

NEW ISSUE - BOOK-ENTRY ONLY

RATING:
Fitch: “___”
 See “RATING” herein.

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 Bonds is exempt from California personal income taxes. Interest on the 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 [insert CBI logo]
(TRANSBAY TRANSIT CENTER)

[\$[Series A Par]
Special Tax Bonds, Series 2018A
(Federally Taxable)

[\$[Series B Par]
Special Tax Bonds, Series 2018B
(Federally Taxable – Green Bonds)

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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 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 2018A (Federally Taxable) (the “2018A Bonds”) and Special Tax Bonds, Series 2018B (Federally Taxable – Green Bonds) (the “2018B Bonds” and, together with the 2018A Bonds, the “2018 Bonds”). The 2018 Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of November 1, 2018 (together, the “Fiscal Agent Agreement”), by and between the City and ZB, National Association dba Zions Bank, as fiscal agent (the “Fiscal Agent”), and will be secured as described herein. The 2018 Bonds are being issued to fund: (i) a portion of the planning, design, engineering and construction of various capital improvements, (ii) [a debt service reserve fund,] (iii) capitalized interest for a portion of the interest on the 2018 Bonds, and (iv) costs of issuance, all as further described herein. See “THE FINANCING PLAN” herein.

The 2018 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 2018 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2019 (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2018 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 2018 Bonds. Individual purchases of the 2018 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2018 Bonds will be payable by DTC through the DTC participants. See “THE BONDS - Book-Entry System” herein. Purchasers of the 2018 Bonds will not receive physical delivery of the 2018 Bonds purchased by them.

The 2018 Bonds are subject to redemption prior to maturity as described herein. See “THE 2018 BONDS” herein.

The 2018 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2018 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2018 Bonds, and neither the 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 2018 Bonds.

The 2018 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, 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 2018 Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the 2018 Bonds will be available for delivery through the facilities of DTC on or about November __, 2018.

STIFEL

[underwriter]

Dated: October __, 2018

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.

[\$Series A Par]
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2018A
(FEDERALLY TAXABLE)

Serial Bonds \$ _____

<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[†]</u> <u>(Base No. 79772E)</u>
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\$ _____ % Term Bonds due September 1, 20__ – Yield: ____% Price: ____ CUSIP No. _____

\$ _____ % Term Bonds due September 1, 20__ – Yield: ____% Price: ____ CUSIP No. _____

[†] 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 Underwriters, or the Co-Municipal Advisors, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2018 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2018 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 2018 Bonds.

[\$Series B Par]
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2018B
(FEDERALLY TAXABLE – GREEN BONDS)

Serial Bonds \$_____

<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[†]</u> <u>(Base No. 79772E)</u>
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\$_____ % Term Bonds due September 1, 20__ – Yield: ___% Price: _____ CUSIP No. _____

\$_____ % Term Bonds due September 1, 20__ – Yield: ___% Price: _____ CUSIP No. _____

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CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS⁽¹⁾

Malia Cohen, *Board President, District 10*

Sandra Lee Fewer, *District 1*

Catherine Stefani, *District 2*

Aaron Peskin, *District 3*

Katy Tang, *District 4*

Vallie Brown, *District 5*

Jane Kim, *District 6*

Norman Yee, *District 7*

Rafael Mandelman, *District 8*

Hillary Ronen, *District 9*

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*

Anna Van Degna, *Director of Public Finance*

PROFESSIONAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
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

PFM Financial Advisors LLC
San Francisco, California

Fiscal Agent

ZB, National Association dba Zions Bank
Los Angeles, California

⁽¹⁾ The Board of Supervisors serves as the governing body for the District.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General.....	1
Authority for the 2018 Bonds	1
Use of Proceeds	1
The District	2
The 2018 Bonds	2
“Green Bond” Designation	3
Outstanding Parity Bonds	3
Security for the Bonds	3
Reserve Fund	4
Foreclosure Covenant	4
Teeter Plan	4
Limited Obligations	4
Further Information.....	4
SALESFORCE TRANSIT CENTER AND RELATED FACILITIES	5
Transbay Terminal History	5
Transbay Redevelopment Plan and Transit Center District Plan.....	5
Salesforce Transit Center	6
Train Box, Salesforce Park and Related Capital Improvements.....	6
Downtown Rail Extension	7
THE FINANCING PLAN	7
ESTIMATED SOURCES AND USES OF FUNDS	7
THE 2018 BONDS	8
Description of the 2018 Bonds	8
Redemption.....	8
The Fiscal Agent	11
Book-Entry System.....	11
2018B Bonds Designated as Green Bonds	11
Debt Service Schedule	14
SECURITY FOR THE BONDS	15
General.....	15
Limited Obligation.....	16
Teeter Plan	16
Special Tax Fund	16
Administrative Expense Fund.....	17
Bond Fund.....	18
Establishment of Improvement Fund.....	19
Reserve Fund	19
Rate and Method of Apportionment of Special Taxes.....	20
Covenant for Superior Court Foreclosure.....	22
No Obligation of the City Upon Delinquency	23
Parity Bonds.....	24
THE CITY	25

TABLE OF CONTENTS

(continued)

	<u>Page</u>
THE DISTRICT	26
Background	26
Taxable Buildings (Subject Properties)	26
Description of Existing Taxable Buildings (Subject Properties)	28
Development Summary, Special Tax Levy, Assessed Values and Value to Lien Ratios	30
Conditioned Projects Under Construction	32
Property Valuation	32
Debt Service Coverage	33
Estimated Effective Tax Rate	35
Future Financings	36
Direct and Overlapping Debt	36
SPECIAL RISK FACTORS	37
Risks of Real Estate Secured Investments Generally	37
Disclosure to Future Property Owners	37
Parity Taxes and Special Assessments	37
Value to Lien Ratios	38
Insufficiency of Special Taxes	38
Tax Delinquencies	38
Maximum Term of Levy	39
Teeter Plan	39
Concentration of Property Ownership	39
Future Indebtedness	39
Seismic Risks	39
Hazardous Substances	40
Risk of Sea Level Changes and Flooding	41
Natural Disasters and Other Events	41
Millennium Tower	42
Bankruptcy and Foreclosure	42
Property Controlled by FDIC and Other Federal Agencies	43
Billing of Special Taxes	44
Collection of Special Taxes	45
Maximum Special Tax Rates	45
Initial Annual Adjustment Factor	45
Exempt Properties	46
California Constitution Article XIIC and Article XIID	46
Validity of Landowner Elections	47
Ballot Initiatives and Legislative Measures	48
No Acceleration	48
Limitations on Remedies	48
Limited Secondary Market	49
CONTINUING DISCLOSURE	49
TAX MATTERS	49
UNDERWRITING	49
LEGAL OPINION AND OTHER LEGAL MATTERS	50
NO LITIGATION	50

TABLE OF CONTENTS

(continued)

	<u>Page</u>
RATING	51
MUNICIPAL ADVISORS	51
MISCELLANEOUS	51
APPENDIX A – CITY AND COUNTY OF SAN FRANCISCO	A-1
APPENDIX B – AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX	B-1
APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT	C-1
APPENDIX D – FORM OF BOND COUNSEL OPINION	D-1
APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE	E-1
APPENDIX F – BOOK-ENTRY ONLY SYSTEM.....	F-1

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 2018 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 Co-Municipal Advisors or the Underwriters 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 Underwriters.

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 2018 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 2018 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2018 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2018 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2018 Bonds, and neither the 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 2018 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 2018 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.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE “ISSUER” MEANS THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA ON BEHALF OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2014-1 (TRANSBAY TRANSIT CENTER) AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE 2018 BONDS OFFERED HEREBY. NEITHER THE ISSUER NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THIS SECTION.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (“EEA”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE “INSURANCE MEDIATION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE “PROSPECTUS DIRECTIVE”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EEA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT INITIAL PURCHASER OR THE ISSUER FOR ANY SUCH OFFER OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SECURITIES IN THE OFFERING LOCATED WITHIN A RELEVANT MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE. THE ISSUER AND EACH INITIAL PURCHASER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE INVESTMENT PROFESSIONALS AS SUCH TERM IN DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”)) IN CONNECTION WITH THE ISSUE OR SALE OF ANY BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS. THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FSMA AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA.

