$
<b>Total</b>	\$	\$	\$	\$	\$	\$	\$

<sup>(1)</sup> Special Taxes may only be levied on any individual parcel in the District for a maximum term of 30 years, thus, the levy on 350 Mission Street and 299 Fremont Street will terminate before the final maturity of the Bonds. The Bonds have been structured to maintain projected coverage of 110%, notwithstanding the termination of the levy on such parcels. See "SPECIAL RISK FACTORS – Maximum Term of Levy" herein.

### SECURITY FOR THE BONDS

#### General

The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the 2017A Capitalized Interest Account, the 2017B Capitalized Interest Account and the Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. "Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method. See “– Rate and Method of Apportionment of Special Tax” below. Special Taxes can only be levied on property within the District, if a Certificate of Occupancy (as defined in the Rate and Method) and Tax Commencement Authorization (as defined in the Rate and Method) has been issued by the City. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

The 2017 Bonds and all Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent in the Fiscal Agent Agreement provided) of all moneys deposited in the Reserve Fund. The moneys in the Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds and all Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2017 Bonds and all Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the Reserve Fund so that the balance therein is equal to the Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

Amounts in the 2017A Improvement Account, the Allocated Bonds Account, the Administrative Expense Fund, the 2017A Costs of Issuance Account and the 2017B Costs of Issuance Account are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

**Ownership of the Bonds is subject to a significant degree of risk. Potential investors are advised to carefully read the section of this Official Statement entitled “Special Risk Factors.”**

### **Limited Obligation**

*All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.*

### **Teeter Plan**

In 1993, in Resolution No. 830-93, the Board of Supervisors resolved to adopt the “Teeter Plan” for the allocation and distribution of property tax levies and collections and of tax sale proceeds. Collection of the Special Taxes is subject to the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds,” as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code (known as the “Teeter Plan”). Under the Teeter Plan, the County will maintain a County tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes levied on the tax bill irrespective of any delinquent taxes. The County has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies. The County has the power to include additional taxing agencies on the Teeter Plan.

## Special Tax Fund

***Special Tax Fund.*** Pursuant to the Fiscal Agent Agreement, there is established a “Special Tax Fund” to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City has agreed in the Fiscal Agent Agreement that it will promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, for transfer to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; and third, to be held in the Special Tax Fund for use as described in below under “- *Disbursements*”; and

(ii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Project shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the City and Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

***Disbursements from the Special Tax Fund.*** On the third Business Day prior to each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the 2017A Capitalized Interest Account, the 2017B Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) above under “- *Special Tax Fund*,” and

(ii) without preference or priority (a) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

Each calendar year, following the transfers pursuant to the preceding paragraph for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the transfers pursuant to the preceding

paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion direct the disposition of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) direct the Fiscal Agent to transfer money to the Improvement Fund (or the accounts therein) for payment or reimbursement of the costs of the Project, (ii) direct the Fiscal Agent to transfer money to the Administrative Expense Fund, in an amount not to exceed the amount included in the Special Tax levy for Administrative Expenses for such Fiscal Year and (iii) direct the Fiscal Agent to transfer money for any other lawful purpose.

### **Administrative Expense Fund**

The Fiscal Agent will transfer from the Special Tax Fund and deposit in the Administrative Expense Fund established under the Fiscal Agent Agreement an amount equal to the amount specified in an Officer's Certificate to be used to pay an Administrative Expense or a Cost of Issuance. Amounts deposited in the Administrative Expense Fund are not pledged to the repayment on the Bonds.

