

Committee Item No. 3
Board Item No. _____

Date October 25, 2018

Date _____

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Contract/Agreement
<input type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

This image shows a blank sheet of white paper with horizontal ruling lines. On the far left side, there is a vertical column of ten small, empty square boxes stacked one above the other. The rest of the page is filled with horizontal lines, typical of notebook paper. There are no markings or text on the page.

Date October 12, 2018

Date _____

1 [Authorizing Issuance of Special Tax Bonds - Community Facilities District No. 2014-1
2 (Transbay Transit Center) - Not to Exceed Aggregate Principal Amount of \$200,000,000;
3 Confirming Annexation of Properties into Community Facilities District No. 2014-1]

4 **Resolution authorizing the issuance and sale of one or more series of Special Tax**
5 **Bonds for City and County of San Francisco Community Facilities District No. 2014-1**
6 **(Transbay Transit Center) in the aggregate principal amount not to exceed**
7 **\$200,000,000; approving related documents, including an Official Statement, First**
8 **Supplement to Fiscal Agent Agreement, Bond Purchase Agreement and Continuing**
9 **Disclosure Undertaking; confirming annexation of properties into City and County of**
10 **San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and**
11 **determining other matters in connection therewith, as defined herein.**

12
13
14 WHEREAS, On September 23, 2009, the Board of Supervisors considered and
15 adopted "Local Goals and Policies for Community Facilities Districts and Special Tax Districts"
16 ("Goals and Policies"), which Goals and Policies, among other things, relate to the formation
17 of community facilities districts under the Mello-Roos Community Facilities Act of 1982, as
18 amended, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section
19 53311) of the California Government Code ("Mello-Roos Act"); and

20 WHEREAS, On September 23, 2014, the Board of Supervisors considered and
21 adopted Resolution No. 350-14, entitled "Resolution of formation of City and County of San
22 Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining
23 other matters in connection therewith" ("Resolution of Formation"), which Resolution of
24 Formation ordered the formation of the "City and County of San Francisco Community
25

1 Facilities District No. 2014-1 (Transbay Transit Center)" ("CFD") and the "City and County of
2 San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (Future
3 Annexation Area)," authorized the levy of special taxes upon the land within the CFD and
4 authorized the issuance of bonds and other debt (as defined in the Mello-Roos Act) secured
5 by said special taxes for the purpose of financing certain public improvements ("Facilities"), all
6 as described in those proceedings and all pursuant to the Mello-Roos Act; and

7 WHEREAS, Pursuant to Resolution No. 2-15, which was approved by the Board of
8 Supervisors on January 13, 2015, and signed by the Mayor on January 20, 2015, ("Original
9 Resolution of Issuance"), the Board of Supervisors authorized the issuance of up to
10 \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

11 WHEREAS, In the Original Resolution of Issuance, the Board of Supervisors approved
12 the form of a fiscal agent agreement and directed the Director of the Office of Public Finance
13 to return to the Board of Supervisors with a recommendation as to the method for selling one
14 or more series of the bonds, whether competitive or negotiated, and for approval of all related
15 sales documentation; and

16 WHEREAS, Pursuant to Resolution No. 247-17, which was approved by the Board of
17 Supervisors on June 13, 2017, and signed by the Mayor on June 22, 2017, ("First
18 Supplemental Resolution of Issuance") and a Fiscal Agent Agreement, dated as of November
19 1, 2017, ("Master Fiscal Agent Agreement"), by and between the City and Zions Bank, a
20 Division of ZB, National Association ("Fiscal Agent"), the Board of Supervisors previously
21 issued the following special tax bonds on behalf of the CFD: City and County of San
22 Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax
23 Bonds, Series 2017A (Federally Taxable) ("2017A Bonds") and City and County of San
24 Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax
25 Bonds, Series 2017B (Federally Taxable - Green Bonds) ("2017B Bonds"; together with the

1 2017A Bonds, "2017 Bonds"); and

2 WHEREAS, The Board of Supervisors now wishes to further supplement the Original
3 Resolution of Issuance to provide for the issuance of one or more additional series of special
4 tax bonds on a parity basis with the 2017 Bonds to finance a portion of the Facilities and
5 related costs and expenses; and

6 WHEREAS, There has been submitted to this Board of Supervisors a form of a First
7 Supplement to the Fiscal Agent Agreement between the City and the Fiscal Agent ("First
8 Supplement"; together with the Master Fiscal Agent Agreement, the "Fiscal Agent
9 Agreement"), which supplements the Master Fiscal Agent Agreement for the purposes of
10 issuing one or more additional series of special tax bonds, and this Board of Supervisors with
11 the aid of its staff has reviewed the First Supplement and found it to be in proper order; and

12 WHEREAS, There has also been submitted to this Board of Supervisors a form of
13 preliminary Official Statement in connection with the marketing of such bonds and this Board
14 of Supervisors, with the aid of its staff, has reviewed the preliminary Official Statement to
15 assure disclosure of all material facts relating to such bonds; and

16 WHEREAS, The Board of Supervisors has obtained and disclosed in the staff report for
17 this matter the information required to be disclosed by Government Code, Section 5852.1;
18 and

19 WHEREAS, All conditions, things and acts required to exist, to have happened and to
20 have been performed precedent to and in the issuance of the special tax bonds and the levy
21 of the special taxes as contemplated by this Resolution and the documents referred to herein
22 exist, have happened and have been performed in due time, form and manner as required by
23 the laws of the State of California, including the Mello-Roos Act; and

24 WHEREAS, In the Resolution of Formation, this Board of Supervisors resolved that
25 parcels within the Future Annexation Area shall be annexed to the CFD only with the

1 unanimous approval (each, a "Unanimous Approval") of the owner or owners of each parcel or
2 parcels at the time that parcel or those parcels are annexed, without any requirement for
3 further public hearings or additional proceedings; and,

4 WHEREAS, This Board of Supervisors was previously provided with Unanimous
5 Approvals executed by the owners of certain property in the Future Annexation Area
6 ("Annexation Properties") and this Board of Supervisors wishes to confirm the annexation of
7 such Annexation Properties; now, therefore, be it

8 RESOLVED, That the foregoing recitals are true and correct; and, be it

9 FURTHER RESOLVED, That pursuant to the Mello-Roos Act, this Resolution and the
10 Fiscal Agent Agreement, one or more series of special tax bonds, in an aggregate principal
11 amount not to exceed \$200,000,000 are hereby authorized to be issued (collectively,
12 "Bonds"); and, be it

13 FURTHER RESOLVED, That this Board of Supervisors hereby finds that the issuance
14 of the Bonds is in compliance with the Mello-Roos Act and applicable provisions of the Goals
15 and Policies. More specifically, this Board of Supervisors hereby makes the following
16 determinations:

17 (i) The rate and method of apportionment of special taxes for the District is in
18 compliance with the Goals and Policies;

19 (ii) Section 53345.8 of the Mello-Roos Act requires, with certain exceptions, that
20 the value of the real property subject to special taxes levied in the CFD must be at least three
21 times the principal amount of the Bonds and the principal amount of all other bonds that will
22 be outstanding following issuance of the Bonds that are secured by a special tax levied
23 pursuant to the Mello-Roos Act on property within the CFD or a special assessment levied on
24 property within the CFD, and this Board of Supervisors hereby determines that the assessed
25 value of the property within the CFD is at least three times (i) the maximum initial principal

1 amount of the Bonds authorized by this Resolution and (ii) the outstanding principal amount of
2 all other outstanding bonds that are secured by a special tax or special assessment levied on
3 property within the CFD; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors hereby approves the form of
5 the First Supplement, in substantially the form on file with the Clerk of the Board of
6 Supervisors; and, be it

7 FURTHER RESOLVED, Each of the Mayor, the Controller and the Director of the
8 Office of Public Finance, or such other official of the City as may be designated by such
9 officials (each, an "Authorized Officer"), is hereby authorized and directed to execute and
10 deliver, and the Clerk of the Board of Supervisors is hereby authorized and directed to attest
11 to, the First Supplement in substantially the form on file with the Clerk of the Board of
12 Supervisors, together with such additions or changes as are approved by such Authorized
13 Officer upon consultation with the City Attorney and the City's bond counsel, including such
14 additions or changes as are necessary or advisable to permit the timely issuance, sale and
15 delivery of the Bonds; and, be it

16 FURTHER RESOLVED, The approval of such additions or changes shall be
17 conclusively evidenced by the execution and delivery by an Authorized Officer of the First
18 Supplement; and, be it

19 FURTHER RESOLVED, The proceeds of the Bonds shall be used as set forth in the
20 Fiscal Agent Agreement; and, be it

21 FURTHER RESOLVED, The terms and provisions of the First Supplement, as
22 executed, are incorporated herein by this reference as if fully set forth herein; and, be it

23 FURTHER RESOLVED, That this Board of Supervisors hereby approves the Official
24 Statement prepared in connection with the Bonds in the form on file with the Clerk of the
25 Board of Supervisors, together with any changes therein or additions thereto deemed

1 advisable by an Authorized Officer after consultation with the City's disclosure counsel; and,
2 be it

3 FURTHER RESOLVED, The Board hereby approves and authorizes the distribution by
4 the Underwriter (defined below) of the Bonds of the preliminary Official Statement to
5 prospective purchasers of the Bonds, and authorizes and directs an Authorized Officer on
6 behalf of the City to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12
7 under the Securities Exchange Act of 1934 ("Rule") prior to its distribution to prospective
8 purchasers of the Bonds; and, be it

9 FURTHER RESOLVED, The execution of the final Official Statement, which shall
10 include then current financial information regarding the CFD and such other changes and
11 additions thereto deemed advisable by an Authorized Officer and such information permitted
12 to be excluded from the preliminary Official Statement pursuant to the Rule, shall be
13 conclusive evidence of the approval of the Official Statement by the City; and, be it

14 FURTHER RESOLVED, That this Board of Supervisors hereby approves the form of
15 the continuing disclosure undertaking ("Continuing Disclosure Undertaking") with respect to
16 the Bonds in the form thereof attached to the Official Statement on file with the Clerk of the
17 Board of Supervisors; and, be it

18 FURTHER RESOLVED, An Authorized Officer is hereby authorized and directed to
19 complete and execute the Continuing Disclosure Undertaking on behalf of the City with such
20 changes, additions or deletions as may be approved by the Authorized Officer in consultation
21 with the City's disclosure counsel; and, be it

22 FURTHER RESOLVED, That the form of the Bond Purchase Agreement ("Purchase
23 Contract") providing for the sale of the Bonds by the City to Stifel, Nicolaus & Company,
24 Incorporated and any other investment banking firms identified by the Director of the Office of
25 Public Finance, as underwriters (collectively, "Underwriter"), on file with the Clerk of the Board

1 is hereby approved and each of the Authorized Officers is hereby authorized to execute the
2 Purchase Contract in the form so approved, with such additions thereto and changes therein
3 as are necessary to conform the Purchase Contract to the dates, amounts and interest rates
4 applicable to the Bonds as of the sale date or as are approved by an Authorized Officer upon
5 consultation with the City Attorney and the City's bond counsel; provided that the interest rate
6 borne by each series of Bonds shall not exceed the maximum rate permitted by law and the
7 maximum amount of Underwriter's discount on the sale of each series of Bonds may not
8 exceed 1.0% of the par amount of such series of Bonds; and, be it

9 FURTHER RESOLVED, Approval of such additions and changes shall be conclusively
10 evidenced by the execution and delivery of the Purchase Contract by an Authorized Officer;
11 and, be it

12 FURTHER RESOLVED, This Board of Supervisors hereby finds that sale of the Bonds
13 to the Underwriter at a negotiated sale pursuant to the Purchase Contract will result in a lower
14 overall cost than would be achieved by selling the Bonds utilizing competitive bidding; and, be
15 it

16 FURTHER RESOLVED, That the Bonds shall be prepared, executed and delivered to
17 the Fiscal Agent for authentication, all in accordance with the terms of the Fiscal Agent
18 Agreement and the Purchase Contract; and, be it

19 FURTHER RESOLVED, The Fiscal Agent, an Authorized Officer and other responsible
20 officers of the City are hereby authorized and directed to take such actions as are required to
21 cause the delivery of the Bonds upon receipt of the purchase price thereof; and, be it

22 FURTHER RESOLVED, That the Director of the Office of Public Finance is hereby
23 authorized to determine, after consultation with the City's bond counsel, municipal advisors
24 and the Underwriter, (i) the name of the Bonds, (ii) whether all or a portion of one or more
25 series of Bonds shall be designated as "green bonds," (iii) the final principal amount of each

1 series of the Bonds and (iv) whether each series of the Bonds will be issued as tax-exempt or
2 taxable bonds; and, be it

3 FURTHER RESOLVED, That this Board of Supervisors hereby confirms that the
4 Annexation Properties, namely Assessor's Parcel Block No. 3718, Lot No. 012, were
5 previously annexed to the CFD and hereby acknowledges that the Clerk of the Board
6 previously caused to be recorded an amendment to the Notice of Special Tax Lien recorded
7 for the CFD in connection to the Annexation Properties; and, be it

8 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
9 the City (including, but not limited to, the Authorized Officers) with respect to the
10 establishment of the CFD, the annexation of properties to the CFD, the levy of the special tax
11 and the issuance of the Bonds are hereby approved, confirmed and ratified, and the
12 appropriate officers of the City are hereby authorized and directed to do any and all things and
13 take any and all actions and execute any and all certificates, agreements and other
14 documents, which they, or any of them, may deem necessary or advisable in order to
15 accomplish the purposes of this Resolution and consummate the lawful issuance and delivery
16 of the Bonds in accordance with this Resolution, any determination authorized by this
17 Resolution, and any certificate, agreement, and other document described in the documents
18 herein approved; and, be it

19 FURTHER RESOLVED, All actions to be taken by an Authorized Officer, as defined
20 herein, may be taken by such Authorized Officer or any designee, with the same force and
21 effect as if taken by the Authorized Officer; and, be it

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1 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.