NOTICE TO PROSPECTIVE INVESTORS OF HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (“SFO”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN (A) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32) OF HONG KONG (THE “C(WUMP)O”) OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE C(WUMP)O. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE

INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, (B) TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, SOLD OR ADVERTISED, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE OR ON ANY OTHER EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS AS SUCH TERM IS UNDERSTOOD PURSUANT TO ART. 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE LISTING RULES OF THE SIX SWISS EXCHANGE OR ANY OTHER REGULATED TRADING FACILITY IN SWITZERLAND, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, NOR THE ISSUER, NOR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. THE BONDS ARE NOT SUBJECT TO SUPERVISION BY ANY SWISS REGULATORY AUTHORITY, E.G., THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY FINMA, AND INVESTORS IN THE BONDS WILL NOT BENEFIT FROM PROTECTION OR SUPERVISION BY SUCH AUTHORITY.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE

EACH UNDERWRITER HAS ACKNOWLEDGED THAT THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (THE "MAS"). ACCORDINGLY, EACH UNDERWRITER HAS REPRESENTED, WARRANTED AND AGREED THAT IT HAS NOT OFFERED OR SOLD ANY BONDS OR CAUSED THE BONDS TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE AND WILL NOT OFFER OR SELL ANY BONDS OR CAUSE THE BONDS TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, AND HAS NOT CIRCULATED OR DISTRIBUTED, NOR WILL IT CIRCULATE OR DISTRIBUTE, THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS, WHETHER DIRECTLY OR INDIRECTLY, TO ANY PERSON IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR (AS DEFINED IN SECTION 4A UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SFA")) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA, OR ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA, OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES (AS DEFINED IN SECTION 239(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA, EXCEPT:

(1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;

(2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;

(3) WHERE THE TRANSFER IS BY OPERATION OF LAW;

(4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

(5) AS SPECIFIED IN REGULATION 32 OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SHARES AND DEBENTURES) REGULATIONS 2005 OF SINGAPORE.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN INDONESIA

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE DISTRIBUTED IN THE REPUBLIC OF INDONESIA AND THE BONDS HAVE NOT BEEN AND WILL NOT BE OFFERED OR SOLD IN THE REPUBLIC OF INDONESIA OR TO INDONESIAN CITIZENS WHEREVER THEY ARE DOMICILED, OR TO INDONESIAN RESIDENTS IN A MANNER WHICH CONSTITUTES A PUBLIC OFFERING UNDER LAW NO. 8 OF 1995 ON CAPITAL MARKETS AND THE APPLICABLE REGULATIONS OF THE FINANCIAL SERVICES AUTHORITY (OTORITAS JASA KEUANGAN) (OR, PREVIOUSLY, THE CAPITAL MARKETS AND FINANCIAL INSTITUTIONS SUPERVISORY BODY (BADAN PENGAWAS PASAR MODAL DAN LEMBAGA KEUANGAN)).

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH

CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE "FIEA"). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6G OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA ("QIIs") IN RELIANCE ON THE QIIs-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

[INSERT LOCATION MAP]

OFFICIAL STATEMENT

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

**§[Series A Par]
Special Tax Bonds, Series 2018A
(Federally Taxable)**

**§[Series B Par]
Special Tax Bonds, Series 2018B
(Federally Taxable – Green Bonds)**

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 2018A (Federally Taxable) (the “2018A Bonds”) and its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable – Green Bonds) (the “2018B Bonds” and, together with the 2018A Bonds, the “2018 Bonds”). The 2018 Bonds and any Parity Bonds (as defined herein) are collectively referred to herein as the “Bonds.”

Authority for the 2018 Bonds

The 2018 Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of November 1, 2018 (together, the “Fiscal Agent Agreement”), by and between the City and ZB, National Association dba Zions Bank, 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 _____, 2018 and approved by Mayor London N. Breed on _____, 2018.

Use of Proceeds

The proceeds of the 2018A Bonds are expected to be used to finance (a) street and sidewalk improvements in the vicinity of the Salesforce Transit Center and (b) certain capacity enhancements for the Embarcadero and Montgomery Bay Area Rapid Transit Stations. The proceeds of the 2018B Bonds are expected to be used to finance (a) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Salesforce Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Salesforce Transit Center building and associated systems and (b) the planning, design, engineering and construction of open space on the roof of the Salesforce Transit Center. In addition, the 2018 Bonds are being issued to (i) [fund a debt service reserve fund (the “Reserve Fund”),] (ii) capitalize interest for a portion of the interest on the 2018 Bonds, and (iii) costs of issuance, all as further described herein. See “THE FINANCING PLAN” herein.

The District

The District currently consists of approximately 13.5 gross acres located in downtown San Francisco immediately south of Market Street near the City's new Salesforce Transit Center, designed to be a hub of transit connections serving regional commuters. At the time it established the District, the City also established a larger future annexation area (the "Future Annexation Area") for the District; the benefit of a future annexation area is that properties can annex into the District with fewer procedural requirements than would otherwise be required under the Act.

In general, Special Taxes (defined herein) can only be levied on a property within the District if: (i) the property is a "Conditioned Project," as defined in the Rate and Method; (ii) a Certificate of Occupancy (defined herein) has been issued for the property; and (iii) a Tax Commencement Authorization (defined herein) for the property has been executed by the City's Director of the Office of Public Finance. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto. A Conditioned Project is a Development Project that is required to participate in funding Authorized Facilities (as defined in the Rate and Method) through the District because it received a zoning bonus to exceed the height and floor-to-area ratios that would have otherwise been applicable under the City's Planning Code. See "THE DISTRICT" herein.

Six Conditioned Projects in the District have received a Certificate of Occupancy and a Tax Commencement Authorization (collectively, the "Taxable Buildings (Subject Properties)").

- 350 Mission Street, also known as "Salesforce East";
- 299 Fremont Street, also known as "Block 6" or "Solaire";
- 415 Mission Street, also known as "Salesforce Tower";
- 41 Tehama Street [**developer marketing as 33 Tehama**];
- 181 Fremont Street; and
- 250 Howard Street, also known as "Block 5" or "Park Tower."

See "SPECIAL RISK FACTORS – Concentration of Property Ownership" herein.

In addition to the Taxable Buildings (Subject Properties), there are currently five Conditioned Projects in the District and four Conditioned Projects in the Future Annexation Area planned for residential, commercial or mixed use that may become Taxable Buildings subject to the Special Tax. There may also be additional projects within the District that become Conditioned Projects. No assurance can be provided that any particular property will be annexed into the District, become a Conditioned Project and become a Taxable Building required to pay Special Taxes.

The 2018 Bonds

The 2018 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 2018 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2019 (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 2018 Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2018 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 2018 Bonds. Individual purchases of the 2018 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2018 Bonds will be payable by DTC through the DTC participants. See “THE 2018 BONDS - Book-Entry System” herein. Purchasers of the 2018 Bonds will not receive physical delivery of the 2018 Bonds purchased by them.

“Green Bond” Designation

The City is designating the 2018B Bonds as “Green Bonds” (also known as “Climate Bonds”). The purpose of designating the 2018B Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial projects (“Green Projects”). The particular capital improvements that the City has defined as “Green Projects” in connection with the 2018B Bonds are part of the development of the Salesforce Transit Center and its related facilities, including the Train Box and Salesforce Park (each as defined herein). *The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2018B Bonds will not result in revision or withdrawal of the Climate Bonds Initiative (the “CBI”) certification described herein; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI’s criteria for certifying bonds will not result in a withdrawal or revision of the CBI’s certification.* See “THE BONDS – 2018B Bonds Designated as Green Bonds” herein.

Outstanding Parity Bonds

On November 9, 2017, the City, on behalf of the District, issued Special Tax Bonds, Series 2017A (Federally Taxable) in the aggregate principal amount of \$36,095,000 (the “2017A Bonds”) and Special Tax Bonds, Series 2017B (Federally Taxable – Green Bonds) in the aggregate principal amount of \$171,405,000 (the “2017B Bonds” and, together with the 2017A Bonds, the “2017 Bonds”). The 2017 Bonds were the first series of Parity Bonds issued under the Fiscal Agent Agreement. The 2017 Bonds and the 2018 Bonds are hereafter referred to as the “Bonds.”

The 2017 Bonds to financed (i) various capital improvements, including street and sidewalk improvements in the vicinity of the Salesforce Transit Center and the development and improvement of open space, (ii) a portion of the planning, design, engineering and construction of the Train Box described below, (iii) a portion of the planning, design, engineering and construction of the Salesforce Park.

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.

See the section of this Official Statement captioned “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 2018 Bonds.

Reserve Fund

The City, on behalf of the District, has established the Reserve Fund for the 2018 Bonds pursuant to the Fiscal Agent Agreement to be funded at the Reserve Requirement (defined below). See “SECURITY FOR THE BONDS – Reserve Fund” herein. **[confirm whether the 2017 Bonds will be Related Parity Bonds]**

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 City 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.

Teeter Plan

The District is currently on the City’s “Teeter Plan.” See “SECURITY FOR THE BONDS – Teeter Plan” herein. Under the Teeter Plan, the City will maintain a tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes (including the Special Taxes of the District) levied on the tax bill irrespective of any delinquent taxes.

Limited Obligations

The 2018 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2018 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2018 Bonds, and neither the 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 2018 Bonds.

Further Information

Brief descriptions of the 2018 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 2018 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 2018 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 2018 Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

SALESFORCE TRANSIT CENTER AND RELATED FACILITIES

Transbay Terminal History

The City's former Terminal was built in 1939 at First and Mission Streets as the terminal for trains crossing the then 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. 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 former Terminal's rail system served 26 million passengers annually. As automobile usage increased 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 train tracks crossing the Bay Bridge were dismantled. In 1959, the intermodal Transbay Terminal was converted into a bus-only facility. Regional commuter buses from the East Bay, Marin County and San Mateo County, local buses within the City and long-distance buses such as Greyhound used the former Terminal.

In 1989, the Terminal suffered structural damage in the Loma Prieta earthquake that required its replacement. In 1999, San Francisco voters approved a ballot measure to extend the northern terminus of Caltrain, the commuter rail line serving the San Francisco peninsula, from its current location at 4th & King Streets to a new or rebuilt transit station at the site of the former Terminal.

In 2001, the Transbay Joint Powers Authority (the "TJPA"), a joint exercise of powers authority, was created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio) to develop a new regional transit hub to replace the former Terminal.

In 2010, the former Terminal was demolished to make way for the construction of the Salesforce Transit Center and its related facilities. A temporary terminal served bus passengers in the interim.

Transbay Redevelopment Plan and Transit Center District Plan

After the Loma Prieta earthquake, the Embarcadero Freeway connecting the Bay Bridge to the City's northeastern waterfront Embarcadero was demolished, creating several blocks of land available for development. In 2003, the State donated to the City and the TJPA approximately 12 acres of developable land in the vicinity of the former Terminal. The sale and development of these parcels helped to finance a portion of the Salesforce Transit Center and its related facilities.