### **Bond Fund**

The Bond Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent. Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

**Capitalized Interest Accounts.** Within the Bond Fund there is established a separate account designated as the "2017A Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2017A Bonds. Amounts on deposit in the 2017A Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2017A Bonds as follows: \$\_\_\_\_\_ shall be used on March 1, 20 \_\_\_\_, and the remainder shall be used on September 1, 20 \_\_\_\_. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed. Within the Bond Fund there is hereby established a separate account designated as the "2017B Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2017B Bonds. Amounts on deposit in the 2017B Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2017B Bonds as follows: \$\_\_\_\_\_ shall be used on March 1, 20 \_\_\_\_, and the remainder shall be used on September 1, 20 \_\_\_\_. When the amount in the Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

**Flow of Funds for Payment of Principal and Interest.** At least ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer of the proceeds of Special Tax Prepayments will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least three (3) Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2017 Bonds and any Related Parity Bonds. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding bonds. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Any failure by the Fiscal Agent to provide the notices required by the Fiscal Agent Agreement will not alter the obligation of the City to make the scheduled payments from amounts in the Bond Fund.

***Special Tax Prepayments Account.*** Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “Special Tax Prepayments Account.” Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement and will be used (together with any amounts transferred for the purpose) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

### **Establishment of Improvement Fund**

The Improvement Fund is established as a separate fund under the Fiscal Agent Agreement, and within the Improvement Fund there is established a 2017A Improvement Account and an Allocated Bond Proceeds Account, to be held by the Fiscal Agent and to the credit of which fund and accounts deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund will be disbursed, except as otherwise provided in the Fiscal Agent Agreement upon completion of the Project, for the payment or reimbursement of the costs of the Project.

Disbursements from the 2017A Improvement Account and the Allocated Bond Proceeds Account will be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall: (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement; and (iii) certify that all disbursements from the Improvement Fund are in compliance with the Joint Community Facilities Agreement, dated \_\_\_\_\_, by and between the City and the TJPA, as amended from time to time.



## **Reserve Fund**

The District has established a Reserve Fund pursuant to the Fiscal Agent Agreement to be funded at the Reserve Requirement. “Reserve Requirement” means, as of the date of issuance of the 2017 Bonds and any Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the 2017 Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2017 Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) 10% of the original principal amount of the 2017 Bonds and any Related Parity Bonds (or, if the 2017 Bonds and any Related Parity Bonds have more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of the 2017 Bonds and any Related Parity Bonds); provided that, with respect to the issuance of any Related Parity Bonds, if the Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of the Related Parity Bonds (or, if the Related Parity Bonds have more than a *de minimis* amount of original issue discount or premium, of the issue price of such Related Parity Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%); and provided that accrued interest on any Related Parity Bonds deposited with the Fiscal Agent upon delivery of such Related Parity Bonds shall be excluded for purposes of the calculation of the Reserve Requirement.

## **Rate and Method of Apportionment of Special Taxes**

*The following is a summary of certain provisions of the Rate and Method. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.*

**Certain Definitions.** All capitalized terms not defined in this section have the meanings set forth in the Rate and Method attached hereto as Appendix B.

“Administrator” means the Director of the Office of Public Finance who shall be responsible for administering the Special Tax according to the Rate and Method.

“Building” means a permanent enclosed structure that is, or is part of, a Conditioned Project.

“Certificate of Occupancy” means the first certificate, including any temporary certificate of occupancy, issued by the City to confirm that a Building or a portion of a Building has met all of the building codes and can be occupied for residential and/or non-residential use. For purposes of the Rate and Method, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the District; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Letter has been provided to the Administrator for the Building.

“Conditioned Project” means a Development Project that, pursuant to Section 424 of the Planning Code, is required to participate in funding Authorized Facilities through the District and, therefore, is subject to the levy of the Special Tax when Buildings (or portions thereof) within the Development Project become Taxable Buildings.

“CPC” means the Capital Planning Committee of the City and County of San Francisco, or if the Capital Planning Committee no longer exists, “CPC” shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the District.

“IPIC” means the Interagency Plan Implementation Committee, or if the Interagency Plan Implementation Committee no longer exists, “IPIC” shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the District.

“Tax Commencement Authorization” means a written authorization issued by the Administrator upon the recommendations of the IPIC and CPC in order to initiate the levy of the Special Tax on a Conditioned Project that has been issued a Certificate of Occupancy.