2 APPROVED AS TO FORM:
3 DENNIS J. HERRERA, City Attorney

4
5 By: _____

6 Mark D. Blake
7 Deputy City Attorney

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**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)**

BOND PURCHASE AGREEMENT

[Pricing Date]

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

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "Representative"), on behalf of itself and [other appointed co-managers] (together, the "Underwriters"), hereby offers to enter into this agreement (this "Purchase Agreement") with the City and County of San Francisco (the "City") in connection with the sale by the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District") of the Bonds (defined below). This offer is made subject to the acceptance by the City and execution and delivery of this Purchase Agreement on or before 11:59 p.m., California time, on the date hereof and, if not so accepted by the City, will be subject to withdrawal by the Underwriters upon written notice (by e-mail or otherwise) from the Underwriters delivered to the City at any time prior to the acceptance of this Purchase Agreement by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Bonds (defined below) is otherwise terminated pursuant to Section 10 hereof, then the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 13(a) hereof, and the City shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth in the Official Statement (defined below) or in the Fiscal Agent Agreement (defined below).

The Underwriters represent and warrant that this Purchase Agreement, assuming due and legal execution and delivery thereof by, and validity against, the City, when executed by the Underwriters, will be a legal, valid and binding obligation of the Underwriters enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally.

The City acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length, commercial transaction between the City and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor, fiscal consultant or fiduciary of the City and the District; (b) the Underwriters have not assumed any advisory or fiduciary responsibility to the City or the District with respect to the Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the City or the District on other matters); (c) the Underwriters have financial and other interests that differ from those of the City or the District; and (d) the City and the District have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Agreement, the Underwriters hereby agree to purchase from the City, and the City agrees to sell and deliver on behalf of the District to the Underwriters, all (but not less than all) of the \$[Series A Par] aggregate principal amount of Special Tax Bonds, Series 2018A (Federally Taxable) (the "2018A Bonds") and \$[Series B Par] aggregate principal amount of Special Tax Bonds, Series 2018B (Federally Taxable – Green Bonds) (the "2018B Bonds" and, together with the 2018A Bonds, the "Bonds").

Section 2. The purchase price for the 2018A Bonds shall be \$_____ (calculated as the aggregate principal amount of the 2018A Bonds in the amount of \$[Series A Par] minus an original issue discount in the amount of \$_____ and less underwriters' discount in the amount of \$_____). The purchase price for the 2018B Bonds shall be \$_____ (calculated as the aggregate principal amount of the 2018B Bonds in the amount of \$[Series B Par], less original issue discount in the amount of \$_____, less underwriters' discount in the amount of \$_____). The "Net Purchase Price" due at Closing shall be \$_____, which is the aggregate purchase price for the 2018A Bonds and the 2018B Bonds.

The Bonds will be dated their date of delivery and will mature, subject to prior redemption, on September 1 in each year, in the amounts as set forth in Schedule I attached hereto. The Bonds will be subject to redemption prior to maturity as shown on Schedule I. The Bonds will bear interest at the interest rates set forth in Schedule I. Interest shall be payable on each March 1 and September 1, commencing March 1, 2019 until maturity or earlier redemption.

Interest on the Bonds will be exempt from State of California (the "State") personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Bonds, as further defined below.

Section 3. Preliminary Official Statement and Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated _____, 2018 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity date, delivery date, ratings and other terms of the Bonds permitted to be excluded from the Preliminary Official Statement by Rule 15c2-12 (the "Excluded Information"). The City shall provide the Underwriters, within seven business days from the date hereof (but in any event at least three business days prior to the Closing Date (as defined herein)) whichever occurs first, of the Official Statement, dated the date hereof in the form of the Preliminary Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any supplements to such Official Statement as have been approved by the City and the Underwriters (which approval shall not be unreasonably withheld), in sufficient quantities and/or in a designated electronic format (as defined in Municipal Securities Rulemaking Board Rule G-32) to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board (the "MSRB"). The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB, or its designees in accordance with MSRB Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 4. Authorization of the Bonds. The Bonds will be issued by the City on behalf of the District pursuant to the provisions of a Fiscal Agent Agreement, dated as of 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. ____-18 adopted by the Board of Supervisors of the City on _____, 2018 and approved by Mayor Edwin M. Lee on June 22, 2017 (the "Resolution").

Section 5. The Bonds. The 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.

Section 6. City Representations, Covenants and Agreements. The City represents and covenants and agrees with the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined) (the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the "City Documents") and to observe and perform the covenants and agreements in the City Documents; by all necessary official action of the City, the City has duly adopted the City Resolution prior to or concurrently with the acceptance hereof; the City Resolution and the resolutions and ordinance listed on Exhibit F (together with the City Resolution, the "Resolutions and Ordinance") are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has recorded the notice of special tax lien (the "Notice of Special Tax Lien") on the real property records of the City which established a continuing lien on the land within the District securing the payment of the Special Tax; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the City Documents; the City has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Fiscal Agent Agreement.

(b) The District is a community facilities district duly organized and validly existing under the laws of the State.

(c) As of the date thereof and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("DTC") and its book-entry-only system, information under the caption "UNDERWRITING," and the Excluded Information) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(d) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system and information provided by the Underwriters for inclusion therein, including without limitation the information under the caption "UNDERWRITING" and the CUSIP numbers) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Agreement, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriters shall have notified the City to the contrary on or prior to such date.

(e) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry-only system and information provided by the Underwriters for inclusion therein, including without limitation the information under the caption "UNDERWRITING" and the CUSIP numbers, prices and yields on the Bonds) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) If between the date of delivery of the Official Statement and the date that is 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the City that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters thereof; and (ii) if in the reasonable opinion of the City or the Underwriters such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld.

(g) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or court decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject which violation, breach or default would have a material adverse effect on the City's financial condition or its ability to collect and pledge the Special Tax, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions of the City Documents will not materially conflict with or constitute a material breach of or material default under any applicable constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is subject, or by which it or any of its properties is bound which conflict, breach or default would have a material adverse effect on the City's financial condition or its ability to collect and pledge the Special Tax.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City Attorney after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City Attorney, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the levy or collection of Special Tax Revenues pledged under the Fiscal Agent Agreement, the issuance of any of the Bonds or the City Documents, or the payment of the principal of and interest on the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds, the City Documents, the District, the Resolutions or Ordinance, the tax-exempt status of the interest on the Bonds, as applicable, or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the City Documents or the execution and delivery by the City of the City Documents, the delivery of the Preliminary Official Statement or the execution and delivery of the Official Statement; (iv) which would likely result in any material adverse change relating to the financial condition of the City; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(i) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Underwriters as may be reasonably requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The City Documents when executed or adopted by the City, will be legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors' rights generally, and to limitations on remedies against cities and counties under California law.

(k) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents have been duly obtained or when

required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(l) The City will undertake, pursuant to the Fiscal Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(m) Except as described in the Official Statement, the City has complied with all previous continuing disclosure undertakings required pursuant to Rule 15c2-12 for the past five years.

(n) Between the date hereof and the Closing Date, the City will not supplement or amend the City Documents, the Resolutions and the Ordinance or the Official Statement in any respect that is material to the obligations of the City under this Purchase Agreement without the prior written consent of the Underwriters, which consent shall not be unreasonably withheld.

(o) The Bonds will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the City and moneys held in certain funds and accounts established under the Fiscal Agent Agreement.

(p) The Special Taxes have been duly and lawfully authorized and may lawfully be levied in accordance with the Amended and Restated Rate and Method of Apportionment of the Special Tax relating to the District (the "Rate and Method") and the Resolutions and Ordinance, and, when levied, will constitute a valid and legally binding continuing lien on the property on which they are levied.

Section 7. Underwriters' Representations, Covenants and Agreements. The representations, covenants and agreements of the Underwriters attached hereto as Exhibit A are incorporated by reference as though fully set forth herein. The Underwriters further represent and covenant and agree with the City that:

(a) The Underwriters have been duly authorized to enter into this Purchase Agreement and to act hereunder.

(b) The Underwriters are not in material violation of, or in material breach of or in material default under, any applicable law, regulation, order or agreement to which such Underwriters are a party or by which such Underwriters are bound, which violation or breach would have a material adverse effect on such Underwriters' ability to execute, deliver and perform this Purchase Agreement.

Section 8. Offering. It shall be a condition to the City's obligations to sell and to deliver the Bonds on behalf of the District to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire \$207,500,000 aggregate principal amount of the Bonds shall be executed, issued and delivered by or

at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Underwriters will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

The Underwriters agree, subject to the terms and conditions hereof, to make a *bona fide* public offering of all the Bonds initially at prices not in excess of the initial public offering prices as set forth in Schedule I hereto. The Underwriters reserve the right to change the public offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price set forth in Schedule I hereto.

The Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

Section 9. Closing. At 8:30 a.m., California time, on _____, 2018, or at such other time as shall have been mutually agreed upon by the City and the Underwriters (the "Closing Date" or the "Closing"), the City will deliver or cause to be delivered to the account of the Underwriters, under the Fast Automated Securities Transfer System of DTC, the Bonds, in the form of a separate single fully registered bond for each series of Bonds, maturity date and interest rate of the Bonds duly executed by the City and authenticated by the Fiscal Agent, together with the opinions and documents set forth in Section 9 hereof. The Underwriters will, subject to the terms and conditions hereof, accept delivery of the Bonds and pay the Net Purchase Price of the Bonds as set forth in Section 2 hereof by wire transfer in immediately available funds on the Closing Date. The Bonds shall be made available to the Fiscal Agent not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of Cede & Co., as the nominee of DTC.

Payment for the delivery of the Bonds shall be coordinated at the offices of Jones Hall, APLC, in San Francisco, California, or at such other place as shall have been mutually agreed upon by the City and the Underwriters. The Underwriters shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement.

Section 10. Closing Conditions. The obligation of the Underwriters under this Purchase Agreement is subject to the performance by the City of its obligations hereunder and are also subject to the following conditions:

(a) the representations of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the City Documents and Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters; and

(c) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(i) the Official Statement, together with any supplements or amendments thereto if the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment, if any, signed on behalf of the City by its authorized officer;

(ii) the Fiscal Agent Agreement, signed on behalf of the City and the Fiscal Agent by their respective authorized officers;

(iii) a conformed map of proposed boundaries of District, recorded in the real property records of the City;

(iv) certified copies of the Resolutions and Ordinance;

(v) a conformed copy of Notice of Special Tax Lien, recorded in the real property records of the City;

(vi) a certificate of the City dated the Closing Date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(vii) an opinion of the City Attorney ("Issuer Counsel"), addressed solely to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit C;

(viii) unqualified opinions of Jones Hall, APLC ("Bond Counsel"), dated the Closing Date and in substantially the form set forth in Appendix D to the Official Statement;

(ix) a supplemental opinion of Bond Counsel, addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit D;

(x) an opinion of Norton Rose Fulbright US LLP ("Disclosure Counsel"), addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit E;

(xi) an opinion of Stradling Yocca Carlson & Rauth, Underwriters' Counsel ("Underwriters' Counsel"), addressed to the Underwriters, dated the Closing Date, in form and substance acceptable to the Underwriters;

(xii) evidence of required filings with the California Debt and Investment Advisory Commission;

(xiii) an opinion of counsel to the Fiscal Agent, addressed to the City and the Underwriters, dated the Closing Date and in form and substance acceptable to the City and the Underwriters;

(xiv) a certificate of the Fiscal Agent, dated the Closing Date, to the effect that: (A) it is a national banking association duly organized and existing under the laws of the United States of America; (B) it has full corporate trust powers and authority to serve as Fiscal Agent under the Fiscal Agent Agreement; (C) it acknowledges and accepts its obligations under the Fiscal Agent Agreement and it has duly authorized, executed and delivered the Fiscal Agent Agreement and that such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound; and (D) it has duly authenticated the Bonds in accordance with the terms of the Fiscal Agent Agreement;

(xv) reserved;

(xvi) evidence satisfactory to the Underwriters that Fitch Ratings has assigned ratings of "____" to the Bonds;

(xvii) the Continuing Disclosure Certificate duly executed by the City;

(xviii) a certificate from Goodwin Consulting Group, Inc. ("Special Tax Consultant") to the effect that (i) the Special Tax if applied in accordance with the terms as set forth in the rate and method of apportionment of special taxes (the "Special Tax Formula"), will annually yield sufficient revenue to make timely payments of debt service on the Bonds, provided that information and other data supplied by the District, the Co-Municipal Advisors, the Underwriters or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the net Special Taxes, if collected in the maximum amounts permitted pursuant to the Special Tax Formula on the Closing Date, would generate at least 110% of the maximum debt service payable with respect to the Bonds payable from such Special Tax during each fiscal year, based on a debt service schedule supplied by the Underwriters and relied upon by the Special Tax Consultant, (iii) the information supplied by the Special Tax

Consultant for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date, and (iv) the description of the Special Tax Formula contained in the Official Statement is correctly presented in all material respects; and

(xix) such additional legal opinions, Bonds, instruments or other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Agreement and as of the Closing Date, of the City's representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 11 of this Purchase Agreement shall continue in full force and effect.