In 2005, the City established the Transbay Redevelopment Area encompassing portions of the area surrounding the Salesforce Transit Center, generally bounded by Mission Street and Folsom Street between Spear Street and Second Street. Tax increment generated in this approximately 40 acre Redevelopment Area helped to finance portions of the Salesforce Transit Center and ancillary neighborhood improvements. The Redevelopment Plan specifically laid out development parameters for most of the formerly-State owned parcels that once held the Embarcadero Freeway.

In 2012, the City adopted the Transit Center District Plan (the "TCDP") to shape growth on the southern side of downtown San Francisco to respond to and support the construction of the Salesforce Transit Center. The TCDP provides policy recommendations to accommodate additional transit-oriented growth, sculpt the downtown skyline, improve streets and open spaces, and expand protection of historic resources. The TCDP encourages development around the Salesforce Transit Center and its related facilities by eliminating density caps and increasing certain height limits, primarily for privately-owned

parcels and a small number of formerly-State owned parcels owned by the TJPA in the area. See “THE DISTRICT” herein.

Salesforce Transit Center

The Salesforce Transit Center is a five-story structure that replaced the former Terminal. The Salesforce Transit Center includes one above-grade bus level, the Salesforce Park (as defined below), concourse retail and circulation level, ground-floor, and the Train Box (as defined below). The overall approved budget for the development of the Salesforce Transit Center is \$2.259 billion. A new off-site bus storage facility and bus ramp connects the Salesforce Transit Center with the San Francisco-Oakland Bay Bridge. The Salesforce Transit Center’s grand opening was August 12, 2018.

The combined cost of the development of the Salesforce Transit Center and the Downtown Rail Extension (described below) is estimated to be approximately \$6 billion. The funding sources for both of these projects include land sales, property taxes, sales taxes, bridge tolls, development impact fees, a \$400 million American Recovery and Reinvestment Act grant and a \$171 million Transportation Infrastructure Finance and Innovation Act (“TIFIA”) loan that closed in January 2010.

Train Box, Salesforce Park and Related Capital Improvements

The District was formed to raise funds to finance certain public improvements for the benefit of the District, including the Salesforce Park and the Train Box, as well as other capital improvements relating to the development of the area around the Salesforce Transit Center.

Train Box. The core and shell of the two below-grade levels of the Salesforce Transit Center, collectively referred to as the “Train Box,” were built to accommodate the Downtown Rail Extension that will extend the Caltrain rail tracks from 4th & King Streets to the Salesforce 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 building ground floor and Train Station Platform. Space will be provided in the concourse for retail, ticketing and bike storage.

Salesforce Park. The Salesforce Transit Center’s roof is a 5.4 acre 1,400-foot long public elevated park (the “Salesforce Park”) that includes, an outdoor amphitheater, gardens, trails, open grass areas, and children’s play space, as well as a restaurant and cafe. The Salesforce Park serves as a “green roof” or “living” roof for the Salesforce Transit Center. 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.

Related Capital Improvements. Capital improvements to be undertaken within the District include improvements to streetscapes, enhancements to the transportation infrastructure, and the development and improvement of open spaces. A portion of these improvements are expected to be financed with proceeds of the 2018 Bonds.

Downtown Rail Extension

In addition to the development of the Salesforce Transit Center, the Caltrain rail tracks will be extended from their current San Francisco terminus at 4th & King Streets to a new underground terminus beneath the Salesforce Transit Center to accommodate both Caltrain and California High Speed Rail (the “Downtown Rail Extension”). As of the date of this Official Statement, the Downtown Rail Extension has not fully secured funding. A portion of these improvements are expected to be financed with proceeds of the 2018 Bonds. The TJPA is currently exploring [additional] funding options for the Downtown Rail Extension. [confirm]

THE FINANCING PLAN

The proceeds of the 2018A Bonds are expected to be used to finance (a) street and sidewalk improvements in the vicinity of the Salesforce Transit Center and (b) certain capacity enhancements for the Embarcadero and Montgomery Bay Area Rapid Transit Stations

The proceeds of the 2018B Bonds are expected to be used to finance (a) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Salesforce Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Salesforce Transit Center building and associated systems and (b) the planning, design, engineering and construction of open space on the roof of the Salesforce Transit Center.

In addition, the 2018 Bonds are being issued to (i) [fund a debt service reserve fund (the “Reserve Fund”),] (ii) capitalize interest for a portion of the interest on the 2018 Bonds, and (iii) costs of issuance, all as further described herein.

ESTIMATED SOURCES AND USES OF FUNDS

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

	<u>2018A Bonds</u>	<u>2018B Bonds</u>	<u>Total</u>
<u>Sources of Funds</u>			
Principal Amount	\$	\$	\$
Premium/Discount			
Total Sources	\$	\$	\$
<u>Uses of Funds</u>			
Deposit to 2018A Improvement Account	\$	\$	\$
Deposit to BART Allocated Bond Proceeds Account			
Deposit to Reserve Fund			
Deposit to Bond Fund ⁽¹⁾			
Deposit to Costs of Issuance Fund ⁽²⁾			
Total Uses	\$	\$	\$

⁽¹⁾ Represents capitalized interest deposited into the 2018A Capitalized Interest Account and the 2018B Capitalized Interest Account, as applicable. Capitalized interest is funded for a portion of the interest on the 2018 Bonds through September 1, 2019.

⁽²⁾ Includes Underwriters’ discount, fees and expenses for Bond Counsel, Disclosure Counsel, Co-Municipal Advisors, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the 2018 Bonds.

THE 2018 BONDS

Description of the 2018 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 2018 Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The 2018 Bonds will bear interest at the rates set forth on the inside cover page hereof, 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 2018 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 to an account located in the United States of America 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 2018A 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 2018A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The 2018B 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 2018B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

* 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:

2018A Bonds Maturing September 1, 20__

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

2018A Bonds Maturing September 1, 20__

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

2018B Bonds Maturing September 1, 20__

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

2018B Bonds Maturing September 1, 20__

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 2018 Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the 2018 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, 2026	103%
On September 1, 2026 and March 1, 2027	102
On September 1, 2027 and March 1, 2028	101
On September 1, 2028 and any Interest Payment Date thereafter	100

Notice of Redemption. The Fiscal Agent shall cause notice to be sent 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 send 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 send 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, unless otherwise directed by the City, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, 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. In connection with a redemption under “Redemption from Special Tax Prepayments” above, the City shall deliver to the Trustee a certificate of an Independent Financial Consultant to the effect that, for each Fiscal Year after the proposed redemption, the maximum amount of the Special Taxes that, based on Taxable Parcels following the related Special Tax Prepayment, may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement shall be at least 110% of the total Annual Debt Service

of the remaining Outstanding Bonds following such Special Tax Prepayment and redemption for the Bond Year that commences in such Fiscal Year.

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 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 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 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. Any Bonds purchased shall be treated as Outstanding Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

The Fiscal Agent

ZB, National Association dba Zions Bank has been appointed as the Fiscal Agent for all of the 2018 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.

2018B Bonds Designated as Green Bonds

General. The City is designating the 2018B Bonds as "Green Bonds" (also known as "Climate Bonds"). The purpose of designating the 2018B Bonds as Green Bonds is to allow investors to invest directly in bonds that finance environmentally beneficial projects ("Green Projects"). The particular capital improvements that the City has defined as "Green Projects" in connection with the 2018B Bonds are part of the development of the Salesforce Transit Center, a facility that **[is projected][has the status been achieved?]** to achieve LEED Gold certification due to its sustainable design features, and its related facilities, including the Train Box and Salesforce Park (each as defined herein). The Train Box was built to accommodate the planned Downtown Rail Extension, described herein. The 5.4 acre Salesforce Park that opened on August 11, 2018 serves as a "green roof" for the Salesforce Transit Center and is expected to absorb carbon dioxide from bus exhaust, absorb and filter stormwater, and provide a habitat for local wildlife.

The terms “Green Project,” “Green Bonds” and “Climate Bonds” are neither defined in, nor related to, provisions in the Resolution or the Fiscal Agent Agreement. Owners of the 2018B Bonds do not have any security other than as provided in the Fiscal Agent Agreement nor do such owners of the Green Bonds assume any specific project risk related to any of the projects funded thereby.

Climate Bonds Initiative and Certification. The CBI is an international, investor-focused non-profit organization working to focus the global bond market on climate change solutions through the development and promotion of an efficient Green Bond market. The CBI has established and manages the Climate Bonds Standard (the “Climate Bonds Standard”) under which the 2018B Bonds have been certified, in accordance with the “Low Carbon Land Transport Criteria” under the Climate Bonds Standard. The certification of the 2018B Bonds reflects only the views of the CBI and no assurance can be provided that CBI standards with respect to the Green Projects identified herein will not change. The explanation of the significance of this certification may be obtained from the CBI. The City has provided certain information and materials to the CBI, including information concerning the Salesforce Transit Center. The City covenants in the Fiscal Agent Agreement to spend proceeds of the 2018B Bonds on the Salesforce Transit Center. The City expects to spend the proceeds of the Green Bonds specifically on the Train Box and Salesforce Park. As part of the certification process, Stifel, Nicolaus & Co. Incorporated, one of the underwriters for the Bonds, retained Sustainalytics U.S., Inc., a subsidiary of Sustainalytics Holding, B.V, Netherlands (collectively, “Sustainalytics”), to provide a verification that the 2018B Bonds are aligned with the Climate Bonds Standard.