“Taxable Building” means, in any Fiscal Year, any Building within the CFD that is, or is part of, a Conditioned Project, and for which a Certificate of Occupancy was issued and a Tax Commencement Authorization was received by the Administrator on or prior to June 30 of the preceding Fiscal Year. If only a portion of the Building is a Conditioned Project, as determined by the Zoning Authority, that portion of the Building shall be treated as a Taxable Building for purposes of this Rate and Method.

“Zoning Authority” means either the City Zoning Administrator, the Executive Director of the San Francisco Office of Community Investment and Infrastructure, or an alternate designee from the agency or department responsible for the approvals and entitlements of a project in the District. If there is any doubt as to the responsible party, the Administrator shall coordinate with the City Zoning Administrator to determine the appropriate party to serve as the Zoning Authority for purposes of this RMA.

**General.** A Special Tax applicable to each Taxable Parcel in the District shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage within Taxable Buildings, as described below. All Taxable Parcels in the District shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the District unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

Special Taxes can only be levied on property within the District if a Certificate of Occupancy and Tax Commencement Authorization has been issued by the City. Special Taxes cannot be levied on undeveloped property within the District. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

**Maximum Special Tax.** Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the following steps to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building:

Step 1. Determine the Building Height for the Taxable Building for which a Certificate of Occupancy was issued.

Step 2. Determine the For-Sale Residential Square Footage and/or Rental Residential Square Footage for all Residential Units on each Taxable Parcel, as well as the Office/Hotel Square Footage and Retail Square Footage on each Taxable Parcel.

Step 3. For each Taxable Parcel that includes only For-Sale Units, multiply the For-Sale Residential Square Footage by the applicable Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.

Step 4. For each Taxable Parcel that includes only Rental Units, multiply the Rental Residential Square Footage by the applicable Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.

Step 5. For each Taxable Parcel that includes only Residential Uses other than Market Rate Units, net out the Square Footage associated with any BMR Units and multiply the remaining Rental Residential Square Footage (if any) by the applicable Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.

Step 6. For each Taxable Parcel that includes only Office/Hotel Square Footage, multiply the Office/Hotel Square Footage on the Parcel by the applicable Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.

Step 7. For each Taxable Parcel that includes only Retail Square Footage, multiply the Retail Square Footage on the Parcel by the applicable Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.

Step 8. For Taxable Parcels that include multiple Land Uses, separately determine the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and/or Retail Square Footage. Multiply the Square Footage of each Land Use by the applicable Base Special Tax, and sum the individual amounts to determine the aggregate Maximum Special Tax for the Taxable Parcel for the first succeeding Fiscal Year.

**For a discussion of changes to the Maximum Special Tax under the Rate and Method, see APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.**

### **Covenant for Superior Court Foreclosure**

**General.** In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.” Such judicial foreclosure proceedings are not mandatory.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. However, up to the maximum amount permitted under the applicable Rate and Method, the District may adjust the Special Taxes levied on all property within the District to provide the amount required to pay debt service on the Bonds, but not more than a 10% increase on a Residential Property from the prior Fiscal Year is allowed due to delinquencies in the District.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revived judgment and any liens

extinguished by the sale are revived as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

***Covenant to Foreclose.*** Under the Act, the City covenants in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or September 1 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City, and:

(A) ***Individual Delinquencies.*** If the Finance Director determines that (i) any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$40,000 or more or (ii) any single parcel subject to the Special Tax in the District is delinquent in the payment of three or more installments of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

(B) ***Aggregate Delinquencies.*** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense.

### **No Obligation of the City Upon Delinquency**

The City is under no obligation to transfer any funds of the City into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes, other than Special Tax Revenues. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies, and “SECURITY FOR THE BONDS – Reserve Fund,” for a discussion of the Reserve Fund securing the Bonds.

### **Parity Bonds**

The City may issue Parity Bonds, in addition to the Bonds, in such principal amount as shall be determined by the City in an aggregate amount not to exceed \$1,400,000,000, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds

Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds, on a parity basis with the Bonds, subject to the following specific conditions precedent:

(A) *Compliance.* The City shall be in compliance with all covenants set forth in this Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the District's limitation on debt (as defined in the Act).