Section 11. Termination. The Underwriters shall have the right to cancel its obligation to purchase the Bonds by written notification from the Underwriters to the City if at any time after the date of this Purchase Agreement and prior to the Closing:

(a) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the City, Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and, in either such event, the City refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(b) Legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriters has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended; or

(c) any of the following occurs and is continuing as of the Closing Date which, in the reasonable judgment of the Underwriters (set forth in a written notice from the Underwriters to the City terminating the obligation of the Underwriters to accept delivery of and make payment for the Bonds), has a material adverse effect on the marketability or market price of the Bonds, at the initial offering prices set forth in the Schedule I attached hereto, or the Underwriters' ability to process and settle transactions:

(i) reserved; or

(ii) an amendment to the Constitution of the State of California shall have been passed or legislation shall have been enacted by the California legislature, or a decision shall have been rendered by a court of the State of California, in each case which may have the purpose or effect of subjecting interest on the Bonds to State income tax; or

(iii) (A) The declaration of war by the United States of America, any major new outbreak or escalation of armed hostilities, an act of terrorism or any other major national calamity or crisis, (B) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations; or

(iv) the declaration of a general banking moratorium by any federal, New York or State of California authorities; or

(v) a general suspension of trading or other material restrictions on the New York Stock Exchange or other national securities exchange not in effect as of the date hereof; or

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriters; or

(viii) the ratings on the Bonds or bonds on parity with the Bonds, is reduced or withdrawn or placed on credit watch with negative outlook by any one or more of the rating agencies rating the Bonds or bonds on parity with the Bonds;

(ix) litigation of the type identified in Section 6(h) hereof; or

(x) a material disruption in municipal bond market securities settlement, payment or clearance services affecting the Bonds.

Section 12. Reserved.

Section 13. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 13(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Agreement and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Issuer's Counsel, Bond Counsel, and Disclosure Counsel; (ii) the fees and disbursements of Backstrom McCarley Berry & Co., LLC, San Francisco, California and Public Financial Management Inc., San Francisco, California (the "Co-Financial Advisors"); (iii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iv) the costs of preparing and printing the Bonds; (v) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 6(e) hereof); and (vi) any fees charged by investment rating agencies for the rating of the Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters; (iii) all out of pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

Section 14. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to the Representative: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Eileen Gallagher, Managing Director.

Section 15. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Agreement. All of the representations and agreements of the City contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriters; (b) delivery of and payment for the Bonds, pursuant to this Purchase Agreement; and (c) any termination of this Purchase Agreement.

Section 16. Invalid or Unenforceable Provisions. If any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Agreement.

Section 17. Counterparts. This Purchase Agreement may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

Section 18. Governing Law; Venue. This Purchase Agreement shall be governed by and interpreted under the laws of the State of California. Venue for all litigation and other disputes relative arising from or related to this Purchase Agreement shall be in the City.

Section 19. City Contracting Requirements. The provisions for the City Contracting Requirements attached hereto as Exhibit A are hereby incorporated herein by reference as though fully set forth herein.

Section 20. Entire Agreement. This Purchase Agreement is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Agreement may only be amended by a writing executed by the authorized representatives of the parties.

Section 21. Headings. The section headings in this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 22. Effectiveness. This Purchase Agreement shall become effective upon execution of the acceptance of this Purchase Agreement by the City and shall be valid and enforceable as of the time of such acceptance.

[Remainder of page intentionally left blank.]

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative

By _____
Eileen Gallagher
Managing Director

CITY AND COUNTY OF SAN FRANCISCO

By _____
Anna Van Degna,
Director of Office of Public Finance

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By _____
Mark D. Blake, Deputy City Attorney

[Signature Page to Bond Purchase Agreement]

SCHEDULE I

Maturity Schedules

**[\$[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>
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\$ _____ % Term Bonds due September 1, 20__ – Yield: _____ % Price: _____

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____ % Price: _____

\$[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>
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\$ _____ % Term Bonds due September 1, 20__ – Yield: ____% Price: _____

\$ _____ % Term Bonds due September 1, 20__ – Yield: ____% Price: _____

Redemption Provisions

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.

Mandatory Sinking Fund Redemption of 2018A Term Bonds. The 2018A 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 20	
Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
(maturity)	
2018A Bonds 20	
Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
(maturity)	

Mandatory Sinking Fund Redemption of 2018B Term Bonds. The 2018B 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:

2018B Bonds 20	
Sinking Fund Redemption Date <u>(September 1)</u>	Principal Amount <u>Subject to Redemption</u>
(maturity)	
2018B Bonds 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 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 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

EXHIBIT A

UNDERWRITERS' REPRESENTATIONS, COVENANTS AND AGREEMENTS AND CITY CONTRACTING REQUIREMENTS

Section 1. Underwriters' Representations, Covenants and Agreements.

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, represents and covenants and agrees with the City that:

(a) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(b) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

(c) It represents and warrants to the City that the Underwriter has been duly authorized to enter into this Purchase Agreement and to act hereunder by and on behalf of it.

Section 2. City Contracting Requirement. Additionally, each Underwriter represents and covenants and agrees, as applicable that:

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

(b) ***Subcontracts.*** The Underwriter shall incorporate by reference in all subcontracts made in fulfillment of its obligations hereunder the provisions of Section 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from purchasing) and shall require all subcontractors to comply with such provisions. The Underwriter's failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Agreement.

(c) ***Non-Discrimination in Benefits.*** The Underwriter does not as of the date of this Purchase Agreement and will not during the term of this Purchase Agreement, in any of its operations in San Francisco, California, or on real property

owned by San Francisco, California, or where the work is being performed for the City and/or City elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) **HRC Form.** The Underwriter shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC 12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Exhibit A by reference and made a part of this Purchase Agreement as though fully set forth herein. The Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Agreement under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriter understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Agreement may be assessed against such Underwriter and/or deducted from any payments due such Underwriter; provided, however that such damages shall not be set off against the payment of rental or other contract related to the Bonds, certificates of participation or other debt obligation of the City or the City.

(f) **Drug-Free Workplace Policy.** The Underwriter acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City or District premises. The Underwriter agrees that any violation of this prohibition by such Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Agreement.

(g) **Compliance With Americans with Disabilities Act.** Without limiting any other provisions of this Purchase Agreement the Underwriter shall provide the services specified in this Purchase Agreement in a manner that complies with the Americans with Disabilities Act ("ADA") Title 24, and any and all other applicable federal, state and local disability rights legislation. The Underwriter agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Agreement and further agrees that any violation of this prohibition on the part of such Underwriter, its employees, agents or assigns shall constitute a material breach of this Purchase Agreement.

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

(i) ***Prohibition on Political Activity With City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City and/or City contract for a period of two years.

(j) ***MacBride Principles—Northern Ireland.*** The City and the District urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourage such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and the District urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

(k) ***Tropical Hardwood and Virgin Redwood Ban.*** The City and the District urge companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product or any virgin redwood or virgin redwood product.

(l) ***Repeal of Administrative Code Provisions.*** To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in this Exhibit A, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Purchase Agreement or the Underwriter.

(m) ***Limitations on Contributions.*** Through execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to

(i) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves; (ii) a candidate for the office held by such individual; or (iii) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20% in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, the Underwriter acknowledges that such Underwriter must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

(n) ***Requiring Minimum Compensation for Covered Employees.***

The Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance ("MCO"), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Underwriter's obligations under the MCO is set forth in this Exhibit A. The Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Exhibit A. Capitalized terms used in this Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, the Underwriter agrees to all of the following:

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

Underwriter. Nothing in this Exhibit A shall be deemed to grant any Underwriter the right to subcontract.

(ii) No Underwriter shall take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

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

(iv) The City is authorized to inspect the Underwriter's job sites and conduct interviews with employees and conduct audits of such Underwriter.

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

(vi) The Underwriter understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Purchase Agreement for violating the MCO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

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

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

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

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

(ii) Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3 (e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) An Underwriter's failure to comply with the HCAO shall constitute a material breach of this Purchase Agreement. The City shall notify such Underwriter if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Purchase Agreement for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City or the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5 (f) (1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City or the City.

(iv) Any subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in

this Exhibit A. Such Underwriter shall notify City's Office of Contract Administration when it enters into such a subcontract and shall certify to the Office of Contract Administration that it has notified the subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on subcontractor through the subcontract. The Underwriter shall be responsible for its subcontractors' compliance with this Chapter. If a subcontractor fails to comply, the City may pursue the remedies set forth in this Exhibit A against the applicable Underwriter based on the subcontractor's failure to comply, provided that the City or the City has first provided such Underwriter with notice and an opportunity to obtain a cure of the violation.

(v) No Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City or the City with regard to such Underwriter's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

(vii) The Underwriter shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the applicable contract.

(viii) The Underwriter shall keep itself informed of the current requirements of the HCAO.

(ix) The Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subcontractors and subtenants, as applicable.

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

(xi) The Underwriter shall allow the City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

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

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

(p) ***Prohibition on Political Activity With City or City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, no Underwriter may participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this Exhibit A, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City contract for a period of two years. The Controller will not consider an Underwriter's use of profit as a violation of this Exhibit A.

(q) ***Protection of Private Information.*** The Underwriter has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Underwriter agrees that any failure of such Underwriter to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Purchase Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Purchase Agreement, bring a false claim action against such Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar such Underwriter.

(r) ***Conflicts of Interest.*** Through its execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with the provisions of Section 15.103 of the City Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Purchase Agreement.

As to Exhibit A of this Purchase Agreement:

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher, Managing Director

_____, as Underwriter

By _____
Director

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco (the "City"), acting in their official capacities, hereby certify as follows in connection with the issuance of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District's") \$_____ aggregate principal amount of Special Tax Bonds, Series 2018A (the "2018A Bonds") and the District's \$_____ aggregate principal amount of Special Tax Bonds, Series 2018B (Federally Taxable) (the "2018B Bonds" and, together with the 2018A Bonds, the "Bonds"):

1. The persons named below are now, and at all times from and after _____, 2017, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

2. The representations of the City contained in the Bond Purchase Agreement, dated _____, 2017 (the "Purchase Agreement"), between Stifel, Nicolaus & Co. Incorporated, as the underwriter of the Bonds, and the City, are true, complete and correct as of the date hereof as if made on the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: _____, 2017.

Name

Office

Signature

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

November 9, 2017

City and County of San Francisco
San Francisco, California

Stifel, Nicolaus & Co. Incorporated
San Francisco, California

Re: \$[Series A Par] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable) and \$[Series B Par] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable)

Ladies and Gentlemen:

In connection with the issuance of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District's") \$[Series A Par] aggregate principal amount of Special Tax Bonds, Series 2018A (Federally Taxable) (the "2018A Bonds") and \$[Series B Par] aggregate principal amount of Special Tax Bonds, Series 2018B (Federally Taxable) (the "2018B Bonds" and, together with the 2018A Bonds, the "Bonds"), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion.

I am of the opinion that:

1. The City and County of San Francisco (the "City") is a charter city, with full legal right, power and authority to enter into and perform its obligations under: (a) the Fiscal Agent Agreement, dated as of November 1, 2017 (the "Fiscal Agent Agreement"), by and between the City and Zions Bank, a Division of ZB, National Association; (b) the Bond Purchase Agreement, dated [Pricing Date] (the "Purchase Agreement"), by and between Stifel, Nicolaus & Co. Incorporated, as the underwriter of the Bonds, and the City; and (c) the Continuing Disclosure Certificate, dated November 9, 2017 (the "Continuing Disclosure Certificate") of the City. The Fiscal Agent Agreement, the Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the "City Documents."

2. The Resolutions and Ordinance were each duly adopted at a meeting of the Board of Supervisors of the City. The meeting during which each of the Resolutions and Ordinance were adopted was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

3. The City Documents have been duly authorized, executed and delivered by the City and assuming that such documents are valid and binding upon each of the other respective parties thereto, if any, each is valid and binding upon and enforceable against the City in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery of the City Documents and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the City a breach or default under any existing law, regulation, court order or consent decree to which the City is subject or, to the best of my knowledge after due inquiry, any agreement or instrument to which the City is a party or by which the City is bound.

5. All actions on the part of the City necessary for the making and performance of the City Documents have been duly and effectively taken and no consent, authorization or approval of or filing or registration with, any governmental or regulatory officer or body not already obtained or not obtainable in due course by the City is required for the making and performance of the City Documents.

6. Except as disclosed in the Official Statement, dated [Pricing Date] with respect to the Bonds (the "Official Statement"), no litigation, action, suit or proceeding is known to be pending (with service of process having been accomplished) or threatened (a) restraining or enjoining the execution or delivery of the Bonds or the City Documents, or the collection of the Special Tax Revenues pledged under the Fiscal Agent Agreement; or (b) in any way contesting or affecting the validity of the Resolutions or the Ordinance, the Bonds, the City Documents or any proceedings of the City taken with respect to the foregoing; or (c) which if determined adversely to the City would have a material adverse effect on its operations or finances.

Very truly yours,

By _____

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[LETTERHEAD OF BOND COUNSEL]

November 9, 2017

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

[Reserved for other appointed co-managers]

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Zions Bank, A Division of ZB,
National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071

SUPPLEMENTAL OPINION:

§[Series A Par] City and County of San Francisco Community Facilities District 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 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable - Green Bonds) (the "2018B Bonds")

Ladies and Gentlemen:

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 No. 2014-1 (Transbay Transit Center) (the "Community Facilities District"), of the captioned bonds, dated the date hereof (collectively, 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. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressee hereof.

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. 247-17 of the Board of Supervisors adopted on June 13, 2017 and signed by the Mayor on June 22, 2017 (collectively, the "City Resolution") and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of November 1, 2017, by and between the City and Zions Bank, a Division of ZB, National Association, 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.