The certification of the 2018B Bonds as Climate Bonds by the CBI is based solely on the Climate Bond Standard and does not, and is not intended to make any representation or give any assurance with respect to any other matter relating to the 2018B Bonds or any project, including but not limited to this Official Statement, the transaction documents, the City or the management of the City.

The certification of the 2018B Bonds as Climate Bonds by the CBI was addressed solely to the City and is not a recommendation to any person to purchase, hold or sell the 2018B Bonds and such certification does not address the market price or suitability of the 2018B Bonds for a particular investor. The certification also does not address the merits of the decision by the City or any third party to participate in any project and does not express and should not be deemed to be an expression of an opinion as to the City or any aspect of any project (including, but not limited, to the financial viability of any project) other than with respect to conformance with the Climate Bond Standard.

The 2018B Bonds will not constitute “exempt facility bonds” issued to finance “green building and sustainable design projects” within the meaning of Section 142(1) of the Internal Revenue Code of 1986.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any project or the City. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of a project. The certification may only be used with the 2018B Bonds and may not be used for any other purpose without the CBI’s prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2018B Bonds and/or the payment of principal at maturity or any other date. The certification may be withdrawn at any time in the CBI’s sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

The CBI is not a licensed broker-dealer or a nationally recognized statistical ratings organization. Certification by the CBI is not a recommendation to buy, sell or hold securities, and such certification may be subject to revision or withdrawal, including, without limitation, if the City's future capital expenditures from the proceeds of the 2018B Bonds vary from the anticipated expenditures reviewed by the CBI. The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2018B Bonds will not result in revision or withdrawal of the CBI's certification; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification.

The Fiscal Agent Agreement does not restrict the use of proceeds of the 2018A Bonds or future issuances of bonds to the financing of Green Projects and, in the future, the City, on behalf of the District, may issue additional bonds which are not designated as Green Bonds or certified by the CBI. The repayment obligations with respect to the 2018B Bonds are not conditioned on the completion of any particular project or the satisfaction of any condition relating to the status of the 2018B Bonds as Green Bonds or the certification of such bonds by the CBI. See "SECURITY FOR THE BONDS."

Pursuant to the Continuing Disclosure Certificate, the City will provide to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access website ("EMMA") an annual report with a statement confirming that, during the most recent fiscal year, proceeds of the 2018B Bonds were spent only on the Green Projects identified herein. In addition, under the Continuing Disclosure Certificate, within 10 days after the City receives a written statement from the Climate Bonds Initiative to the effect that the 2018B Bonds are no longer certified in accordance with the "Low Carbon Land Transport Criteria" under the Climate Bonds Standard, the City will post, or cause to be posted, notice of such written statement on EMMA. See APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

[Remainder of page intentionally left blank.]

Debt Service Schedule

The following is the debt service schedule for the Parity Bonds and the 2018 Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

Year Ending (September 1)	2018A Bonds			2018B Bonds			Parity Bonds Debt Service ⁽¹⁾	Total Annual Debt Service
	Principal	Interest	Total	Principal	Interest	Total		
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
2026								
2027								
2028								
2029								
2030								
2031								
2032								
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
2043								
2044								
2045								
2046								
2047								
2048								
Total								

⁽¹⁾ 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 in 2046 before the final maturity of the Bonds. **[any other buildings falling out?]** 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 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 on Parcels developed with Taxable Buildings. In general, Special Taxes can only be levied on a property within the District if: (i) the property is a "Conditioned Project," as defined in the Rate and Method; (ii) a Certificate of Occupancy has been issued for the property; and (iii) a Tax Commencement Authorization for the property has been executed by the City's Director of the Office of Public Finance.

A Conditioned Project is a Development Project that is required to participate in funding Authorized Facilities through the District, because it received a zoning bonus to exceed the height and floor-to-area ratios that would have otherwise been applicable under the City's Planning Code.

See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" hereto.

The 2018 Bonds and all Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the Reserve Fund. The moneys in the Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2018 Bonds and all Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2018 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. The 2018A Bonds are secured by a first pledge of all moneys deposited in the 2018A Capitalized Interest Account. The 2018B Bonds are secured by a first pledge of all moneys deposited in the 2018B Capitalized Interest Account.

"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 2018A Improvement Account, the Allocated Bonds Account, the Administrative Expense Fund, and the Costs of Issuance Fund 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.

Limited Obligation

The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the 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

The Board of Supervisors of the City adopted the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds” (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, in 1993 pursuant to Resolution No. 830-93. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds.

By Resolution No. 245-17, the Board of Supervisors extended the Teeter Plan to the allocation and distribution of Special Taxes of the District. Under the Teeter Plan, the City will maintain a tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes (including the Special Taxes of the District) levied on the tax bill irrespective of any delinquent taxes.

The District is the only community facilities district in the City that is currently participating in the City’s Teeter Plan. The City has the power to include additional taxing agencies on the Teeter Plan. **[describe the district(s) that are expected to be added in FY 2018-19]** The City 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.

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, without preference or priority for transfer to (a) 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 (b) the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein (and in the event the collection of delinquencies in payment of Special Taxes are not sufficient for the purposes of this clause, 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); 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. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, 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 2018A Capitalized Interest Account, the 2018B 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 or redemption 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 in writing 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 “2018A Capitalized Interest Account” to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2018A Bonds. Amounts on deposit in the 2018A Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2018A Bonds.

Within the Bond Fund there is established as a separate account designated as the “2018B Capitalized Interest Account” to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2018B Bonds. Amounts on deposit in the 2018B Capitalized Interest Account will be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2018B Bonds.

Flow of Funds for Payment of Principal and Interest. At least ten (10) 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 collections of delinquent Special Taxes will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five (5) 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 2018 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, subject to the restrictions on the uses of any funds as set forth in the Fiscal Agent Agreement. 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 2018A Improvement Account and a BART Allocated Bond Proceeds Account, to be held by the Fiscal Agent and to the credit of which fund and account 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 2018A Improvement Account and the BART 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 as of as of December 1, 2014, between the City and the TJPA, as amended from time to time. Because the 2018B Bonds have been designated as Green Bonds, proceeds of the 2018B Bonds in the BART Allocated Bond Proceeds Account shall be spent only on Project costs of the Salesforce Transit Center. In the event that any moneys in the BART Allocated Bond Proceeds Account are not spent on Project costs at the Salesforce Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative in accordance with the Fiscal Agent Agreement.

Reserve Fund

[will 2017 Bonds be Related Parity Bonds?]

The District has established a Reserve Fund for the benefit of the 2018 Bonds and any related Parity Bonds pursuant to the Fiscal Agent Agreement to be funded at the Reserve Requirement. “Reserve Requirement” means, as of the date of issuance of the 2018 Bonds and any Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the 2018 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 2018 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 2018 Bonds and any Related Parity Bonds (or, if the 2018 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 2018 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.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a 2018 Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such 2018 Qualified Reserve Fund Credit Instrument will cause interest on the 2018 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

Rate and Method of Apportionment of Special Taxes

The following is a brief 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.

“Affordable Housing Project” means a residential or primarily residential project, as determined by the Zoning Authority, within which all Residential Units are Below Market Rate Units.

“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 Authorization has been provided to the Administrator for the Building.

“Conditioned Project” means a Development Project that is required to participate in funding Authorized Facilities through the District.

“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.

“Development Project” means a residential, non-residential, or mixed-use development that includes one or more Buildings, or portions thereof, that are planned and entitled in a single application to the City.

“Initial Annual Adjustment Factor” means, as of July 1 of any Fiscal Year, the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator’s Capital Planning Group and used to calculate the annual adjustment to the City’s development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to Section 409(b) of the Planning Code, as may be amended from time to time. If changes are made to the office responsible for calculating the annual adjustment, the name of the inflation index, or the date on which the development fee adjustment takes effect, the Administrator shall continue to rely on whatever annual adjustment factor is applied to the City’s development impact fees in order to calculate adjustments to the Base Special Taxes. Notwithstanding the foregoing, the Base Special Taxes shall, in no Fiscal Year, be increased or decreased by more than four percent (4%) of the amount in effect in the prior Fiscal Year.

“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.

“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 the Rate and Method.

“Taxable Parcel” means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or the Rate and Method. If, in any Fiscal Year, a Special Tax is levied on only Net New Square Footage in a Taxable Building, only the Parcel(s) on which the Net New Square Footage is located shall be Taxable Parcel(s) for purposes of calculating and levying the Special Tax pursuant to the Rate and Method.

“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.

“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 of a Taxable Parcel, 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 Future Annexation Area.

In general, Special Taxes can only be levied on a property within the District if: (i) the property is a “Conditioned Project,” as defined in the Rate and Method, (ii) a Certificate of Occupancy has been issued for the property and (iii) a Tax Commencement Authorization for the property has been executed by the City’s Director of the Office of Public Finance. Special Taxes cannot be levied on: (i) undeveloped property within the District or (ii) any parcel that has not met the conditions specified in the first sentence of this paragraph.

See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

Special Tax Rates. The Rate and Method provides how the Special Tax Rates are determined. 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 steps set forth in the Rate and Method to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building.

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. Special Taxes may be levied on all property within the District up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels 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 about 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 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 2018 Bonds and any Related Parity Bonds.

Parity Bonds

The City may issue Parity Bonds in addition to the 2017 Bonds and the 2018 Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds 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 principal amount of the 2018 Bonds, the 2017 Bonds and any additional Parity Bonds shall not exceed \$1.4 billion (although Parity Bonds that constitute refunding bonds under the Act will not count against this \$1.4 billion limit). The City may issue such Parity Bonds, on a parity basis with the 2018 Bonds and the 2017 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 \$1.4 billion limitation on debt.