(B) *Same Payment Dates.* The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and principal thereof shall be payable on September 1 in any year in which principal is payable on the Parity Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) *Separate Funds; Reserve Fund or Reserve Account.* The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts.

The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the Reserve Fund in an amount necessary such that the amount deposited therein shall equal the Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund and that the Owners of the Bonds covered by the Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund or any other reserve account.

(D) *Value.* The District's Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(E) *Coverage.* For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that, based on Developed Property as of the date of issuance of such Parity Bonds, may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

(F) *Certificates.* The City shall deliver to the Fiscal Agent an Officer’s Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer’s Certificate in clause (F) above need not make reference to clauses (D) and (E). The City is not prohibited from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge under the Fiscal Agent Agreement.

## THE CITY

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 2016 population was approximately 781,000. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO” hereto.

## THE DISTRICT

### Background

On July 15, 2014, the Board of Supervisors of the City adopted Resolution No. 247-14 stating its intent to form the District under the Act. On the same date, the Board of Supervisors of the City also adopted Resolution No. 246-14 pursuant to which the District was authorized to incur bonded indebtedness in an aggregate amount not to exceed \$1,400,000,000, approved an Amended Rate and Method of Apportionment of Special Tax (the “Rate and Method”), approved the levy of special taxes within and for the District to pay the principal of, and interest on, the authorized bonded indebtedness and approved an appropriations limit for the District not to exceed \$300,000,000. After conducting a noticed public hearing, on September 2, 2014, the Board of Supervisors of the City adopted the Resolution of Formation, which established the District and set forth the Rate and Method for the levy and collection of the Special Tax within the District. On December 29, 2014, at an election was held within the District pursuant to the Act at which the qualified electors approved the formation of the District and incurrence of indebtedness in an aggregate amount not to exceed \$1,400,000,000. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

### Property Ownership and Development Status

The District consists of approximately 12.4 gross acres, approximately 2.7 acres of which are developed for office, retail and residential use. There are currently three properties in the District that have received both a Certificate of Occupancy and a Tax Commencement Authorization – 350 Mission Street, also known as “Salesforce East,” 299 Fremont Street, also known as “Block 6” or “Solaire,” and 415 Mission Street, also known as “Salesforce Tower.”

**350 Mission Street (Salesforce East).** The building located at 350 Mission Street on a 18,905 square foot parcel is a 30-story LEED® Platinum-certified office tower containing approximately 420,000 square feet of floor area. The lobby features a cantilever with 90 feet of glass panels that slide open and closed - adjoining the lobby to the street. The lobby includes a cafe and restaurant, amphitheater seating, and space that can be configured for pop-up events. A commissioned work of digital art in the

lobby animates a 70-by-38-foot LED screen that is visible from the street. Salesforce, a global cloud computing company (publically traded as CRM on the New York Stock Exchange), is currently the only tenant in the building. The building located at 350 Mission Street was completed in 2015. The Special Tax for 350 Mission Street is calculated based on three floors.

**299 Fremont Street (Block 6).** The buildings located at 299 Fremont Street on a 30,025 square foot parcel include a 32-story residential tower and 7 townhomes with a total of 409 rental units. There is 288,937 square feet of floor area subject to the Special Tax. The residential tower contains 7,204 square feet of retail space on the ground floor. Amenities include a fitness center, community room and kitchen, media room, game room, yoga studio, and a roof deck lounge and spa.

All of the residential units are intended to serve as rental housing with unit sizes ranging from the 422 square foot studio units to 1,562 square foot, two-bedroom, two-and-a-half bath, units. As of March 2017, the 409 market rate rental units were 88% occupied. Block 6 also includes affordable housing that is not subject to the Special Tax. Block 6 was completed in February 2017 and opened in March 2017. The owner is Block 6 Joint Venture, LLC, an affiliate of Golub Real Estate Corporation.