Capitalized terms not defined here have the meanings given them in the Bond Purchase Agreement, dated [Pricing Date] (the "Purchase Agreement"), by and between Stifel, Nicolaus & Company, Incorporated and [other appointed co-managers], together as underwriter (the "Underwriter") and the City. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressees hereof.

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 statements contained in the Final Official Statement on the cover page and under the captions "INTRODUCTION," "THE 2017 BONDS," "SECURITY FOR THE BONDS" (excluding the subcaption "Rate and Method of Apportionment of Special Taxes"), "TAX MATTERS," and in Appendices C and D thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Resolutions, the Fiscal Agent Agreement, and Bond Counsel's opinion concerning certain federal tax matters relating to the Bonds, present a fair and accurate summary thereof.

2. The City has duly and validly executed and delivered the Purchase Agreement, and the Purchase Agreement constitutes the legal, valid and binding obligation of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought.

3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval.

Respectfully submitted,

A Professional Law Corporation

EXHIBIT E

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

Re: \$[Series A Par] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable) and \$[Series B Par] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of San Francisco (the "City") in connection with the \$[Series A Par] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable) and \$[Series B Par] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable) (together, the "Bonds"). The 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 (the "Fiscal Agent Agreement"), by and between the City and Zions Bank, a Division of ZB, National Association, as fiscal agent (the "Fiscal Agent"), 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. 247-17 adopted by the Board of Supervisors of the City on June 13, 2017 and approved by Mayor Edwin M. Lee on June 22, 2017. The terms and provisions of the Bonds are contained in the Fiscal Agent Agreement and are further described in the Official Statement relating to the Bonds, dated [Pricing Date] (the "Official Statement"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Official Statement.

The Bonds were sold by the City pursuant to that Bond Purchase Agreement, dated [Pricing Date] (the "Bond Purchase Agreement"), by and between Stifel, Nicolaus & Company, Incorporated, as representative (the "Representative") of itself and on behalf of [other appointed co-managers] (collectively, the "Underwriters").

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate. This opinion is limited to matters governed by the federal securities law of the United States of America, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel to the City, we have rendered certain legal advice and assistance in connection with the preparation of the Preliminary Official Statement relating to the Bonds, dated October 11, 2017 (the "Preliminary Official

Statement”), and the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the City, the City Attorney, Bond Counsel, the Underwriters, Underwriters’ Counsel and the City’s Co-Municipal Advisors, at which meetings and conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (a) the Preliminary Official Statement as of its date or as of the date of the Bond Purchase Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yield, interest rate, maturity, amortization, redemption provisions, underwriters’ compensation and the CUSIP numbers), or (b) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view).

During the period from the date of the Preliminary Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this opinion to you, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or

other entity without our prior written consent. The delivery of this opinion shall not create any attorney-client relationship between our firm and the addressees hereof, other than the City. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the remarketing relating to the Series Bonds, and we have no obligation to update this opinion.

Respectfully submitted,

EXHIBIT F

RESOLUTIONS AND ORDINANCE

1. Resolution No. 14-143, entitled "Resolution adopting amended and restated Local Goals and Policies to provide financial flexibility in connection with the formation of Special Tax Districts, pursuant to Administrative Code, Chapter 43, Article X", adopted by the Board of Supervisors of the City (the "Board of Supervisors") on November 26, 2013.
2. City Resolution No. 247-14, entitled "Resolution of Intention to Establish City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith", adopted by the Board of Supervisors on July 15, 2014.
3. City Resolution No. 246-14 entitled "Resolution of intention to incur bonded indebtedness in an amount not to exceed \$1,400,000,000 for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and other matters related thereto", adopted by the Board of Supervisors on July 15, 2014.
4. City Resolution No. 350-14, entitled "Resolution of formation of City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith," adopted by the Board of Supervisors on September 23, 2014.
5. City Resolution No. 351-14, entitled "Resolution determining necessity to incur bonded indebtedness for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith", adopted by the Board of Supervisors on September 23, 2014.
6. City Resolution No. 352-14 entitled "Resolution calling special election in City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)", adopted by the Board of Supervisors on September 23, 2014.
7. City Resolution No. 1-15 entitled "Resolution declaring results of Special Election that was approved by the qualified electors, and directing recording of notice of special tax lien for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith", adopted by the Board of Supervisors on January 13, 2015.
8. Ordinance No. 1-15 entitled "Ordinance authorizing the levy and collection of special taxes within City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)", introduced on December 16, 2014 and adopted by the Board of Supervisors on January 13, 2015.
9. Resolution No. 2-15 entitled "Resolution repealing Resolution No. 468-14, and authorizing the issuance and sale of not to exceed \$1,400,000,000 Special Tax Bonds for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith," adopted by the Board of Supervisors on January 13, 2015.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO


Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Angela Calvillo, Clerk of the Board of Supervisors
Malia Cohen, President of the Board of Supervisors

FROM: Anna Van Degna, Director of Public Finance 

DATE: July 9, 2018

SUBJECT: City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) – *Amendment to Notice of Special Tax Lien* as a result of Annexation of Property Located at 250 Howard

Purpose

The purpose of this memorandum is to request that the Clerk of the Board of Supervisors execute the *Amendment to Notice of Special Tax Lien – City & County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)* (the "Notice") for the Assessor-Recorder to officially record the annexation of 250 Howard Street, also referred to as Park Tower, into the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "Transbay Transit Center CFD"). The Notice is attached for your execution.

Recordation of the Notice gives notice to all persons that a lien to secure payment of special taxes has been imposed. The special taxes will be used to pay debt service on Special Tax Bonds issued by the City and County of San Francisco (the "City") for the Transbay Transit Center CFD.

Property Annexation - 250 Howard (Park Tower)

Pursuant to Resolution No. 350-14 (the "Resolution of Formation") and the Mello-Roos Community Facilities Act of 1982, as amended (Government Code Section 53311 et seq.) (the "Act"), the City established the Transbay Transit Center CFD and a future annexation area for the Transbay Transit Center CFD ("Future Annexation Area").

Under the Act, upon a determination by the Board of Supervisors that a property in the Future Annexation Area is added to the Transbay Transit Center CFD, the Clerk of the Board of Supervisors is required to record notice of the annexation. In the Resolution of Formation, the Board of Supervisors determined that properties located in the Future Annexation Area "shall be annexed to the [Transbay Transit Center CFD]"

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only with the unanimous approval (each, a 'Unanimous Approval') of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, without any requirement for further public hearings or additional proceedings." The property owner of the property at 250 Howard Street, which is located in the Future Annexation Area, executed and submitted a Unanimous Approval to the Office of Public Finance for the purpose of annexing into the Transbay Transit Center CFD. The Unanimous Approval is hereto attached for the file.

Future Board of Supervisors Action

In the fall 2018, the Office of Public Finance intends to introduce for consideration by the Board of Supervisors a resolution confirming the annexation and recordation of the notice of special tax lien for any property that has annexed into the Transbay Transit Center CFD as a taxable property. The resolution will be introduced to the Board of Supervisors as a companion to a larger legislation proposal to consider and approve the issuance of Special Tax Bonds for the Transbay Transit Center CFD.

Current and future Transbay Transit Center CFD Special Tax Bonds are secured by the pledge of special tax revenues received by the City from taxable properties located in the Transbay Transit Center CFD, which will include special taxes from the proposed annexed property located at 250 Howard Street after recordation of the Notice.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 or Jamie Querubin at 415-554-6902 if you have any questions.

cc: Honorable Members, Board of Supervisors
Andres Power, Mayor's Office
Kelly Kirkpatrick, Mayor's Acting Budget Director
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

Attachments:

Copy of *Amendment to Notice of Special Tax Lien – City & County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)*

Copy of Park Tower LLC Unanimous Approval (executed)

Certified Copy of Resolution No. 350-14 authorizing the formation of the San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)



San Francisco Assessor-Recorder
Carmen Chu, Assessor-Recorder

DOC- 2018-K640089-00

Acct 28-SFCC Board of Supervisors

Wednesday, JUL 18, 2018 11:48:41

Ttl Pd \$0.00 Rcpt # 0005836292

ofa/FT/1-24

WHEN RECORDED MAIL TO:
Clerk of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Affected Assessor Parcel No(s): 3718-012

Affected Address: 195 Beale Street, San Francisco, CA

Free recording per Govt. Code #27383

N/C

AMENDMENT TO NOTICE OF SPECIAL TAX LIEN

CITY AND COUNTY OF SAN FRANCISCO Community Facilities District No. 2014-1 (Transbay Transit Center)

Pursuant to the requirements of Section 3117.5 of the Streets and Highways Code of California and the Mello-Roos Community Facilities Act of 1982, as amended (Chapter 2.5 of Part of Division 2 of Title 5, commencing with Section 53311, of the California Government Code) (the "Act"), the undersigned Clerk of the Board of Supervisors of the City and County of San Francisco, State of California, hereby gives notice that a lien to secure payment of a special tax is hereby imposed by the Board of Supervisors of the City and County of San Francisco on the property described on Exhibit B hereto and incorporated herein (the "Property").

The special tax secured by this lien is authorized to be levied in the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"). The CFD was formed for the purpose of paying principal and interest on bonds and other debt, the proceeds of which are being used to finance the acquisition and construction of all or a portion of the public facilities described in Exhibit A attached hereto and hereby made a part hereof, to pay the cost of the public facilities, and to pay the cost of administering the CFD (defined below).

The territory originally included in the CFD is set forth in the boundary map of the CFD recorded on July 29, 2014 at 2:38 p.m. as Document No. 2014-J915559-00 in Book 001 Pages 75 and 76 of the Book of Maps of Assessment and Community Facilities Districts in the office of the Assessor-Recorder for the City and County of San Francisco, State of California. A Notice of Special Tax Lien was recorded for the territory originally included in the CFD on January 22, 2015, as Document No. 2015K010238 in the office of the Assessor-Recorder for the City and County of San Francisco, State of California (the "Original Notice of Special Tax Lien").

The Property is included in the territory that is identified as "Future Annexation Area" on the boundary map of the CFD described in the preceding paragraph, and this Amendment to Notice of Special Tax Lien amends the Original Notice of Special Tax Lien to give notice that a

lien to secure payment of a special tax is hereby imposed by the Board of Supervisors of the City and County of San Francisco on the Property.

The lien of the special tax is a continuing lien that shall secure each annual levy of the special tax and that shall continue in force and effect until the special tax obligation is prepaid, permanently satisfied, and canceled in accordance with law or until the special tax ceases to be levied and a notice of cessation of special tax is recorded in accordance with Section 53330.5 of the Government Code

The rate, method of apportionment, and manner of collection of the authorized special tax is as set forth in Exhibit B attached hereto and hereby made a part hereof. Conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled are as set forth in said Exhibit B and hereby incorporated herein by this reference.

Notice is further given that upon the recording of this notice in the office of the County Recorder the obligation to pay the special tax levy shall become a lien upon the Property in accordance with Section 3115.5 of the Streets and Highways Code of California.

The name(s) of the owner(s) and the assessor's tax parcel number (s) of the Property are as set forth in Exhibit C attached hereto and hereby made a part hereof.

For further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to this special tax lien, interested persons should contact the Director of the Office of Public Finance, City and County of San Francisco, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102; Telephone: (415) 554-5956.

Dated: As of July 17, 2018



Angela Calvillo
Clerk of the Board of Supervisors,
City and County of San Francisco

EXHIBIT A

CITY AND COUNTY OF SAN FRANCISCO Community Facilities District No. 2014-1 (Transbay Transit Center)

DESCRIPTION OF FACILITIES TO BE FINANCED BY THE CFD

City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "CFD") will pay or finance all or a portion of the costs of the following facilities (the "Facilities"). The Facilities will be constructed, whether or not acquired in their completed states, pursuant to the plans and specifications approved by the City and County of San Francisco (the "City") or other applicable public agencies.

FACILITIES

I. Streetscape and Pedestrian Improvements

Primary Streets (Mission, Howard, Folsom, Fremont, 1st, 2nd, New Montgomery): Improve existing primary streets in the Transit Center District, including Mission, Howard, Folsom, Fremont, 1st, 2nd, and New Montgomery Streets. Improvements would include sidewalk widening to accommodate additional pedestrian traffic from new development and the Transbay Transit Center, pedestrian and streetscape amenities, bicycle facilities, transit upgrades such as dedicated transit lanes, boarding islands, enhanced shelters and curb extensions to serve transit stops, and roadway circulation, parking, and loading changes. Recommended changes to Primary Streets would be informed by traffic studies to be funded by the CFD.

Living Streets (Beale, Main, and Spear Streets North of Folsom to Market Street): Improve Beale, Main, and Spear Streets from Folsom Street to Market Street by significantly expanding the sidewalk on one side of each street to approximately 30 feet and reducing the number of traffic lanes to one lane in either direction. Beale and Main Streets would feature a bike lane in the direction of traffic. Within the widened sidewalks, the Living Streets would include linear park space along the length of each block and provide additional open space and pedestrian amenities. The enhancements would include pedestrian amenities, street trees and landscaping, pedestrian lighting, street furniture, pocket parks, active uses, and curb extensions.

Alleys (Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Street): Improve Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Streets and other alleys within the project area. Alley improvements would include a variety of pedestrian improvements, including sidewalk widening, landscaping, pedestrian lighting, and street furniture, and potential redesign as single-surface shared pedestrian/vehicle ways.

Fremont/Folsom Freeway Off-Ramp Realignment: Realign the Fremont/Folsom Bay Bridge off-ramp so that it creates a "T" intersection with Fremont Street. This would enhance the safety of pedestrians crossing the off-ramp by standardizing the alignment of the off-ramp and improve the conditions along Folsom Street, planned as a major pedestrian boulevard.