(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 one of the following:

(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. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* The CFD 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 Taxable Parcels 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. “Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the related Closing Date and shall end on September 1, 2019.

(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, generally 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 Napa and Sonoma “wine country” is about an hour’s drive to the north. The City’s 2017 population was approximately 874,228. 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 July 15, 2014, the Board of Supervisors of the City adopted Resolution No. 246-14, in which it declared its intention to incur bonded indebtedness on behalf of the District in an aggregate amount not to exceed \$1.4 billion. On September 23, 2014, after holding a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 350-14 and 351-14, forming the District and, subject to approval by the qualified electors, approving the levy of special taxes within the District according to the Rate and Method, an appropriations limit for the District not to exceed \$300,000,000 and bonded indebtedness in an amount not to exceed \$1.4 billion.

On December 29, 2014, an election was held within the District pursuant to the Act at which at least two-thirds of the qualified landowner electors approved the levy of special taxes according to the Rate and Method, incurrance of bonded indebtedness in an aggregate amount not to exceed \$1.4 billion and the appropriations limit. On January 13, 2015, the Board of Supervisors adopted Ordinance No. 1-15, levying special taxes in the District. The Mayor approved the Ordinance on January 20, 2015. See “SECURITY FOR THE BONDS,” “THE DISTRICT” herein and APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Taxable Buildings (Subject Properties)

Taxable Buildings (Subject Properties) have received a Certificate of Occupancy and a Tax Commencement Authorization. Together, they contribute 100% of the Special Tax Revenues (as defined herein) levied by the Board of Supervisors of the City. See “THE DISTRICT” and “SPECIAL RISK FACTORS – Concentration of Property Ownership” herein.

In addition to the six Taxable Buildings (Subject Properties), there are currently five additional Conditioned Projects in the District and four Conditioned Projects in the Future Annexation Area planned for residential, commercial or mixed use that may become subject to the Special Tax. In general, Special Taxes can only be levied on a property within the District if: (i) the property is a “Conditioned Project,” as defined in the Rate and Method, (ii) a Certificate of Occupancy has been issued for the property and (iii) a Tax Commencement Authorization for the property has been executed by the City’s Director of the Office of Public Finance.

The following table sets forth the Taxable Buildings (Subject Properties) contributing to the Special Tax and the current Conditioned Projects in various stages of planning and development. Taxable square footage is presented on the table for Taxable Buildings (Subject Properties) contributing to the Special Tax and preliminary estimated gross square footage provided for all other projects.

From time to time, additional properties in the District or the Future Annexation Area may become Conditioned Projects because they receive zoning bonuses to exceed certain height limits and floor-to-area ratios established pursuant to the City’s Planning Code. No assurance can be provided that any particular property will be annexed into the District, become a Conditioned Project and become subject to Special Taxes as a Taxable Building.

Table 1
Community Facilities District No. 2014-1
(Transbay Transit Center)
Completed and Conditioned Projects⁽¹⁾

Projects ⁽²⁾	Street Address	Office (sq. ft.)	Retail (sq. ft.)	Hotel (sq. ft.)	Residential (sq. ft.)	Residential (type)	Building Stories	Expected Completion Date ⁽¹⁾	First Fiscal Year of Special Tax Levy
A – Taxable Buildings (Subject Properties)/Completed Projects Subject to the Special Tax									
Solaire	299 Fremont Street	-	7,204	-	288,937	Rental	32	Completed	2016-17
Salesforce East	350 Mission Street	47,645	4,355	-	-	-	30	Completed	2016-17
Salesforce Tower	415 Mission Street	1,413,397	6,789	-	-	-	61	2018	2018-19
41 Tehama	41 Tehama Street	-	788	-	236,375	Rental	34	2018	2018-19
181 Fremont	181 Fremont Street	433,669	2,663	-	121,328	For sale	54	2018	2018-19
Block 5/Park Tower	250 Howard Street	613,396	6,914	-	-	-	43	2018	2019-20
Subtotal		2,508,107	28,713	-	646,640				
B – Conditioned Projects Under Construction Within the District									
Block 8	250 Fremont Street					-	56	2019	-
- Rental portion		-	17,320	-	346,632	Rental	-	-	-
- For sale		-	-	-	232,421	For sale	-	-	-
Block 9	500 Folsom Street	-	6,754	-	297,329	Rental	42	2019	-
Block 1	160 Folsom Street	-	10,207	-	318,673	For sale	40	2020	-
Subtotal		-	34,281	-	1,195,055				
C – Conditioned Projects Not yet Under Construction Within the District									
Block 4 ⁽³⁾	200 Main Street	-	10,000	-	222,382	Rental/For sale	47	2022	-
Parcel F ⁽³⁾	550 Howard Street	251,323	-	182,023	131,000	For sale	43	2021	-
Subtotal		251,323	10,000	182,023	353,382				
D – Conditioned Projects to be Annexed into the District									
75 Howard ⁽⁴⁾	75 Howard Street	-	5,800	-	183,000	For sale	20	2020	-
555 Howard ⁽⁴⁾	555 Howard Street	-	-	213,000	152,038	For sale	34	2021	-
524 Howard ⁽⁴⁾	524 Howard Street	-	1,360	-	275,000	Rental	34	2022	-
Oceanwide Center ⁽⁴⁾	50 First Street/526 Mission Street	1,006,606	1,141	266,182	771,704	Rental	52/63	2022	-
Subtotal		1,006,606	8,301	472,744	1,381,742				
Grand Total		3,766,036	81,295	654,767	3,576,819				

Footnotes on next page.

Footnotes for Table 1.

Source: San Francisco Planning Department; Special Tax Consultant

(1) All projects include preliminary estimates and are subject to change until project completion. Years reflect estimated delivery of a Certificate of Occupancy.

(2) A “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.

(3) Project is not yet entitled.

(4) Project is entitled.

Description of Existing Taxable Buildings (Subject Properties)

Six properties in the District that are developed for office, retail and residential use have received a Certificate of Occupancy and a Tax Commencement Authorization and constitute the Taxable Buildings (Subject Properties). The Special Tax will be levied on the Taxable Buildings (Subject Properties) based on all or a portion of the square footage of each building, not on the building’s assessed valuation. See “SECURITY FOR THE BONDS,” above. The following Taxable Buildings (Subject Properties) were required to join the District as part of their project entitlements.

350 Mission Street (Salesforce East). The building located at 350 Mission Street is a 30-story LEED® Platinum-certified office tower completed in 2015 containing approximately 420,000 square feet of floor area. The Special Tax was first levied for this building in Fiscal Year 2016-17. 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.

The Special Tax for 350 Mission Street is calculated based solely on the square footage of three floors that allowed a zoning bonus, which constitutes a Conditioned Project under the Rate and Method. A Conditioned Project is a Development Project that is required to participate in funding Authorized Facilities (as defined in the Rate and Method) through the District because it received a zoning bonus to exceed the height and floor-to-area ratios that would have otherwise been applicable under the City’s Planning Code. However, the Special Tax levy is secured by the full 350 Mission Street parcel. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein. Salesforce, a global cloud computing company (publically traded as CRM on the New York Stock Exchange), is currently the only tenant in the building. [confirm] Kilroy Realty Corp, a privately held real estate investment trust, is the current owner of the 350 Mission Street property.

299 Fremont Street (Solaire). The buildings located at 299 Fremont Street include a 32-story residential tower and 7 townhomes with a total of 409 rental units marketed as Solaire. The Special Tax was first levied for these buildings in Fiscal Year 2016-17. 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. Amenities include a fitness center, community room and kitchen, media room, game room, yoga studio, and a roof deck lounge and spa. The buildings were completed in February 2017 and opened in March 2017. The residential tower contains 7,204 square feet of retail space on the ground floor. Solaire also includes affordable housing that is not subject to the Special Tax. The owner is Block 6 Joint Venture, LLC, an affiliate of Golub Real Estate Corporation.

The total leasable square feet in the buildings is 296,141. As of September 24, 2018, 94% of the total leasable area had been leased. The levy of the Special Tax is not contingent upon the leasing of space. The forgoing leasing information has been obtained from sources the City believes to be reliable, however, the City has not independently verified such leasing information.

415 Mission Street (Salesforce Tower). The building located at 415 Mission Street contains a diverse mix of office and retail uses. The Special Tax for this building will be levied beginning in Fiscal Year 2018-19. The building is currently 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 building has 61 floors with 13-foot high ceilings and 10-foot high continuous clear glass. The building is LEED® Core and Shell Pre-Certified Platinum and contains a number of environmentally friendly features. Importantly, the building is located next to the Salesforce Transit Center with access to Muni, AC Transit and Golden Gate Transit, is one block from BART and three blocks from freeway access. Hines, a privately held, global real estate, management and investment firm, and Boston Properties, a self-managed real estate investment trust traded on the New York Stock Exchange, co-own the 415 Mission Street property.

The total leasable square feet in the building is 1,420,186. As of _____, approximately [1,146,918] square feet (approximately [81]%) of such total leasable area had been leased with occupancy expected to begin in December 2018. Salesforce.com, inc. purchased the naming rights for the building and has leased over half of the building as of the date of this Official Statement. The levy of the Special Tax is not contingent upon the leasing of space in the building. The forgoing leasing information has been obtained from sources the City believes to be reliable, however, the City has not independently verified such leasing information.

41 Tehama Street. The building located at 41 Tehama Street is 34 stories and contains 403 units of multi-family housing and a small retail space on 0.44 acres. The Special Tax was first levied for this building in Fiscal Year 2018-19. The building received its Certificate of Occupancy and a Tax Commencement Authorization in November 2017 and opened in _____, 2018. The owner is Hines.