<u>Unit</u>	<u>Pricing*</u>
Studio	\$3,185 - \$3,450
One Bedroom	\$3,300 - \$3,845
One Bedroom Den	\$4,850 - \$5,225
Two Bedroom	\$5,100 - \$6,150
Townhome (2 bed/2.5 bath)	\$6,350 - \$7,895

\* Source: *www.solairesf.com*. For informational purposes only. The City makes no representation regarding such pricing information.

**415 Mission Street (Salesforce Tower).** The building located at 415 Mission Street on a 50,514 square foot parcel contains a mix of office, and retail uses. The building is the tallest in the City with a top roof height of 970 feet and an overall height of 1,070 feet and the second-tallest west of the Mississippi River. The tower was completed in \_\_\_\_\_ 2017 and has [61] floors.

### Future Development

The following table sets forth development that may receive a Certificate of Occupancy and Tax Commencement Authorization this calendar year and become subject to the Special Tax. The City provides no assurance, however, that any such development will be completed as expected.

<u>Property Owner/Use</u>	<u>Location/Sq. Ft.</u>	<u>Certificate of Occupancy Date</u>	<u>Estimated Special Tax</u>	<u>Projected AV<sup>(1)</sup></u>
41 TEHAMA LP (retail; rental residential)	41 Tehama Street (310,124)	Sept. 2017	\$1,803,653	\$ 61,449,400
181 FREMONT STREET LLC (office; retail; for sale residential)	181 Fremont Street (503,040)	Oct. 2017	\$3,290,336	\$160,574,433

<sup>(1)</sup> Values reflect current in-process construction values.

**Property Valuation**

In Fiscal Year 2016-17, the Special Taxes were levied in the District for the first time on the first two parcels to receive both a Certificate of Occupancy and Tax Commencement Authorization (Salesforce East and Block 6). The Fiscal Year 2016-17 levy on these two parcels was \$1,840,406. The Fiscal Year 2016-17 assessed values for these two parcels totaled \$210.8 million. The value for 350 Mission Street reflects the value at final completion, while the value for 299 Fremont Street reflects the in-process construction value. The Fiscal Year 2017-18 assessed value for the Salesforce Tower was \$331 million, reflecting partial construction value as of the January 1, 2017 lien date. The District’s estimated assessed value for Fiscal Year 2017-18 is \$\_\_\_\_\_ for land and \$\_\_\_\_\_ for structures, for a total estimated assessed valuation of \$\_\_\_\_\_.

Pursuant to the Act and the Rate and Method, the principal amount of the Bonds is not allocable among the parcels in the District. The following table sets forth the estimated value-to-lien ratio for the District based upon Fiscal Year 2016-17 assessed values. A downturn of the economy or other market factors may depress land values and hence the value-to-lien ratios. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio.

**Community Facilities District No. 2014-1  
(Transbay Transit Center)  
Estimated Value to Lien Ratios**

<b>Fiscal Year 2016-17 Assessed Value of Property the District</b>	<b>Principal Amount of Bonds</b>	<b>Approximate Ratio of Assessed Value to Principal Amount of Bonds</b>	<b>Approximate Ratio of Assessed Value to Principal Amount of the Bonds and other Overlapping Lien<sup>(1)</sup></b>
\$	\$		

Source: Special Tax Consultant.

<sup>(1)</sup> For information regarding the other overlapping liens, see “— Direct and Overlapping Debt” below.

**Debt Service Coverage**

The following table sets forth debt service coverage with respect to the Bonds.

[table to come from underwriter]



**Estimated Effective Tax Rate**

The following table sets forth an illustrative Fiscal Year 2016-17 tax bill for a Taxable Property in the District.