Mid-block Crossings: Analyze and build new crosswalks at various mid-block locations in the Project Area. Mid-block crosswalks would include crosswalk striping at a minimum. They may also include new traffic signals, curb extensions, and other pedestrian safety features as appropriate.

Signalization: Upgrade or install traffic signals at approximately 25 intersections in the Project Area. Traffic signal upgrades would be done in conjunction with overall circulation and street improvements in the Project Area.

Natoma Street: Create a pedestrian plaza and link to the Transit Center between 1st and 2nd Streets. The western two-thirds of Natoma Street between First and Second Streets would be closed to vehicles. Service vehicles and deliveries may be able to access this portion of Natoma Street during night and early morning hours before peak transit and retail times. The eastern one-third of Natoma Street (nearest to First Street) would remain open to vehicles to maintain access to parking and loading for existing buildings on the north side of Howard Street. The pedestrian space would include a new curbside single-surface space including decorative paving, pedestrian lighting, landscaping, and street furniture.

Casual Carpool waiting area improvements: Improve drop-off and pick-up zones at casual carpool locations in the Project Area, including sufficient sidewalk waiting and passenger loading/unloading space and amenities, including shelters, seating, informational signage and other supportive services.

II. Transit and Other Transportation

Transit Delay Mitigation: Pay for the purchase of new transit vehicles to mitigate transportation impacts attributable to increased Project Area congestion.

BART Station Capacity: Enhance capacity constraints at Embarcadero and Montgomery Stations regarding crowding on platforms, vertical circulation, and the "dwell time" required for trains to load and unload passengers, which would be exacerbated by the additional transit riders brought on by new development and the Transbay Transit Center. Potential capacity enhancement measures could include additional vertical circulation (e.g. stairwells, escalators, and elevators), additional fare gates, improvements to the train control system to allow for more frequent service, platform edge doors, and better real-time public information displays on train arrivals at concourse and street levels.

Congestion Charging Pilot: Study, design and construct capital improvements relating to a congestion charging pilot program, potentially including fare booths, signals, electronic monitoring equipment, and the like. Conduct necessary analyses to inform the appropriate triggers, mechanisms, and capital improvements required for a congestion pricing pilot program to manage traffic volumes entering and exiting the CFD.

Underground Pedestrian Connector: Create an underground pedestrian tunnel connecting the Transbay Transit Center with the Embarcadero BART/Muni Metro Station, increasing circulation space available for pedestrians and creating a seamless link between the two transit stations.

Downtown Rail Extension (DTX): Extend the Caltrain rail tracks to the new Transbay Transit Center to accommodate Caltrain and California High Speed Rail, and construct the train

components of the Transit Center building including associated systems. The funding would pay for the planning, engineering, right-of-way acquisition, and construction of the DTX.

III. Public Open space

City Park: Plan, design and construct public open space on the roof of the Transbay Transit Center.

City Park Connections: Provide connections to the Transbay Transit Center's City Park from adjacent private buildings or from public streets and plazas. Connections could include sky bridges, or connections from ground level to park level, such as elevators, escalators, funiculars, gondolas or similar means of conveying people to City Park. Connections would be required to be publicly accessible during standard hours so that members of the public could easily access City Park.

2nd and Howard Public Plaza: Create an approximately 0.5-acre open space at the corner of 2nd and Howard Streets, on a grouping of parcels located on top of the future train tunnel. The open space would serve as a major access point to the adjacent Transbay Transit Center, including featuring a possible connection to the elevated City Park on the roof of the Transit Center. The open space design would be determined through a public design process.

Transbay Park: Transbay Park would be a new approximately 1.1-acre park, located between Main, Beale, Tehama, and Clementina Streets. The Park would provide a mix of active and passive recreation spaces.

Chinatown Open Space Improvements: Improvements to multiple public open spaces in Chinatown whose use would be increased by new development in the Project Area. The open space improvements may include enhancements to Portsmouth Square, a new open space at the Chinatown Central Subway Station, and improvements to other Chinatown parks. Specific open space improvements would be determined through a public design process.

Other Downtown Open Space Improvements: Improvements to multiple public open spaces in Downtown, whose use would be increased by new development in the Project Area. Specific locations for open space improvements have not been identified yet.

Mission Square: Public plaza at the entrance to the new Transbay Transit Center at the corner of Fremont and Mission Streets. The plaza would create passive open space and circulation space for people entering and exiting the Transit Center and the adjacent Transit Tower development.

Under-Ramp Park: Under-Ramp Park would be a new system of open spaces, built adjacent to and under the Bay Bridge off-ramps and bus ramps to the Transbay Transit Center, between Harrison, Howard, First, and Second Streets. The Park would provide a mix of active and passive recreation spaces.

IV. Other Transit Center District Public Improvements

The Facilities include the other public improvements not listed above but described in the Transit Center District Plan Program Implementation Document, dated May 16, 2012, as such Document may be amended from time to time.

The costs to be financed include the costs of the acquisition of right-of-way (including right-of-way that is intended to be dedicated by the recording of a final map), the costs of design, engineering and planning; the costs of any environmental or traffic studies, surveys or other reports; costs related to landscaping and irrigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

OTHER

The CFD may also finance any of the following:

1. Bond or other debt-related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.
2. Administrative fees of the City and the bond trustee or fiscal agent related to the CFD and the bonds or other debt.
3. Reimbursement of costs related to the formation of the CFD advanced by the City, the landowner(s) in the CFD, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the CFD or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the CFD.
4. The CFD may also pay in full all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay or any indebtedness secured by any tax, fee, charge, or assessment levied within the area of the CFD or may pay debt service on that indebtedness. In addition, tax revenues of the CFD may be used to make lease or debt service payments on any lease, lease-purchase contract, or certificate of participation used to finance facilities authorized to be financed by the CFD.

EXHIBIT B

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)**

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

EXHIBIT B

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

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Taxable Parcel in the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage within Taxable Buildings, as described below. All Taxable Parcels in the CFD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City and TJPA carrying out duties with respect to CFD No. 2014-1 and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller’s Office and/or the City Treasurer and Tax Collector’s Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Tax, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TJPA in any way related to the establishment or administration of the CFD.

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

“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. All Land Uses within an Affordable Housing Project are exempt from the Special Tax, as provided in Section G and are subject to the limitations set forth in Section D.4 below.

"Airspace Parcel" means a parcel with an assigned Assessor's Parcel number that constitutes vertical space of an underlying land parcel.

"Apartment Building" means a residential or mixed-use Building within which none of the Residential Units have been sold to individual homebuyers.

"Assessor's Parcel" or "Parcel" means a lot or parcel, including an Airspace Parcel, shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating Parcels by Assessor's Parcel number.

"Authorized Facilities" means those public facilities authorized to be funded by the CFD as set forth in the CFD formation proceedings.

"Base Special Tax" means the Special Tax per square foot that is used to calculate the Maximum Special Tax that applies to a Taxable Parcel pursuant to Sections C.1 and C.2 of this RMA. The Base Special Tax shall also be used to determine the Maximum Special Tax for any Net New Square Footage added to a Taxable Building in the CFD in future Fiscal Years.

"Below Market Rate Units" or "BMR Units" means all Residential Units within the CFD that have a deed restriction recorded on title of the property that (i) limits the rental price or sales price of the Residential Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way restricts the current or future value of the unit.

"Board" means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2014-1.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, incurred, or assumed by the CFD related to the Authorized Facilities.

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

"Building Height" means the number of Stories in a Taxable Building, which shall be determined based on the highest Story that is occupied by a Land Use. If only a portion of a Building is a Conditioned Project, the Building Height shall be determined based on the highest Story that is occupied by a Land Use regardless of where in the Building the Taxable Parcels are located. If there is any question as to the Building Height of any Taxable Building in the CFD, the Administrator shall coordinate with the Zoning Authority to make the determination.

"Certificate of Exemption" means a certificate issued to the then-current record owner of a Parcel that indicates that some or all of the Square Footage on the Parcel has prepaid the Special Tax obligation or has paid the Special Tax for thirty Fiscal Years and, therefore, such Square Footage shall, in all future Fiscal Years, be exempt from the levy of Special Taxes in the CFD. The Certificate of Exemption shall identify (i) the Assessor's Parcel number(s) for the Parcel(s)

on which the Square Footage is located, (ii) the amount of Square Footage for which the exemption is being granted, (iii) the first and last Fiscal Year in which the Special Tax had been levied on the Square Footage, and (iv) the date of receipt of a prepayment of the Special Tax obligation, if applicable.

"Certificate of Occupancy" or "COO" 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 this RMA, "Certificate of Occupancy" shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the CFD; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Letter has been provided to the Administrator for the Building.

"CFD" or "CFD No. 2014-1" means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center).

"Child Care Square Footage" means, collectively, the Exempt Child Care Square Footage and Taxable Child Care Square Footage within a Taxable Building in the CFD.

"City" means the City and County of San Francisco.

"Conditioned Project" means a Development Project that is required to participate in funding Authorized Facilities through the CFD.

"Converted Apartment Building" means a Taxable Building that had been designated as an Apartment Building within which one or more Residential Units are subsequently sold to a buyer that is not a Landlord.

"Converted For-Sale Unit" means, in any Fiscal Year, an individual Market Rate Unit within a Converted Apartment Building for which an escrow has closed, on or prior to June 30 of the preceding Fiscal Year, in a sale to a buyer that is not a Landlord.

"County" means the City and County of San Francisco.

"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 CFD.

"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.

"Exempt Child Care Square Footage" means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Zoning Authority to be reserved for one or more licensed child care facilities. If a prepayment is made in association with any Taxable Child Care Square Footage, such Square Footage shall also be deemed Exempt Child Care Square Footage beginning in the Fiscal Year following receipt of the prepayment.

"Exempt Parking Square Footage" means the Square Footage of parking within a Taxable Building that, pursuant to Sections 151.1 and 204.5 of the Planning Code, is estimated to be needed to serve Land Uses within a building in the CFD, as determined by the Zoning Authority. If a prepayment is made in association with any Taxable Parking Square Footage, such Square Footage shall also be deemed Exempt Parking Square Footage beginning in the Fiscal Year following receipt of the prepayment.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"For-Sale Residential Square Footage" or **"For-Sale Residential Square Foot"** means Square Footage that is or is expected to be part of a For-Sale Unit. The Zoning Authority shall make the determination as to the For-Sale Residential Square Footage within a Taxable Building in the CFD. For-Sale Residential Square Foot means a single square-foot unit of For-Sale Residential Square Footage.

"For-Sale Unit" means (i) in a Taxable Building that is not a Converted Apartment Building: a Market Rate Unit that has been, or is available or expected to be, sold, and (ii) in a Converted Apartment Building, a Converted For-Sale Unit. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

"Indenture" means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2014-1 Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"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 pursuant to Section D.1 below. 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.

"Initial Square Footage" means, for any Taxable Building in the CFD, the aggregate Square Footage of all Land Uses within the Building, as determined by the Zoning Authority upon issuance of the COO.

"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 CFD.

"Land Use" means residential, office, retail, hotel, parking, or child care use. For purposes of this RMA, the City shall have the final determination of the actual Land Use(s) on any Parcel within the CFD.

"Landlord" means an entity that owns at least twenty percent (20%) of the Rental Units within an Apartment Building or Converted Apartment Building.

"Market Rate Unit" means a Residential Unit that is not a Below Market Rate Unit.

"Maximum Special Tax" means the greatest amount of Special Tax that can be levied on a Taxable Parcel in the CFD in any Fiscal Year, as determined in accordance with Section C below.

"Net New Square Footage" means any Square Footage added to a Taxable Building after the Initial Square Footage in the Building has paid Special Taxes in one or more Fiscal Years.

"Office/Hotel Square Footage" or "Office/Hotel Square Foot" means Square Footage that is or is expected to be: (i) Square Footage of office space in which professional, banking, insurance, real estate, administrative, or in-office medical or dental activities are conducted, (ii) Square Footage that will be used by any organization, business, or institution for a Land Use that does not meet the definition of For-Sale Residential Square Footage Rental Residential Square Footage, or Retail Square Footage, including space used for cultural, educational, recreational, religious, or social service facilities, (iii) Taxable Child Care Square Footage, (iv) Square Footage in a residential care facility that is staffed by licensed medical professionals, and (v) any other Square Footage within a Taxable Building that does not fall within the definition provided for other Land Uses in this RMA. Notwithstanding the foregoing, street-level retail bank branches, real estate brokerage offices, and other such ground-level uses that are open to the public shall be categorized as Retail Square Footage pursuant to the Planning Code. Office/Hotel Square Foot means a single square-foot unit of Office/Hotel Square Footage.

For purposes of this RMA, "Office/Hotel Square Footage" shall also include Square Footage that is or is expected to be part of a non-residential structure that constitutes a place of lodging, providing temporary sleeping accommodations and related facilities. All Square Footage that shares an Assessor's Parcel number within such a non-residential structure, including Square Footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses shall be categorized as Office/Hotel Square Footage. If there are separate Assessor's Parcel numbers for these other uses, the Administrator shall apply the Base Special Tax for Retail Square Footage to determine the Maximum Special Tax for Parcels on which a restaurant, gift shop, spa, or other retail use is located or anticipated, and the Base Special Tax for Office/Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on

which other uses in the building are located. The Zoning Authority shall make the final determination as to the amount of Office/Hotel Square Footage within a building in the CFD.

"Planning Code" means the Planning Code of the City and County of San Francisco, as may be amended from time to time.

"Proportionately" means that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Taxable Parcels.