The total leasable square feet in the building is 329,005 (788 of retail and 277,875 of residential). As of _____, 20__ _____ square feet of such total leasable area had been leased. The levy of the Special Tax is not contingent upon the leasing of space. The forgoing leasing information has been obtained from sources the City believes to be reliable, however, the City has not independently verified such leasing information.

181 Fremont Street. The building located at 181 Fremont Street is 54 stories and contains 67 condominiums (121,328 of saleable space), office (433,669 of leasable space) and retail (2,663 of leasable space). The primary tenant is Facebook. The residential lobby is twenty-five feet tall and enclosed in glass. Amenities encompass an entire floor and feature a wrap-around observation terrace, The Conservatory, Bay Terrace, fitness center with yoga room, two lounges, a library, catering kitchen, and conference room. The Special Tax was first levied for this building in Fiscal Year 2018-19. The building was occupied in May 2018 and opened in _____, 2018. The building owner is 181 Fremont LLC (or Jay Paul Company).

The total leasable square feet in the building is 436,332. All square feet of such total leasable area had been leased. The levy of the Special Tax is not contingent upon the leasing of space. The forgoing leasing information has been obtained from sources the City believes to be reliable, however, the City has not independently verified such leasing information.

250 Howard Street (Block 5/Park Tower). The building located at 250 Howard Street is a 43-story, 605-foot tower containing 613,396 of office space and 6,914 of retail space. **[numbers do not match developer records]** All of the office space is preleased and none of the retail space is preleased. The Special Tax will be first levied for this building in Fiscal Year 2019-20. The building received a Certificate of Occupancy on October 10, 2018. The owner is Park Tower Owner LLC (or John Buck Company and Met Life).

The total leasable square feet in the building is [755,900] **[subject to change]**. The building has been preleased to Facebook, but construction is not yet complete. **[A Certificate of Occupancy is expected on October 10, 2018.]** The levy of the Special Tax is not contingent upon the leasing of space. The forgoing leasing information has been obtained from sources the City believes to be reliable, however, the City has not independently verified such leasing information.

Development Summary, Special Tax Levy, Assessed Values and Value to Lien Ratios

The following table sets forth a summary of the development of the Taxable Buildings (Subject Properties) and related Special Tax levy for Fiscal Year 2018-19, Special Tax Levy for Fiscal Year 2019-20, assessed values and value-to-lien ratios. Pursuant to the Act and the Rate and Method, the principal amount of the Bonds is not allocable among the parcels in the District based on the value of the parcels. A downturn of the economy or other market factors may depress assessed values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Value to Lien Ratios” herein.

[Remainder of page intentionally left blank.]

Table 2
Community Facilities District No. 2014-1
(Transbay Transit Center)
Taxable Buildings (Subject Properties) Development Summary, Assessed Values and Value to Lien Ratios

Building and Land Use Category	Square Feet	FY 2018-19 Special Tax Levy	Estimated FY 2019-20 Special Tax Levy*	Percent of FY 2019-20 Special Tax Levy	Allocable Share of 2018 Bonds^{(1)*}	Allocable Share of 2017 and 2018 Bonds^{(1)*}	FY 2018-19 Assessed Value⁽²⁾	Value-to-Lien Ratio*
350 Mission Street (Salesforce East) ⁽³⁾								
Office	47,645	\$243,111	\$247,973	1.3%	\$2,079,036	\$4,730,541	--	--
Retail	4,355	\$16,207	\$16,532	0.1%	\$138,603	\$315,371	--	--
Subtotal	52,000	\$259,318	\$264,505	1.4%	\$2,217,639	\$5,045,913	\$392,962,283	77.88
299 Fremont Street (Solaire)								
Rental Residential	288,937	\$1,628,630	\$1,661,202	8.6%	\$13,927,722	\$31,690,491	--	--
Retail	7,204	\$26,810	\$27,346	0.1%	\$229,276	\$521,684	--	--
Subtotal	296,141	\$1,655,440	\$1,688,549	8.7%	\$14,156,999	\$32,212,175	\$290,336,558	9.01
415 Mission Street (Salesforce Tower)								
Office	1,413,397	\$8,443,303	\$8,612,169	44.4%	\$72,205,477	\$164,292,979	--	--
Retail	6,789	\$26,266	\$26,792	0.1%	\$224,625	\$511,100	--	--
Subtotal	1,420,186	\$8,469,569	\$8,638,960	44.5%	\$72,430,102	\$164,804,080	\$1,336,595,294	8.11
41 Tehama (33 Tehama)								
Rental Residential	236,375	\$1,389,042	\$1,416,823	7.3%	\$11,878,820	\$27,028,513	--	--
Retail	788	\$3,049	\$3,110	0.0%	\$26,072	\$59,324	--	--
Subtotal	237,163	\$1,392,091	\$1,419,933	7.3%	\$11,904,892	\$27,087,837	\$226,744,274	8.37
181 Fremont								
For Sale Residential	121,328	\$1,086,440	\$1,108,168	5.7%	\$9,291,019	\$21,140,352	--	--
Retail	2,663	\$10,303	\$10,509	0.1%	\$88,110	\$200,480	--	--
Office	433,669	\$2,590,637	\$2,642,450	13.6%	\$22,154,623	\$50,409,596	--	--
Subtotal	557,660	\$3,687,380	\$3,761,127	19.4%	\$31,533,751	\$71,750,429	\$518,535,441	7.23
250 Howard (Park Tower) ^{(4)(5)*}								
Office	613,396	--	\$3,605,103	18.6%	\$30,225,627	\$68,773,984	--	--
Retail	6,914	--	\$27,551	0.1%	\$230,990	\$525,584	--	--
Subtotal	620,310	--	\$3,632,654	18.7%	\$30,456,617	\$69,299,568	\$354,329,471	5.11
Total	3,183,460	\$15,463,798	\$19,405,728	100.0%	\$162,700,000	\$370,200,000	\$3,119,503,321	8.43

Source: San Francisco Assessor's Office, San Francisco Planning Department and Special Tax Consultant.

* Preliminary, subject to change.

Footnotes on next page.

Footnotes for Table 2.

- (1) Allocated based on the share of the estimate Fiscal Year 2019-20 special tax levy.
- (2) As of January 1, 2018.
- (3) The special tax for 350 Mission Street is calculated based solely on the square footage of three floors, which constitutes a Conditioned Project under the Rate and Method. In the event of delinquencies in the payment of Special Taxes, the entire building is subject to foreclosure.
- (4) Based on the estimated taxable square footage for the Conditioned Project.
- (5) Assumes a 3.0% increase in the Initial Annual Adjustment Factor for Fiscal Year 2019-20.

Conditioned Projects Under Construction

The following table lists Conditioned Projects that may receive a Certificate of Occupancy and Tax Commencement Authorization this calendar year and become subject to the Special Tax beginning in Fiscal Years 2019-20. The City provides no assurance, however, that any such development will be completed as expected.

**Table 3
Community Facilities District No. 2014-1
(Transbay Transit Center)
Conditioned Projects Under Construction**

<u>Project Address</u>	<u>Planned Development (Square Feet)</u>	<u>Expected Certificate of Occupancy Date</u>	<u>Estimated Special Tax⁽¹⁾</u>	<u>FY 2018-19 Assessed Value⁽²⁾</u>
500 Folsom Street (Block 9)	304,083	July 2019	<u>FY 2019-20</u> \$1,488,080	\$146,241,702
250 Fremont Street (Block 8)	<u>596,373</u>	July 2019	\$3,518,105	<u>\$180,728,400</u>
Total	900,456			\$374,856,126

Source: San Francisco Planning Department; OCII; San Francisco Assessor’s Office; Special Tax Consultant.

- (1) Assumes a 3.0% increase in the Initial Annual Adjustment Factor for Fiscal Years 2019-20.
- (2) Values reflect in-process construction values as of the January 1, 2018 lien date, assuming 36% completion of 500 Folsom Street and 30% completion of 250 Fremont Street is according to the San Francisco Assessor’s Office.

Property Valuation

The assessed value of all Taxable Buildings (Subject Properties) for Fiscal Year 2018-19 is \$603,930,771 for land and \$2,515,572,550 for structures, for a total assessed valuation of \$3,119,503,321. This reflects the partial construction value (65%) as of the January 1, 2018 lien date for Park Tower.

Debt Service Coverage

The following table sets forth debt service coverage with respect to the 2018 Bonds, assuming Special Taxes are collected when levied.

The projected Special Tax Revenue in the below table assumes a maximum Special Tax levied on the 250 Howard Street in the Fiscal Year 2019-20 assuming a 3.0% Initial Annual Adjustment Factor for Fiscal Year 2019-20. Under the Rate and Method, the Initial Annual Adjustment Factor is used to increase the Base Special Tax each July 1, and, subject to the limits described in the Rate and Method, is equal to the Annual Infrastructure Construction Cost Inflation Estimate (the “AICCIE”), as of July 1 of the applicable Fiscal Year, published by the Office of the City Administrator’s Capital Planning Group and used to calculate the annual adjustment to the City’s development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to the City’s Planning Code. The Base Special Tax rates are used to calculate the Maximum Special Tax for each Taxable Parcel in a Taxable Building for the first Fiscal Year in which the Building is a Taxable Building. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Actual AICCIE (Fiscal Year)	AICCIE	Initial Annual Adjustment
2014-15	4.50%	4.00%
2015-16	5.00	4.00
2016-17	5.00	4.00
2017-18	5.00	4.00
2018-19	5.75	4.00
2019-20*	[]	3.00

[Remainder of page intentionally left blank.]