**Community Facilities District No. 2014-1  
(Transbay Transit Center)  
Fiscal Year 2016-17 -- Illustrative Tax Bill**

<u>Assessed Value</u>		<u>Salesforce East</u>	<u>Block 6</u>
Land Value		\$53,715,187	\$ 25,642,437
Improvement & Other Value		<u>13,496,797</u>	<u>117,979,484</u>
<b>Total Assessed Value</b>		<b>\$67,211,984</b>	<b>\$143,621,921</b>
<b><u>Ad Valorem Tax Rate /1</u></b>			
Base Tax Rate	1.0000%	\$672,120	\$1,436,219
Other Ad Valorem Property Taxes	<u>0.1792%</u>	<u>120,444</u>	<u>257,370</u>
<b>Total Ad Valorem Taxes</b>	<b>1.1792%</b>	<b>\$792,564</b>	<b>\$1,693,590</b>
<b><u>Direct Charges</u></b>			
GTR Rincon Hill CBD		\$ 39,656	\$5,529
SFUSD Facility District		36	36
SFFCCD Parcel Tax		79	79
SF – Teacher Support		237	237
Transbay CFD No. 2014-1		<u>249,249</u>	<u>1,591,157</u>
<b>Total Direct Charges</b>		<b>\$289,257</b>	<b>\$1,597,039</b>
<b>Total Taxes and Direct Charges</b>		<b>\$1,081,820</b>	<b>\$3,290,628</b>
<b>Percentage of Assessed Value</b>		<b>1.61%</b>	<b>2.29%</b>

Source: Special Tax Consultant.

**Future Financings**

The City anticipates issuing Parity Bonds on behalf of the District annually in each of the next five years in the following approximate par amounts: [\$24.5 million, \$119.5 million, \$277.4 million, \$20.4 million, and \$276.3 million].

**Direct and Overlapping Debt**

The following table details the direct and overlapping debt currently encumbering property within the District.

[table to come]

## **SPECIAL RISK FACTORS**

*The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.*

### **Risks of Real Estate Secured Investments Generally**

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies and (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due.

### **Disclosure to Future Property Owners**

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of property within the District are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller's notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Special Taxes may affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

### **Parity Taxes and Special Assessments**

The Special Taxes and any penalties thereon will constitute a lien against the parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The City, however, has no control over the ability of other agencies to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. See "THE DISTRICT – Direct and Overlapping Debt."

## **Value to Lien Ratios**

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (in this case, Fiscal Year 2016-17 Assessed Values) and the denominator of which is the “lien” of the assessments or special taxes. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Land values are sensitive to economic cycles. A downturn of the economy or other market factors may depress land values and hence the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the land is worth less than the debt on it.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. Finally, local agencies may form overlapping community facilities districts or assessment districts because they typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios.

## **Insufficiency of Special Taxes**

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel and Taxable Building in the District will be based primarily on the square footage. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes.” The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. MOREOVER, IF A SUBSTANTIAL PORTION OF LAND WITHIN THE DISTRICT BECAME EXEMPT FROM THE SPECIAL TAX BECAUSE OF PUBLIC OWNERSHIP, OR OTHERWISE, THE MAXIMUM SPECIAL TAX WHICH COULD BE LEVIED UPON THE REMAINING ACREAGE MIGHT NOT BE SUFFICIENT TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE AND A DEFAULT COULD OCCUR WITH RESPECT TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST.

## **Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

### **Maximum Term of Levy**

The Bonds are secured by Special Tax Revenues from all parcels subject to the Special Tax in the District. Upon delivery of the Bonds, Special Taxes will be levied on \_\_\_ parcels. Because Special Taxes may only be levied on any individual parcel for a maximum term of 30 years, the levy on parcels \_\_\_ and \_\_\_ will terminate before the final maturity of the Bonds. Unless additional parcels are annexed into the District before the maximum term of the applicable levy is reached, payments due on the Bonds in 20\_\_ and 20\_\_ will be secured only by Special Taxes levied on the remaining \_\_\_ parcels. The Bonds have been structured to maintain projected coverage of 110%, notwithstanding the termination of the levy on parcels \_\_\_ and \_\_\_.

### **Concentration of Property Ownership**

Failure of any significant owner of taxable property in the District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the Bonds. Development of property in the Community Facilities District may not occur as currently proposed or at all. As of the date the Bonds are delivered, only three properties will be responsible for contributing 100% of the Special Tax Revenues. See “THE DISTRICT” for information regarding property ownership and the status of development in the District.