"Rental Residential Square Footage" or **"Rental Residential Square Foot"** means Square Footage that is or is expected to be used for one or more of the following uses: (i) Rental Units, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals. The Zoning Authority shall make the determination as to the amount of Rental Residential Square Footage within a Taxable Building in the CFD. Rental Residential Square Foot means a single square-foot unit of Rental Residential Square Footage.

"Rental Unit" means (i) all Market Rate Units within an Apartment Building, and (ii) all Market Rate Units within a Converted Apartment Building that have yet to be sold to an individual homeowner or investor. "Rental Unit" shall not include any Residential Unit which has been purchased by a homeowner or investor and subsequently offered for rent to the general public. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

"Retail Square Footage" or **"Retail Square Foot"** means Square Footage that is or, based on the Certificate of Occupancy, will be Square Footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to restaurants, bars, entertainment venues, health clubs, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, all Taxable Parking Square Footage in a Building, and all street-level retail bank branches, real estate brokerages, and other such ground-level uses that are open to the public, shall be categorized as Retail Square Footage for purposes of calculating the Maximum Special Tax pursuant to Section C below. The Zoning Authority shall make the final determination as to the amount of Retail Square Footage within a Taxable Building in the CFD. Retail Square Foot means a single square-foot unit of Retail Square Footage.

"Residential Unit" means an individual townhome, condominium, live/work unit, or apartment within a Building in the CFD.

"Residential Use" means (i) any and all Residential Units within a Taxable Building in the CFD, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses,

dormitories, housing operated by medical institutions, and single room occupancy units, and (iii) a residential care facility that is not staffed by licensed medical professionals.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Special Tax" means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

"Special Tax Requirement" means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) create and/or replenish reserve funds for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Facilities. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (ii) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay such costs as determined by the Administrator.

"Square Footage" means, for any Taxable Building in the CFD, the net saleable or leasable square footage of each Land Use on each Taxable Parcel within the Building, as determined by the Zoning Authority. If a building permit is issued to increase the Square Footage on any Taxable Parcel, the Administrator shall, in the first Fiscal Year after the final building permit inspection has been conducted in association with such expansion, work with the Zoning Authority to recalculate (i) the Square Footage of each Land Use on each Taxable Parcel, and (ii) the Maximum Special Tax for each Taxable Parcel based on the increased Square Footage. The final determination of Square Footage for each Land Use on each Taxable Parcel shall be made by the Zoning Authority.

"Story" or "Stories" means a portion or portions of a Building, except a mezzanine as defined in the City Building Code, included between the surface of any floor and the surface of the next floor above it, or if there is no floor above it, then the space between the surface of the floor and the ceiling next above it.

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

"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 COO.

"Taxable Child Care Square Footage" means the amount of Square Footage determined by subtracting the Exempt Child Care Square Footage within a Taxable Building from the total net leasable square footage within a Building that is used for licensed child care facilities, as determined by the Zoning Authority.

"Taxable Parcel" means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or Section G below. 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 this RMA.

"Taxable Parking Square Footage" means Square Footage of parking in a Taxable Building that is determined by the Zoning Authority not to be Exempt Parking Square Footage.

"TJPA" means the Transbay Joint Powers Authority.

"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 CFD. 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.

B. DATA FOR CFD ADMINISTRATION

On or after July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Taxable Parcels in the CFD. In order to identify Taxable Parcels, the Administrator shall confirm which Buildings in the CFD have been issued both a Tax Commencement Authorization and a COO.

The Administrator shall also work with the Zoning Authority to confirm: (i) the Building Height for each Taxable Building, (ii) the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and Retail Square Footage on each Taxable Parcel, (iii) if applicable, the number of BMR Units and aggregate Square Footage of BMR Units within the Building, (iv) whether any of the Square Footage on a Parcel is subject to a Certificate of Exemption, and (v) the Special Tax Requirement for the Fiscal Year. In each Fiscal Year, the Administrator shall also keep track of how many Fiscal Years the Special Tax has been levied on each Parcel within the CFD. If there is Initial Square Footage and Net New Square Footage on a Parcel, the Administrator shall separately track the duration of the Special Tax levy in order to ensure compliance with Section F below.

In any Fiscal Year, if it is determined by the Administrator that (i) a parcel map or condominium plan for a portion of property in the CFD was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), and (ii) the Assessor does not yet recognize the newly-created parcels, the Administrator shall calculate the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor's Parcel that was subdivided by recordation of the parcel map or condominium plan.

C. DETERMINATION OF THE MAXIMUM SPECIAL TAX

1. *Base Special Tax*

Once the Building Height of, and Land Use(s) within, a Taxable Building have been identified, the Base Special Tax to be used for calculation of the Maximum Special Tax for each Taxable Parcel within the Building shall be determined based on reference to the applicable table(s) below:

FOR-SALE RESIDENTIAL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$4.71 per For-Sale Residential Square Foot
6 – 10 Stories	\$5.02 per For-Sale Residential Square Foot
11 – 15 Stories	\$6.13 per For-Sale Residential Square Foot
16 – 20 Stories	\$6.40 per For-Sale Residential Square Foot
21 – 25 Stories	\$6.61 per For-Sale Residential Square Foot
26 – 30 Stories	\$6.76 per For-Sale Residential Square Foot
31 – 35 Stories	\$6.88 per For-Sale Residential Square Foot
36 – 40 Stories	\$7.00 per For-Sale Residential Square Foot
41 – 45 Stories	\$7.11 per For Sale Residential Square Foot
46 – 50 Stories	\$7.25 per For-Sale Residential Square Foot
More than 50 Stories	\$7.36 per For-Sale Residential Square Foot

RENTAL RESIDENTIAL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$4.43 per Rental Residential Square Foot
6 – 10 Stories	\$4.60 per Rental Residential Square Foot
11 – 15 Stories	\$4.65 per Rental Residential Square Foot
16 – 20 Stories	\$4.68 per Rental Residential Square Foot
21 – 25 Stories	\$4.73 per Rental Residential Square Foot
26 – 30 Stories	\$4.78 per Rental Residential Square Foot
31 – 35 Stories	\$4.83 per Rental Residential Square Foot
36 – 40 Stories	\$4.87 per Rental Residential Square Foot
41 – 45 Stories	\$4.92 per Rental Residential Square Foot
46 – 50 Stories	\$4.98 per Rental Residential Square Foot
More than 50 Stories	\$5.03 per Rental Residential Square Foot

OFFICE/HOTEL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$3.45 per Office/Hotel Square Foot
6 – 10 Stories	\$3.56 per Office/Hotel Square Foot
11 – 15 Stories	\$4.03 per Office/Hotel Square Foot
16 – 20 Stories	\$4.14 per Office/Hotel Square Foot
21 – 25 Stories	\$4.25 per Office/Hotel Square Foot
26 – 30 Stories	\$4.36 per Office/Hotel Square Foot
31 – 35 Stories	\$4.47 per Office/Hotel Square Foot
36 – 40 Stories	\$4.58 per Office/Hotel Square Foot
41 – 45 Stories	\$4.69 per Office/Hotel Square Foot
46 – 50 Stories	\$4.80 per Office/Hotel Square Foot
More than 50 Stories	\$4.91 per Office/Hotel Square Foot

RETAIL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
N/A	\$3.18 per Retail Square Foot

* The Base Special Tax rates shown above for each Land Use shall escalate as set forth in Section D.1 below.

2. *Determining the Maximum Special Tax for Taxable Parcels*

Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the

Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the following steps to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building:

- Step 1.* Determine the Building Height for the Taxable Building for which a Certificate of Occupancy was issued.
- Step 2.* Determine the For-Sale Residential Square Footage and/or Rental Residential Square Footage for all Residential Units on each Taxable Parcel, as well as the Office/Hotel Square Footage and Retail Square Footage on each Taxable Parcel.
- Step 3.* *For each Taxable Parcel that includes only For-Sale Units*, multiply the For-Sale Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 4.* *For each Taxable Parcel that includes only Rental Units*, multiply the Rental Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 5.* *For each Taxable Parcel that includes only Residential Uses other than Market Rate Units*, net out the Square Footage associated with any BMR Units and multiply the remaining Rental Residential Square Footage (if any) by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 6.* *For each Taxable Parcel that includes only Office/Hotel Square Footage*, multiply the Office/Hotel Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 7.* *For each Taxable Parcel that includes only Retail Square Footage*, multiply the Retail Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 8.* *For Taxable Parcels that include multiple Land Uses*, separately determine the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and/or Retail Square Footage. Multiply the Square Footage of each Land Use by the applicable Base Special Tax from Section C.1, and sum the individual amounts to determine the aggregate Maximum Special Tax for the Taxable Parcel for the first succeeding Fiscal Year.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. *Annual Escalation of Base Special Tax*

The Base Special Tax rates identified in Section C.1 are applicable for fiscal year 2013-14. Beginning July 1, 2014 and each July 1 thereafter, the Base Special Taxes shall be adjusted by the Initial Annual Adjustment Factor. The Base Special Tax rates shall be 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, as set forth in Section C.2 and subject to the limitations set forth in Section D.3.

2. *Adjustment of the Maximum Special Tax*

After a Maximum Special Tax has been assigned to a Parcel for its first Fiscal Year as a Taxable Parcel pursuant to Section C.2 and Section D.1, the Maximum Special Tax shall escalate for subsequent Fiscal Years beginning July 1 of the Fiscal Year after the first Fiscal Year in which the Parcel was a Taxable Parcel, and each July 1 thereafter, by two percent (2%) of the amount in effect in the prior Fiscal Year. In addition to the foregoing, the Maximum Special Tax assigned to a Taxable Parcel shall be increased in any Fiscal Year in which the Administrator determines that Net New Square Footage was added to the Parcel in the prior Fiscal Year.

3. *Converted Apartment Buildings*

If an Apartment Building in the CFD becomes a Converted Apartment Building, the Administrator shall rely on information from the County Assessor, site visits to the sales office, data provided by the entity that is selling Residential Units within the Building, and any other available source of information to track sales of Residential Units. In the first Fiscal Year in which there is a Converted For-Sale Unit within the Building, the Administrator shall determine the applicable Base Maximum Special Tax for For-Sale Residential Units for that Fiscal Year. Such Base Maximum Special Tax shall be used to calculate the Maximum Special Tax for all Converted For-Sale Units in the Building in that Fiscal Year. In addition, this Base Maximum Special Tax, escalated each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year, shall be used to calculate the Maximum Special Tax for all future Converted For-Sale Units within the Building. Solely for purposes of calculating Maximum Special Taxes for Converted For-Sale Units within the Converted Apartment Building, the adjustment of Base Maximum Special Taxes set forth in Section D.1 shall not apply. All Rental Residential Square Footage within the Converted Apartment Building shall continue to be subject to the Maximum Special Tax for Rental Residential Square Footage until such time as the units become Converted For-Sale Units. The Maximum Special Tax for all Taxable Parcels within the Building shall escalate each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year.

4. *BMR Unit/Market Rate Unit Transfers*

If, in any Fiscal Year, the Administrator determines that a Residential Unit that had previously been designated as a BMR Unit no longer qualifies as such, the Maximum Special Tax on the

new Market Rate Unit shall be established pursuant to Section C.2 and adjusted, as applicable, by Sections D.1 and D.2. If a Market Rate Unit becomes a BMR Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit, the Maximum Special Tax on such Residential Unit shall not be decreased unless: (i) a BMR Unit is simultaneously redesignated as a Market Rate Unit, and (ii) such redesignation results in a Maximum Special Tax on the new Market Rate Unit that is greater than or equal to the Maximum Special Tax that was levied on the Market Rate Unit prior to the swap of units. If, based on the Building Height or Square Footage, there would be a reduction in the Maximum Special Tax due to the swap, the Maximum Special Tax that applied to the former Market Rate Unit will be transferred to the new Market Rate Unit regardless of the Building Height and Square Footage associated with the new Market Rate Unit.

5. *Changes in Land Use on a Taxable Parcel*

If any Square Footage that had been taxed as For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, or Retail Square Footage in a prior Fiscal Year is rezoned or otherwise changes Land Use, the Administrator shall apply the applicable subsection in Section C.2 to calculate what the Maximum Special Tax would be for the Parcel based on the new Land Use(s). If the amount determined is greater than the Maximum Special Tax that applied to the Parcel prior to the Land Use change, the Administrator shall increase the Maximum Special Tax to the amount calculated for the new Land Uses. If the amount determined is less than the Maximum Special Tax that applied prior to the Land Use change, there will be no change to the Maximum Special Tax for the Parcel. Under no circumstances shall the Maximum Special Tax on any Taxable Parcel be reduced, regardless of changes in Land Use or Square Footage on the Parcel, including reductions in Square Footage that may occur due to demolition, fire, water damage, or acts of God. In addition, if a Taxable Building within the CFD that had been subject to the levy of Special Taxes in any prior Fiscal Year becomes all or part of an Affordable Housing Project, the Parcel(s) shall continue to be subject to the Maximum Special Tax that had applied to the Parcel(s) before they became part of the Affordable Housing Project. All Maximum Special Taxes determined pursuant to Section C.2 shall be adjusted, as applicable, by Sections D.1 and D.2.

6. *Prepayments*

If a Parcel makes a prepayment pursuant to Section H below, the Administrator shall issue the owner of the Parcel a Certificate of Exemption for the Square Footage that was used to determine the prepayment amount, and no Special Tax shall be levied on the Parcel in future Fiscal Years unless there is Net New Square Footage added to a Building on the Parcel. Thereafter, a Special Tax calculated based solely on the Net New Square Footage on the Parcel shall be levied for up to thirty Fiscal Years, subject to the limitations set forth in Section F below. Notwithstanding the foregoing, any Special Tax that had been levied against, but not yet collected from, the Parcel is still due and payable, and no Certificate of Exemption shall be issued until such amounts are fully paid. If a prepayment is made in order to exempt Taxable Child Care Square Footage on a Parcel on which there are multiple Land Uses, the Maximum Special Tax for the Parcel shall be recalculated based on the exemption of this Child Care Square Footage which shall, after such prepayment, be designated as Exempt Child Care Square Footage and remain exempt in all Fiscal Years after the prepayment has been received.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied Proportionately on each Taxable Parcel up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Taxable Parcels is equal to the Special Tax Requirement.

F. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2014-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected from the first Fiscal Year in which a Parcel is designated as a Taxable Parcel until the principal and interest on all Bonds have been paid, the City's costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. Notwithstanding the foregoing, the Special Tax shall not be levied on any Square Footage in the CFD for more than thirty Fiscal Years, except that a Special Tax that was lawfully levied in or before the final Fiscal Year and that remains delinquent may be collected in subsequent Fiscal Years. After a Building or a particular block of Square Footage within a Building (i.e., Initial Square Footage vs. Net New Square Footage) has paid the Special Tax for thirty Fiscal Years, the then-current record owner of the Parcel(s) on which that Square Footage is located shall be issued a Certificate of Exemption for such Square Footage. Notwithstanding the foregoing, the Special Tax shall cease to be levied, and a Release of Special Tax Lien shall be recorded against all Parcels in the CFD that are still subject to the Special Tax, after the Special Tax has been levied in the CFD for seventy-five Fiscal Years.

Pursuant to Section 53321 (d) of the Act, the Special Tax levied against Residential Uses shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Square Footage for which a prepayment has been received and a Certificate of Exemption issued, (ii) Below Market Rate Units except as otherwise provided in Sections D.3 and D.4, (iii) Affordable Housing Projects, including all Residential Units, Retail Square Footage, and Office Square Footage within buildings that are part of an Affordable Housing Project, except as otherwise provided in Section D.4, and (iv) Exempt Child Care Square Footage.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation applicable to Square Footage in a building may be fully prepaid as described herein, provided that a prepayment may be made only if (i) the Parcel is a Taxable Parcel, and (ii) there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. Any prepayment made by a Parcel owner must satisfy the Special Tax obligation associated with all Square Footage on the Parcel that is subject to the Special Tax at the time the prepayment is calculated. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for the Square Footage on such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount for a Taxable Parcel shall be calculated as follows:

- Step 1:* Determine the Square Footage of each Land Use on the Parcel.
- Step 2:* Determine how many Fiscal Years the Square Footage on the Parcel has paid the Special Tax, which may be a separate total for Initial Square Footage and Net New Square Footage on the Parcel. If a Special Tax has been levied, but not yet paid, in the Fiscal Year in which the prepayment is being calculated, such Fiscal Year will be counted as a year in which the Special Tax was paid, but a Certificate of Exemption shall not be issued until such Special Taxes are received by the City's Office of the Treasurer and Tax Collector.
- Step 3:* Subtract the number of Fiscal Years for which the Special Tax has been paid (as determined in Step 2) from 30 to determine the remaining number of Fiscal Years for which Special Taxes are due from the Square Footage for which the prepayment is being made. This calculation would result in a different remainder for Initial Square Footage and Net New Square Footage within a building.
- Step 4:* Separately for Initial Square Footage and Net New Square Footage, and separately for each Land Use on the Parcel, multiply the amount of Square Footage by the applicable Maximum Special Tax that would apply to such Square Footage in each of the remaining Fiscal Years, taking into account the 2% escalator set forth in Section D.2, to determine the annual stream of Maximum Special Taxes that could be collected in future Fiscal Years.
- Step 5:* For each Parcel for which a prepayment is being made, sum the annual amounts calculated for each Land Use in Step 4 to determine the annual Maximum Special Tax that could have been levied on the Parcel in each of the remaining Fiscal Years.

- Step 6.* Calculate the net present value of the future annual Maximum Special Taxes that were determined in Step 5 using, as the discount rate for the net present value calculation, the true interest cost (TIC) on the Bonds as identified by the Office of Public Finance. If there is more than one series of Bonds outstanding at the time of the prepayment calculation, the Administrator shall determine the weighted average TIC based on the Bonds from each series that remain outstanding. The amount determined pursuant to this Step 6 is the required prepayment for each Parcel. Notwithstanding the foregoing, if at any point in time the Administrator determines that the Maximum Special Tax revenue that could be collected from Square Footage that remains subject to the Special Tax after the proposed prepayment is less than 110% of debt service on Bonds that will remain outstanding after defeasance or redemption of Bonds from proceeds of the estimated prepayment, the amount of the prepayment shall be increased until the amount of Bonds defeased or redeemed is sufficient to reduce remaining annual debt service to a point at which 110% debt service coverage is realized.

Once a prepayment has been received by the City, a Certificate of Exemption shall be issued to the owner of the Parcel indicating that all Square Footage that was the subject of such prepayment shall be exempt from Special Taxes.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Taxes and any security for any Bonds.

J. SPECIAL TAX APPEALS

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section J shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.

EXHIBIT C

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)**

ASSESSOR'S PARCEL NUMBERS AND OWNERS OF LAND

Assessor's
Parcel No(s).

Name(s) of Property Owners

3718-012

Park Tower Owner, LLC

**UNANIMOUS APPROVAL
of Annexation to a Community Facilities District
and Related Matters**

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)**

Annexation No. 3

April 18, 2018

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

Members of the Board of Supervisors:

The undersigned hereby states and certifies, under penalty of perjury, as follows:

1. Property Owner. The undersigned is the owner (the "Property Owner") of fee simple title to the real property identified by the assessor's parcel number(s) listed below (the "Property"), and possesses all legal authority necessary to execute this Unanimous Approval. If requested by the City and County of San Francisco (the "City"), the Property Owner has supplied to the City current evidence of its ownership of the Property.

The Property Owner hereby represents and warrants that there are no persons resident on the Property that are registered to vote.

2. Acknowledgement of CFD. The Property Owner acknowledges and understands the following:

(a) The Board of Supervisors of the City has formed the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "CFD") and a future annexation area for the CFD (the "Future Annexation Area"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act") for the purpose of financing certain public facilities (the "Facilities") described on Exhibit A hereto and made a part hereof.

(b) The proceedings for the formation of the CFD authorized the Board of Supervisors to levy an annual special tax (the "Special Tax") on property in the CFD as specified in the Amended and Restated Rate and Method of Apportionment of Special Tax (the "Rate and Method") for the CFD, a copy of which is attached hereto as Exhibit B. The Property Owner acknowledges that the City will create a special account into which the Special Taxes will be deposited, when collected, and that the City will prepare the annual report required by Government Code Section 50075.3.

(c) The proceedings for the formation of the CFD authorized the Board of Supervisors to annex property in the Future Annexation Area to the CFD, without additional public hearings, upon approval of the owner of the property to be annexed as permitted by Section 53339.7(a) of the Act.

(d) The Property is in the Future Annexation Area for the CFD.

3. Unanimous Approval and Vote. This Unanimous Approval constitutes the unanimous approval and vote of the Property Owner in favor of the following matters for the purposes of Section 53339.7 et seq. of the Act and Article XIII A of the California Constitution:

a. Annexation: The annexation of the Property to the CFD for the purpose of financing the Facilities.

b. Special Tax: The levy of the Special Tax on the Property to finance the Facilities, according to the Rate and Method.

c. Bonds and other Debt: The issuance of bonded indebtedness and other debt (as defined in the Act) for the CFD in an aggregate principal amount not to exceed \$1,400,000,000. The Property Owner acknowledges that (i) the specific purpose of the bonds and other debt is to finance the acquisition and construction of the Facilities and pay related costs; (b) any proceeds received from the sale of any bonds and other debt will be applied only for such purpose; (c) the proceeds of any bonds and other debt will be deposited into special accounts to be created therefor as part of the issuance of the bonds and other debt; and (d) the City will cause a report to be prepared annually under Section 53411 of the Government Code.

d. Appropriations Limit: An initial appropriations limit for the CFD of \$300,000,000.

4. Waivers. The Property Owner hereby irrevocably waives (i) any right the Property Owner may otherwise have to protest or challenge the validity of the proceedings to form the CFD and to authorize the annexation of any property (including the Property) to the CFD, and (ii) any necessity, requirement or right for further public hearings or any election pertaining to the annexation of the Property to the CFD or the levy of the Special Tax on the Property.

5. Recordation of Amendment to Notice of Special Tax Lien. The Property Owner acknowledges and understands that a Notice of Special Tax Lien for the CFD (the "Notice of Special Tax Lien") was recorded in the Office of the Recorder of the City and County of San Francisco on January 22, 2015, as Document No. 2015K010238. The Property Owner hereby authorizes and directs the Clerk of the Board of Supervisors to execute and cause to be recorded in the office of the County Recorder of the City and County of San Francisco an amendment to the Notice of Special Tax Lien for the CFD as required by Section 3117.5 of the California Streets and Highways Code, which will impose a continuing lien on the Property to secure each levy of the Special Tax. The amendment to the Notice of Special Tax Lien shall include the Rate and Method as an exhibit thereto. The Property Owner acknowledges and understands that the lien of the Special Tax on the Property is coequal with the lien for ad valorem real property taxes levied by the County on the Property.

6. **Disclosures.** The Property Owner hereby agrees to provide to any subsequent purchaser of the Property written notice of the annexation of the Property to the CFD, and of the authority of the Board of Supervisors to levy the Special Tax on the Property pursuant to the Rate and Method, to the extent required by applicable law.

7. **Agreements.** The Property Owner further agrees to execute such additional or supplemental agreements and to take such additional actions as may be required by the City to provide for any of the actions and conditions described in this Unanimous Approval, including any cash deposit required to pay for the City's costs in annexing the Property to the CFD.

The Property subject to this Unanimous Approval and to be annexed to the CFD, consists of the following Assessor's Parcel:

The full legal name of the Property Owner is: PARK TOWER OWNER LLC, a Delaware limited liability company

3718-012

The foregoing Unanimous Approval is hereby executed this 11 day of May, 2016, in San Francisco, California.

PARK TOWER OWNER LLC, a Delaware limited liability company

By: 

Kevin Hites
Authorized Signatory

EXHIBIT A

CITY AND COUNTY OF SAN FRANCISCO Community Facilities District No. 2014-1 (Transbay Transit Center)

DESCRIPTION OF FACILITIES TO BE FINANCED BY THE CFD

City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "CFD") will pay or finance all or a portion of the costs of the following facilities (the "Facilities"). The Facilities will be constructed, whether or not acquired in their completed states, pursuant to the plans and specifications approved by the City and County of San Francisco (the "City") or other applicable public agencies.

FACILITIES

I. Streetscape and Pedestrian Improvements

Primary Streets (Mission, Howard, Folsom, Fremont, 1st, 2nd, New Montgomery): Improve existing primary streets in the Transit Center District, including Mission, Howard, Folsom, Fremont, 1st, 2nd, and New Montgomery Streets. Improvements would include sidewalk widening to accommodate additional pedestrian traffic from new development and the Transbay Transit Center, pedestrian and streetscape amenities, bicycle facilities, transit upgrades such as dedicated transit lanes, boarding islands, enhanced shelters and curb extensions to serve transit stops, and roadway circulation, parking, and loading changes. Recommended changes to Primary Streets would be informed by traffic studies to be funded by the CFD.

Living Streets (Beale, Main, and Spear Streets North of Folsom to Market Street): Improve Beale, Main, and Spear Streets from Folsom Street to Market Street by significantly expanding the sidewalk on one side of each street to approximately 30 feet and reducing the number of traffic lanes to one lane in either direction. Beale and Main Streets would feature a bike lane in the direction of traffic. Within the widened sidewalks, the Living Streets would include linear park space along the length of each block and provide additional open space and pedestrian amenities. The enhancements would include pedestrian amenities, street trees and landscaping, pedestrian lighting, street furniture, pocket parks, active uses, and curb extensions.

Alleys (Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Street): Improve Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Streets and other alleys within the project area. Alley improvements would include a variety of pedestrian improvements, including sidewalk widening, landscaping, pedestrian lighting, and street furniture, and potential redesign as single-surface shared pedestrian/vehicle ways.

Fremont/Folsom Freeway Off-Ramp Realignment: Realign the Fremont/Folsom Bay Bridge off-ramp so that it creates a "T" intersection with Fremont Street. This would enhance the safety of pedestrians crossing the off-ramp by standardizing the alignment of the off-ramp and improve the conditions along Folsom Street, planned as a major pedestrian boulevard.

Mid-block Crossings: Analyze and build new crosswalks at various mid-block locations in the Project Area. Mid-block crosswalks would include crosswalk striping at a minimum. They may also include new traffic signals, curb extensions, and other pedestrian safety features as appropriate.

Signalization: Upgrade or install traffic signals at approximately 25 intersections in the Project Area. Traffic signal upgrades would be done in conjunction with overall circulation and street improvements in the Project Area.

Natoma Street: Create a pedestrian plaza and link to the Transit Center between 1st and 2nd Streets. The western two-thirds of Natoma Street between First and Second Streets would be closed to vehicles. Service vehicles and deliveries may be able to access this portion of Natoma Street during night and early morning hours before peak transit and retail times. The eastern one-third of Natoma Street (nearest to First Street) would remain open to vehicles to maintain access to parking and loading for existing buildings on the north side of Howard Street. The pedestrian space would include a new curbside single-surface space including decorative paving, pedestrian lighting, landscaping, and street furniture.

Casual Carpool waiting area improvements: Improve drop-off and pick-up zones at casual carpool locations in the Project Area, including sufficient sidewalk waiting and passenger loading/unloading space and amenities, including shelters, seating, informational signage and other supportive services.