The actual Initial Annual Adjustment Factor applied when calculating the maximum Special Tax levied on the 250 Howard Street in Fiscal Year 2019-20 may be less than the 3.0% that was assumed for the purposes of the below table. If the actual Initial Annual Adjustment Factor is less than 3.0%, then debt service coverage on the Bonds would be less than 110% without adding additional Taxable Buildings to the District.

<u>Year Ending</u> ⁽¹⁾	<u>Total 2017 Bonds Debt Service</u> ⁽²⁾	<u>Total 2018 Bonds Debt Service</u> ⁽²⁾	<u>Projected Special Tax Revenue</u> ⁽³⁾	<u>Projected Debt Service Coverage</u> ⁽⁴⁾
2018	\$ 1,698,043			%
2019	9,312,381			
2020	9,501,044			
2021	9,691,644			
2022	9,887,881			
2023	10,078,256			
2024	10,286,431			
2025	10,490,281			
2026	10,700,581			
2027	10,913,656			
2028	11,131,331			
2029	11,353,188			
2030	11,582,688			
2031	11,813,888			
2032	12,049,919			
2033	12,295,725			
2034	12,532,975			
2035	12,787,975			
2036	13,044,413			
2037	13,301,538			
2038	13,573,600			
2039	13,843,000			
2040	14,123,000			
2041	14,402,200			
2042	14,689,600			
2043	14,983,800			
2044	15,283,400			
2045	15,587,000			
2046	15,903,200			
2047	13,195,200			
2048	13,457,600			
Total	\$373,495,437			

Totals may not add due to rounding.

⁽¹⁾ Projected Special Tax Revenues are presented for the fiscal year ending on June 30 of each year; debt service is presented for the bond year ending September 1 of each year.

⁽²⁾ Net of capitalized interest funding a portion of interest on each series.

⁽³⁾ Projected Special Tax Revenues reflects the sum of the maximum annual Special Tax of the Taxable Buildings (Subject Properties), assuming a Special Tax levy on (i) 350 Mission Street and 299 Fremont Street beginning in Fiscal Year 2016-17 and escalating thereafter at 2% annually through Fiscal Year 2045-46, (ii) 415 Mission Street, 41 Tehama Street, and 181 Fremont Street beginning in Fiscal Year 2018-19 and escalating thereafter at 2% annually through Fiscal Year 2047-48, and (iii) 250 Howard Street beginning in Fiscal Year 2019-20 and escalating at 2% annually through Fiscal Year 2048-49. Actual maximum Special Tax Revenues may increase as additional parcels become subject to the Special Tax levy upon receiving a Certificate of Occupancy and a Tax Commencement Authorization. Assumes no further Taxable Buildings receive a Certificate of Occupancy and a Tax Commencement Authorization.

⁽⁴⁾ Represents projected Special Tax Revenues divided by the total annual debt service for the 2017 Bonds and the 2018 Bonds.

Estimated Effective Tax Rate

The following table sets forth an illustrative Fiscal Year 2019-20 tax bill for a Taxable Property in the District.

Table 4
Community Facilities District No. 2014-1
(Transbay Transit Center)
Fiscal Year 2019-20 – Illustrative Tax Bill

		<u>Salesforce East</u>	<u>Solaire</u>	<u>Salesforce Tower</u>	<u>33 Tehama</u>	<u>181 Fremont</u>	<u>Park Tower⁽³⁾</u>
Assessed Value⁽¹⁾							
Land Value		\$55,885,279	\$26,678,390	\$207,595,294	\$52,813,305	\$76,829,032	\$184,129,471
Improvement & Other Value		\$337,077,004	\$263,658,168	\$1,129,000,000	\$173,930,969	\$441,706,409	\$170,200,000
Total Assessed Value		\$392,962,283	\$290,336,558	\$1,336,595,294	\$226,744,274	\$518,535,441	\$354,329,471
Ad Valorem Tax Rate⁽²⁾							
Base Tax Rate	1.0000%	\$3,929,623	\$2,903,366	\$13,365,953	\$2,267,443	\$5,185,354	\$3,543,295
Other Ad Valorem Property Taxes	0.1630%	\$640,529	\$473,249	\$2,178,650	\$369,593	\$845,213	\$577,557
Total Ad Valorem Taxes	1.1630%	\$4,570,151	\$3,376,614	\$15,544,603	\$2,637,036	\$6,030,567	\$4,120,852
Direct Charges							
GTR Rincon Hill CBD		\$54,766	\$28,980	\$138,805	##	##	##
SF Bay RS Parcel Tax		\$12	\$12	\$12	\$12	\$12	\$12
SF USD Facility District		\$37	\$37	\$37	\$37	\$37	\$37
SFF CCD Parcel Tax		\$99	\$99	\$99	\$99	\$99	\$99
SF – Teacher Support		\$244	\$244	\$244	\$244	\$244	\$244
Transbay CFD No. 2014-1 ⁽²⁾		\$264,505	\$1,688,549	\$8,638,960	\$1,419,933	\$3,761,127	\$3,632,654
Total Direct Charges		\$319,663	\$1,717,920	\$8,778,157	\$1,420,325	\$3,761,519	\$3,633,046
Total Taxes and Direct Charges		\$4,889,814	\$5,094,534	\$24,322,760	\$4,057,361	\$9,792,086	\$7,753,898
Percentage of Assessed Value		1.24%	1.75%	1.82%	1.79%	1.89%	2.19%

Source: San Francisco Treasurer and Tax Collector's Office; San Francisco Assessor's Office; Special Tax Consultant.

(1) Reflects assessed value as of the January 1, 2018 lien date.

(2) Based on the fiscal year 2018-19 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.

(3) Reflects the Fiscal Year 2018-19 maximum Special Tax. The maximum Special Tax for Park Tower assumes a 3.0% increase in the Initial Annual Adjustment Factor for Fiscal Year 2018-19. Numbers reflect partial assessed value for Park Tower.

Future Financings

The City is authorized to issue on behalf of the District bonded indebtedness, including the 2018 Bonds and the 2017 Bonds, in an aggregate amount not to exceed \$1.4 billion. The aggregate amount of Bonds issued to date is \$_____. The City anticipates issuing additional Parity Bonds on behalf of the District, subject to the conditions set forth in the Fiscal Agent Agreement, in the amount of approximately \$___ million over the next five years. See SECURITY FOR THE BONDS – Parity Bonds” herein.

Direct and Overlapping Debt

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

Table 5
Community Facilities District No. 2014-1
(Transbay Transit Center)
Direct and Overlapping Debt

2018-19 Assessed Valuation: \$1,765,161,206 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/18</u>
Bay Area Rapid Transit District General Obligation Bonds	0.235%	\$ 1,901,730
San Francisco City and County General Obligation Bonds	0.688	17,055,933
San Francisco Unified School District General Obligation Bonds	0.688	6,663,519
San Francisco Community College District General Obligation Bonds	0.688	1,593,298
City of San Francisco Community Facilities District No. 2014-1	100.	<u>206,930,000</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$234,144,480
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Francisco City and County General Fund Obligations	0.688%	<u>\$9,696,388</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$9,696,388
 GROSS COMBINED TOTAL DEBT		 \$243,840,868 (2)

(1) Excludes Mello-Roos Act bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$206,930,000)	11.72%
Total Direct and Overlapping Tax and Assessment Debt.....	13.26%
Combined Total Debt	13.81%

Source: California Municipal Statistics.

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 2018 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 2018 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, subsidence 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 could 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 as measured by assessed values or appraised values (in this case, Fiscal Year 2018-19 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. Assessed values may not reflect the current market value of property. A downturn of the economy or other market factors may depress land values and lower 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 assessed appraised value is less than its allocable share of debt.) 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. Local agencies typically do not coordinate their bond issuances. Debt issuance by another entity could 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 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 2018 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 2018 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 2018 Bonds are secured by Special Tax Revenues from all parcels subject to the Special Tax in the District. Upon delivery of the 2018 Bonds, Special Taxes will be levied only on _____ parcels (or five Conditioned Projects/Buildings). Because Special Taxes may only be levied on any individual parcel for a maximum term of 30 years, the levy on parcels 350 Mission Street and 299 Fremont Street will terminate before the final maturity of the 2018 Bonds. Unless additional parcels are annexed into the District (or a Certificate of Occupancy/Tax Commencement Authorization are issued for additional parcels already within the boundaries of the District) before the maximum term of the applicable levy is reached, payments due on the 2018 Bonds in 2047 and 2048 will be secured only by Special Taxes levied on the remaining Salesforce Tower, 41 Tehama, 181 Fremont, and Park Tower parcels. The 2018 Bonds have been structured to maintain projected coverage of 110%, notwithstanding the termination of the levy on parcels 350 Mission Street and 299 Fremont Street.

Teeter Plan

The District is the only community facilities district in the City that is currently participating in the City's Teeter Plan. See "SECURITY FOR THE BONDS – Teeter Plan" herein. The City 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 City has the power to include additional taxing agencies on the Teeter Plan.

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 2018 Bonds. Development of property in the District may not occur as currently proposed or at all. As of the date the 2018 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, including the 2018 Bonds, in an aggregate amount not to exceed \$1.4 billion. See "THE DISTRICT – Future Financings."

Seismic Risks

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. These faults, include 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. Historical 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. See “- Risk of Sea Level Changes and Flooding” below.