### **Future Indebtedness**

The cost of any additional improvements may well increase the public and private debt for which the land in the District provide security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in the District. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness in an aggregate amount not to exceed \$1,400,000,000. See “THE DISTRICT – Future Financings.”

### **Natural Disasters**

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 man-made 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. As a result of the occurrence of events described in this paragraph, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due, and the reserve fund for the Bonds may become depleted. 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).

## **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 seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

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

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

## **Hazardous Substances**

A serious risk in terms of the potential reduction in the value of a parcel within the District is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, will be to reduce the marketability and value of such parcel by the costs of remedying the condition, because the prospective purchaser, upon becoming the owner, will become obligated to remedy the condition just as the seller is.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but

which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a delinquency.

### **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.

### **Other Events**

Seismic events, wildfires, tsunamis, and other natural or man-made events may damage City infrastructure. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

### **Millennium Tower**

Millennium Tower is a 58-story luxury residential building completed in 2009 and is located at 301 Mission Street in the City. **Millennium Tower is not contributing to Special Tax Revenues and none of the information presented in this Official Statement assumes collection of Special Taxes**

**from the Millennium Tower project.** On August 17, 2016, owners of condominiums in Millennium Tower filed a lawsuit (the “Lawsuit”) against the TJPA and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (*ex officio*). The TJPA is responsible under State law for developing the Transbay Transit Center.

The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the condo owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has said that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. The City cannot make any prediction as to the outcome of the Lawsuit or any other future lawsuit regarding Millennium Tower.

### **Bankruptcy and Foreclosure**

The payment of property owners’ taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner’s partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy.*

### **Property Controlled by FDIC**

The City’s ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Law that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should



assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

### **Billing of Special Taxes**

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn, along with various other factors, can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by a community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties within the District that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

### **Collection of Special Taxes**

To pay debt service on the Bonds, it is necessary that the Special Tax levied against property within the District be paid in a timely manner. The City has covenanted in the Fiscal Agent Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. If such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

### **Maximum Special Tax Rates**

Within the limits of the Rate and Method, the City may adjust the Special Taxes levied on all property within the District to provide the amount required each year to pay annual debt service on the Bonds and to replenish the Reserve Fund to an amount equal to the Reserve Requirement. However, the amount of Special Taxes that may be levied against particular categories of property is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for property in the District would be sufficient to meet debt service obligations on the Bonds. See “SECURITY FOR THE BONDS – The

Special Taxes” and APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

### **Exempt Properties**

The Act provides that properties or entities of the State, federal or local government are exempt from the Special Taxes; provided, however, the property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes. The Act further provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. In particular, insofar as the Act requires payment of the Special Taxes by a federal entity acquiring property within the District, it may be unconstitutional.

### **California Constitution Article XIIC and Article XIID**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges. According to the “Official Title and Summary” of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the “authority of local governments to impose taxes and property-related assessments, fees and charges.” On July 1, 1997 California State Senate Bill 919 (“SB 919”) was signed into law. SB 919 enacted the “Proposition 218 Omnibus Implementation Act,” which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The District has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a Special Tax (including any constitutional challenge) must be commenced within 30 days after the Special Tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the City Council, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year

below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218's balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

### **Validity of Landowner Elections**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the "Court"), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD is a financing district established under San Diego's charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located, thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied, and was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Act provides that if there are less than 12 registered voters in the district, the landowners shall vote.

The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district") and Proposition 218, which added Article XIII C and XIII D to the California Constitution (Section 2 of Article XIII C provides "No local government may impose, extend or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote"), or with applicable provisions of San Diego's Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego's argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State's constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San

Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Special Tax within the District.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District pursuant to the requirements of the Act in June 20, 2006. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

### **Ballot Initiatives and Legislative Measures**

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

### **No Acceleration**

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the District. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

### **Loss of Tax Exemption**

As discussed under the caption “TAX MATTERS,” to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2017A Bonds, the District has covenanted in the Fiscal Agent Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2017A Bonds under Section 103 of the Internal Revenue Code of 1986. Interest on the 2017A Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the 2017A Bonds were issued, as a result of acts or omissions of the City or the District in violation of the Code. Should such an event of taxability occur, the 2017A Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Fiscal Agent Agreement.

## **Limitations on Remedies**

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure."

## **Limited Secondary Market**

As stated herein, investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the Bonds can or could be sold for any particular price. No application has been made for a credit rating for the Bonds, and it is not known whether a credit rating could be secured either now or in the future for the Bonds.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report will be filed with the MSRB. The notices of enumerated events will be filed with the MSRB. The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made by the District in order to assist the Underwriter in complying with the Rule.

The ratings on certain obligations of the City were upgraded by Fitch Ratings on March 28, 2013. Under certain continuing disclosure undertakings of the City, the City was required to file a notice of such upgrade with the Electronic Municipal Market Access system of the MSRB by April 11, 2013. The City filed such notice on May 17, 2013.

## **TAX MATTERS**

## 2017A Bonds

**General.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in this paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the "Tax Code") that must be satisfied subsequent to the issuance of the 2017A Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2017A Bonds.

**California Tax Status.** In the opinion of Bond Counsel, interest on the 2017A Bonds is exempt from California personal income taxes.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public (excluding bond houses and brokers) at which a 2017A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2017A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2017A Bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2017A Bond to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2017A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2017A Bonds who purchase the 2017A Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2017A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2017A Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2017A Bond (said term being the shorter of the 2017A Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2017A Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2017A Bond is amortized each year over the term to maturity of the 2017A Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2017A Bond premium is not deductible for federal income tax purposes. Owners of Premium 2017A Bonds, including purchasers who do not

purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2017A Bonds.

***Form of Bond Counsel Opinions.*** At the time of issuance of the 2017A Bonds, Bond Counsel expects to deliver an opinion for the 2017A Bonds in substantially the form set forth in Appendix D.

Owners of the 2017A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017A Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2017A Bonds

## **2017B Bonds**

The interest on the 2017B Bonds is not intended by the District to be excluded from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the 2017B Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2017B Bonds to be delivered on the date of issuance of the 2017B Bonds is set forth in Appendix D.

Owners of the 2017B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017B Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2017B Bonds.

## **UNDERWRITING**

Stifel, Nicolaus & Co. Incorporated (the “Underwriter”) purchased the Bonds at a purchase price of \$\_\_\_\_\_, representing the principal amount of the Bonds less an Underwriter’s discount of \$\_\_\_\_\_ and [plus/minus] a [net] original issue [premium/discount] of \$\_\_\_\_\_. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

## **LEGAL OPINION**

The legal opinion of Jones Hall APLC, San Francisco, California, as Bond Counsel, approving the validity of the Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the Bonds.

Compensation paid to Jones Hall APLC, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the Bonds.

**NO LITIGATION**

A certificate of the City to the effect that no litigation is pending or threatened concerning the validity of the Bonds will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the City nor the District are aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the Bonds.

**NO RATING ON THE BONDS**

The Bonds are not rated and the District does not anticipate applying for a rating on the Bonds. No such rating should be assumed from any credit rating the District or the City may obtain for other purposes. Prospective purchasers of the Bonds should make independent determinations as to the credit quality of the Bonds.

**MUNICIPAL ADVISORS**

The City has retained Backstrom Mccarley Berry & Co., LLC and Public Financial Management, Inc., as Municipal Advisors in connection with the issuance of the Bonds. The Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisors are each an independent financial advisory firm and are not engaged in the business of underwriting, trading or distributing the Bonds.

Compensation paid to the Municipal Advisors is contingent upon the successful issuance of the Bonds.

**MISCELLANEOUS**

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The City Council of the City has duly authorized \_\_\_\_\_ to execute and deliver this Official Statement on behalf of the City.

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_



**APPENDIX A**  
**CITY AND COUNTY OF SAN FRANCISCO**

**APPENDIX B**

**AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT**

**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for the each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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](http://www.dtcc.com). *Information on such website is not incorporated by reference herein.*

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal 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 nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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