Hazardous Substances

A serious risk in terms of the potential reduction in the value of a parcel within the District is the discovery of 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 other 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, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

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

It is expected that sea levels will rise given the rising temperature of the oceans and an increase in ocean volume as land ice melts and runs off into the ocean. Over the past century, sea level has risen nearly eight inches along the California coast, and substantial increases in sea level rise are projected due to climate change over the coming century. In July 2012, the California Energy Commission released a white paper prepared by the Pacific Institute entitled “The Impacts of Sea Level Rise on the San Francisco Bay.” 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 to communities along the San Francisco Bay. The paper attempts to assess the level of property damage over ranges of sea level rise, and the corresponding cost of damage resulting from flooding from 100-year flood events. The paper estimates that 270,000 people would potentially be affected from a sea level worst case rise of 1.4 (m). The paper estimated that the assets at risk during a 100-year flood increase from about \$29 billion under then-current conditions to \$36 billion, \$49 billion, and \$62 billion (in year 2000 dollars) with a 0.5 m, 1.0 m, and 1.4 m sea level rise, respectively. Two-thirds of this at-risk property is concentrated in San Mateo County, 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 vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

In March 2016, the City released a report entitled “Sea Level Rise Action Plan,” which was designed to identify geographic zones at risk of sea level rise and provide a framework for devising adaption strategies to confront these risks. It is anticipated that the citywide adaption plan will be prepared and released in the summer 2018. The goal of the adaption plan is to establish a planning framework, identify funding sources and prioritize investments.

The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City and the local economy.

Natural Disasters and Other Events

Other natural or man-made disasters, such as flood, wildfire, tsunamis, 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. Such events could also damage critical 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.

As a result of the occurrence of events described in the preceding 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 2018 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).

Millennium Tower

Millennium Tower is a 58-story luxury residential building completed in 2009 located at 301 Mission Street in the City. **Millennium Tower is not located in the District, nor is it subject to the levy of the Special Tax 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, and other lawsuits have subsequently been filed against TJPA, some of which also name 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 Salesforce Transit Center.

The TJPA began excavation and construction for the Salesforce Transit Center and its related facilities in 2010, after the Millennium Tower was completed. In brief, the Lawsuit claims that the construction of the Salesforce Transit Center and its related facilities 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 Salesforce Transit Center and its related facilities 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. **[update]**

An adverse judgment in the Lawsuit would not affect the District or the levy or availability of Special Tax Revenues. The relevance of the Lawsuit to the 2018 Bonds is that it relates to conditions at a private development project near the District, and if those conditions were replicated at Taxable Parcels, it could adversely impact the ability of property owners of such affected buildings to pay Special Taxes. The City is not aware of any such condition affecting the Taxable Buildings (Subject Properties) within the District.

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 2018 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 2018 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 and Other Federal Agencies

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 2018 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 2018 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 2018 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 2018 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 levied on Taxable Buildings 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

The District is currently included on the Teeter Plan and Special Taxes are expected to be paid in a timely manner. However, as described above, the District could be removed from the Teeter Plan. The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2018 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 foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2018 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 would be sold or, if sold, that the proceeds of such sale would 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 2018 Bonds and to replenish the Reserve Fund to an amount equal to the Reserve Requirement, but not more than a 10% increase on property used for private residential purposes above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults. 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 2018 Bonds. See “SECURITY FOR THE BONDS – The Special Taxes” and APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Initial Annual Adjustment Factor

Pursuant to the Rate and Method, the initial maximum Special Tax that can be levied on a Taxable Building not currently subject to the Special Tax is adjusted on an annual basis by the Initial Annual Adjustment Factor. The Initial Annual Adjustment Factor is the Annual Infrastructure Construction Cost Inflation Estimate (the “AICCIE”), as of July 1 of the applicable Fiscal Year, published by the Office of the City Administrator’s Capital Planning Group and used to calculate the annual adjustment to the City’s development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to the City’s Planning Code. Despite the actual AICCIE, the maximum Special Tax cannot be increased or decreased by more than 4.0% of the maximum Special Tax calculated for the prior Fiscal Year. Because the Park Tower did not receive a Certificate of Occupancy and a Tax Commence Authorization prior to June 30, 2018, the Special Tax will not be levied on the Park Tower until Fiscal Year 2019-20.

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 Board of Supervisors, 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 2018 Bonds.

It may be possible, however, for voters or the Board of Supervisors, 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 2018 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 2018 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 fewer 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. In addition, each owner of property that annexed into the District after original District formation has represented to the City that there were no registered voters on such property at the time of annexation.

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 on December 29, 2016, and owners of property that annexed into the District voted in favor of special taxes and the issuance of Bonds for the District at the time of annexation more than 30 days prior to the date of issuance of the 2018 Bonds. 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 2018 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 2018 Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2018 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.

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 2018 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2018 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 2018 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 2018 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 2018 Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the 2018 Bonds or, if a secondary market exists, that the 2018 Bonds can or could be sold for any particular price.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the 2018 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 and the notices of enumerated events will be filed with the MSRB on EMMA. 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 City in order to assist the Underwriters 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 EMMA by April 11, 2013. The City filed such notice on May 17, 2013. Filings through EMMA are linked to a particular issue of obligations by CUSIP number. It has come to the City's attention that certain filings (including certain Annual Reports, comprehensive annual financial reports and notice of upgrade by S&P Global Ratings), when made, were not appropriately linked to all applicable CUSIP numbers. The City has since linked the applicable filings to the additional CUSIPs. **[City/Underwriter to confirm paragraph]**

TAX MATTERS

The interest on the 2018 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 2018 Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2018 Bonds to be delivered on the date of issuance of the 2018 Bonds is set forth in Appendix D.

Owners of the 2018 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2018 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 2018 Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated and _____ (together, the “Underwriters”) purchased the 2018A Bonds at a purchase price of \$_____ (calculated as the aggregate principal amount of the 2018A Bonds in the amount of \$_____, minus an original issue discount in the amount of \$_____, and less underwriters’ discount in the amount of \$_____). and purchased the 2018B Bonds at a purchase price of \$_____ (calculated as the aggregate principal amount of the 2018B Bonds in the amount of \$_____, less original issue discount in the amount of \$_____, and less underwriters’ discount in the amount of \$_____). The Underwriters intend to offer the 2018 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 Underwriters reserve the right to join with dealers and other underwriters in offering the 2018 Bonds to the public. The Underwriters may offer and sell the 2018 Bonds to certain dealers (including dealers depositing 2018 Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

LEGAL OPINION AND OTHER LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2018 Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2018 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2018 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 2018 Bonds.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the 2018 Bonds.

Norton Rose Fulbright (US) LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2018 Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein, no facts have come to the attention of the personnel with Norton Rose Fulbright (US) LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2018 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addressee of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

NO LITIGATION

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2018 Bonds will be furnished to the Underwriters at the time of the original delivery of the 2018 Bonds. Neither the City nor the District is 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 2018 Bonds.

RATING

Fitch Ratings has assigned the 2018 Bonds its long-term municipal bond credit rating of “___.” Such rating should be evaluated independently of any other rating. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from Fitch Ratings. The rating does not constitute a recommendation to buy, sell or hold the 2018 Bonds. The City has furnished to Fitch Ratings certain information respecting the 2018 Bonds and the City. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. Ratings are subject to revision, suspension or withdrawal at any time by the applicable rating agency, and there is no assurance that any rating will continue for any period or that they will not be lowered or withdrawn. The City, on behalf of the District, undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any downward revision, suspension or withdrawal of any rating may have an adverse effect on the market price of the 2018 Bonds or the ability to sell the 2018 Bonds.

MUNICIPAL ADVISORS

The City has retained Backstrom McCarley Berry & Co., LLC and PFM Financial Advisors LLC, as Co-Municipal Advisors in connection with the issuance of the 2018 Bonds. The Co-Municipal Advisors have assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2018 Bonds. The Co-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 Co-Municipal Advisors are each an independent financial advisory firm and are not engaged in the business of underwriting, trading or distributing the 2018 Bonds.

Compensation paid to the Co-Municipal Advisors is contingent upon the successful issuance of the 2018 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 2018 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 execution and delivery of this Official Statement has been authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO

The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the 2018 Bonds, and the District has not undertaken in its Continuing Disclosure Certificate to update this information. The 2018 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2018 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2018 Bonds, and neither the 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 2018 Bonds.

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

[Closing Date]

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

OPINION: \$[Series A Par] City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable) (the “2018A Bonds”)

 \$[Series B Par] City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable - Green Bonds) (the “2018B Bonds”)

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City, for and on behalf of the City and County of San Francisco Community Facilities District 2014-1 (Transbay Transit Center), of the captioned bonds, dated the date hereof (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Act”), Resolution No. 2-15 of the Board of Supervisors of the City adopted on January 13, 2015 and signed by the Mayor on January 20, 2015, and supplemented by Resolution No. _____ of the Board of Supervisors adopted on _____, 2018 and signed by the Mayor on _____, 2018 (collectively, the “Resolution”) and a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of November 1, 2018 (together, the “Fiscal Agent Agreement”), by and between the City and ZB, National Association dba Zions Bank, as fiscal agent (the “Fiscal Agent”). Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

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

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City, and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The City does not intend for the interest on the Bonds to be excluded from gross income for federal income tax purposes. We express no opinion regarding federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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 2018 Bonds. The 2018 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 2018 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 an S&P Global Ratings 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. *Information on such website is not incorporated by reference herein.*

Purchases of 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 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 2018 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 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 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 2018 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 2018 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 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 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of 2018 Bonds may wish to ascertain that the nominee holding the 2018 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 2018 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 2018 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 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2018 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 2018 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.