II. Transit and Other Transportation

Transit Delay Mitigation: Pay for the purchase of new transit vehicles to mitigate transportation impacts attributable to increased Project Area congestion.

BART Station Capacity: Enhance capacity constraints at Embarcadero and Montgomery Stations regarding crowding on platforms, vertical circulation, and the "dwell time" required for trains to load and unload passengers, which would be exacerbated by the additional transit riders brought on by new development and the Transbay Transit Center. Potential capacity enhancement measures could include additional vertical circulation (e.g. stairwells, escalators, and elevators), additional fare gates, improvements to the train control system to allow for more frequent service, platform edge doors, and better real-time public information displays on train arrivals at concourse and street levels.

Congestion Charging Pilot: Study, design and construct capital improvements relating to a congestion charging pilot program, potentially including fare booths, signals, electronic monitoring equipment, and the like. Conduct necessary analyses to inform the appropriate triggers, mechanisms, and capital improvements required for a congestion pricing pilot program to manage traffic volumes entering and exiting the CFD.

Underground Pedestrian Connector: Create an underground pedestrian tunnel connecting the Transbay Transit Center with the Embarcadero BART/Muni Metro Station, increasing circulation space available for pedestrians and creating a seamless link between the two transit stations.

Downtown Rail Extension (DTX): Extend the Caltrain rail tracks to the new Transbay Transit Center to accommodate Caltrain and California High Speed Rail, and construct the

train components of the Transit Center building including associated systems. The funding would pay for the planning, engineering, right-of-way acquisition, and construction of the DTX.

III. Public Open space

City Park: Plan, design and construct public open space on the roof of the Transbay Transit Center.

City Park Connections: Provide connections to the Transbay Transit Center's City Park from adjacent private buildings or from public streets and plazas. Connections could include sky bridges, or connections from ground level to park level, such as elevators, escalators, funiculars, gondolas or similar means of conveying people to City Park. Connections would be required to be publicly accessible during standard hours so that members of the public could easily access City Park.

2nd and Howard Public Plaza: Create an approximately 0.5-acre open space at the corner of 2nd and Howard Streets, on a grouping of parcels located on top of the future train tunnel. The open space would serve as a major access point to the adjacent Transbay Transit Center, including featuring a possible connection to the elevated City Park on the roof of the Transit Center. The open space design would be determined through a public design process.

Transbay Park: Transbay Park would be a new approximately 1.1-acre park, located between Main, Beale, Tehama, and Clementina Streets. The Park would provide a mix of active and passive recreation spaces.

Chinatown Open Space Improvements: Improvements to multiple public open spaces in Chinatown whose use would be increased by new development in the Project Area. The open space improvements may include enhancements to Portsmouth Square, a new open space at the Chinatown Central Subway Station, and improvements to other Chinatown parks. Specific open space improvements would be determined through a public design process.

Other Downtown Open Space Improvements: Improvements to multiple public open spaces in Downtown, whose use would be increased by new development in the Project Area. Specific locations for open space improvements have not been identified yet.

Mission Square: Public plaza at the entrance to the new Transbay Transit Center at the corner of Fremont and Mission Streets. The plaza would create passive open space and circulation space for people entering and exiting the Transit Center and the adjacent Transit Tower development.

Under-Ramp Park: Under-Ramp Park would be a new system of open spaces, built adjacent to and under the Bay Bridge off-ramps and bus ramps to the Transbay Transit Center, between Harrison, Howard, First, and Second Streets. The Park would provide a mix of active and passive recreation spaces.

IV. Other Transit Center District Public Improvements

The Facilities include the other public improvements not listed above but described in the Transit Center District Plan Program Implementation Document, dated May 16, 2012, as such Document may be amended from time to time.

The costs to be financed include the costs of the acquisition of right-of-way (including right-of-way that is intended to be dedicated by the recording of a final map), the costs of design, engineering and planning, the costs of any environmental or traffic studies, surveys or other reports, costs related to landscaping and irrigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

OTHER

The CFD may also finance any of the following:

1. Bond or other debt-related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.

2. Administrative fees of the City and the bond trustee or fiscal agent related to the CFD and the bonds or other debt.

3. Reimbursement of costs related to the formation of the CFD advanced by the City, the landowner(s) in the CFD, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the CFD or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the CFD.

4. The CFD may also pay in full all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay or any indebtedness secured by any tax, fee, charge, or assessment levied within the area of the CFD or may pay debt service on that indebtedness. In addition, tax revenues of the CFD may be used to make lease or debt service payments on any lease, lease-purchase contract, or certificate of participation used to finance facilities authorized to be financed by the CFD.

EXHIBIT B

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

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Taxable Parcel in the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage within Taxable Buildings, as described below. All Taxable Parcels in the CFD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City and TJPA carrying out duties with respect to CFD No. 2014-1 and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller’s Office and/or the City Treasurer and Tax Collector’s Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Tax, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TJPA in any way related to the establishment or administration of the CFD.

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

“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. All Land Uses within an Affordable Housing Project are exempt from the Special Tax, as provided in Section G and are subject to the limitations set forth in Section D.4 below.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land parcel.

“Apartment Building” means a residential or mixed-use Building within which none of the Residential Units have been sold to individual homebuyers.

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

“Authorized Facilities” means those public facilities authorized to be funded by the CFD as set forth in the CFD formation proceedings.

“Base Special Tax” means the Special Tax per square foot that is used to calculate the Maximum Special Tax that applies to a Taxable Parcel pursuant to Sections C.1 and C.2 of this RMA. The Base Special Tax shall also be used to determine the Maximum Special Tax for any Net New Square Footage added to a Taxable Building in the CFD in future Fiscal Years.

“Below Market Rate Units” or **“BMR Units”** means all Residential Units within the CFD that have a deed restriction recorded on title of the property that (i) limits the rental price or sales price of the Residential Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way restricts the current or future value of the unit.

“Board” means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2014-1.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, issued, incurred, or assumed by the CFD related to the Authorized Facilities.

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

“Building Height” means the number of Stories in a Taxable Building, which shall be determined based on the highest Story that is occupied by a Land Use. If only a portion of a Building is a Conditioned Project, the Building Height shall be determined based on the highest Story that is occupied by a Land Use regardless of where in the Building the Taxable Parcels are located. If there is any question as to the Building Height of any Taxable Building in the CFD, the Administrator shall coordinate with the Zoning Authority to make the determination.

“Certificate of Exemption” means a certificate issued to the then-current record owner of a Parcel that indicates that some or all of the Square Footage on the Parcel has prepaid the Special Tax obligation or has paid the Special Tax for thirty Fiscal Years and, therefore, such Square Footage shall, in all future Fiscal Years, be exempt from the levy of Special Taxes in the CFD. The Certificate of Exemption shall identify (i) the Assessor’s Parcel number(s) for the Parcel(s)

on which the Square Footage is located, (ii) the amount of Square Footage for which the exemption is being granted, (iii) the first and last Fiscal Year in which the Special Tax had been levied on the Square Footage, and (iv) the date of receipt of a prepayment of the Special Tax obligation, if applicable.

“Certificate of Occupancy” or “COO” 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 this RMA, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the CFD; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Letter has been provided to the Administrator for the Building.

“CFD” or “CFD No. 2014-1” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center).

“Child Care Square Footage” means, collectively, the Exempt Child Care Square Footage and Taxable Child Care Square Footage within a Taxable Building in the CFD.

“City” means the City and County of San Francisco.

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

“Converted Apartment Building” means a Taxable Building that had been designated as an Apartment Building within which one or more Residential Units are subsequently sold to a buyer that is not a Landlord.

“Converted For-Sale Unit” means, in any Fiscal Year, an individual Market Rate Unit within a Converted Apartment Building for which an escrow has closed, on or prior to June 30 of the preceding Fiscal Year, in a sale to a buyer that is not a Landlord.

“County” means the City and County of San Francisco.

“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 CFD.

“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.

“Exempt Child Care Square Footage” means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Zoning Authority to be reserved for one or more licensed child care facilities. If a prepayment is made in association with any Taxable Child Care Square Footage, such Square Footage shall also be deemed Exempt Child Care Square Footage beginning in the Fiscal Year following receipt of the prepayment.

“Exempt Parking Square Footage” means the Square Footage of parking within a Taxable Building that, pursuant to Sections 151.1 and 204.5 of the Planning Code, is estimated to be needed to serve Land Uses within a building in the CFD, as determined by the Zoning Authority. If a prepayment is made in association with any Taxable Parking Square Footage, such Square Footage shall also be deemed Exempt Parking Square Footage beginning in the Fiscal Year following receipt of the prepayment.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“For-Sale Residential Square Footage” or **“For-Sale Residential Square Foot”** means Square Footage that is or is expected to be part of a For-Sale Unit. The Zoning Authority shall make the determination as to the For-Sale Residential Square Footage within a Taxable Building in the CFD. For-Sale Residential Square Foot means a single square-foot unit of For-Sale Residential Square Footage.

“For-Sale Unit” means (i) in a Taxable Building that is not a Converted Apartment Building: a Market Rate Unit that has been, or is available or expected to be, sold, and (ii) in a Converted Apartment Building, a Converted For-Sale Unit. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

“Indenture” means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2014-1 Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“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 pursuant to Section D.1 below. 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.

“Initial Square Footage” means, for any Taxable Building in the CFD, the aggregate Square Footage of all Land Uses within the Building, as determined by the Zoning Authority upon issuance of the COO.

"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 CFD.

"Land Use" means residential, office, retail, hotel, parking, or child care use. For purposes of this RMA, the City shall have the final determination of the actual Land Use(s) on any Parcel within the CFD.

"Landlord" means an entity that owns at least twenty percent (20%) of the Rental Units within an Apartment Building or Converted Apartment Building.

"Market Rate Unit" means a Residential Unit that is not a Below Market Rate Unit.

"Maximum Special Tax" means the greatest amount of Special Tax that can be levied on a Taxable Parcel in the CFD in any Fiscal Year, as determined in accordance with Section C below.

"Net New Square Footage" means any Square Footage added to a Taxable Building after the Initial Square Footage in the Building has paid Special Taxes in one or more Fiscal Years.

"Office/Hotel Square Footage" or **"Office/Hotel Square Foot"** means Square Footage that is or is expected to be: (i) Square Footage of office space in which professional, banking, insurance, real estate, administrative, or in-office medical or dental activities are conducted, (ii) Square Footage that will be used by any organization, business, or institution for a Land Use that does not meet the definition of For-Sale Residential Square Footage Rental Residential Square Footage, or Retail Square Footage, including space used for cultural, educational, recreational, religious, or social service facilities, (iii) Taxable Child Care Square Footage, (iv) Square Footage in a residential care facility that is staffed by licensed medical professionals, and (v) any other Square Footage within a Taxable Building that does not fall within the definition provided for other Land Uses in this RMA. Notwithstanding the foregoing, street-level retail bank branches, real estate brokerage offices, and other such ground-level uses that are open to the public shall be categorized as Retail Square Footage pursuant to the Planning Code. Office/Hotel Square Foot means a single square-foot unit of Office/Hotel Square Footage.

For purposes of this RMA, "Office/Hotel Square Footage" shall also include Square Footage that is or is expected to be part of a non-residential structure that constitutes a place of lodging, providing temporary sleeping accommodations and related facilities. All Square Footage that shares an Assessor's Parcel number within such a non-residential structure, including Square Footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses shall be categorized as Office/Hotel Square Footage. If there are separate Assessor's Parcel numbers for these other uses, the Administrator shall apply the Base Special Tax for Retail Square Footage to determine the Maximum Special Tax for Parcels on which a restaurant, gift shop, spa, or other retail use is located or anticipated, and the Base Special Tax for Office/Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on

which other uses in the building are located. The Zoning Authority shall make the final determination as to the amount of Office/Hotel Square Footage within a building in the CFD.

“Planning Code” means the Planning Code of the City and County of San Francisco, as may be amended from time to time.

“Proportionately” means that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Taxable Parcels.

“Rental Residential Square Footage” or **“Rental Residential Square Foot”** means Square Footage that is or is expected to be used for one or more of the following uses: (i) Rental Units, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals. The Zoning Authority shall make the determination as to the amount of Rental Residential Square Footage within a Taxable Building in the CFD. Rental Residential Square Foot means a single square-foot unit of Rental Residential Square Footage.

“Rental Unit” means (i) all Market Rate Units within an Apartment Building, and (ii) all Market Rate Units within a Converted Apartment Building that have yet to be sold to an individual homeowner or investor. “Rental Unit” shall not include any Residential Unit which has been purchased by a homeowner or investor and subsequently offered for rent to the general public. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

“Retail Square Footage” or **“Retail Square Foot”** means Square Footage that is or, based on the Certificate of Occupancy, will be Square Footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to restaurants, bars, entertainment venues, health clubs, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, all Taxable Parking Square Footage in a Building, and all street-level retail bank branches, real estate brokerages, and other such ground-level uses that are open to the public, shall be categorized as Retail Square Footage for purposes of calculating the Maximum Special Tax pursuant to Section C below. The Zoning Authority shall make the final determination as to the amount of Retail Square Footage within a Taxable Building in the CFD. Retail Square Foot means a single square-foot unit of Retail Square Footage.

“Residential Unit” means an individual townhome, condominium, live/work unit, or apartment within a Building in the CFD.

“Residential Use” means (i) any and all Residential Units within a Taxable Building in the CFD, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses,

dormitories, housing operated by medical institutions, and single room occupancy units, and (iii) a residential care facility that is not staffed by licensed medical professionals.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Special Tax" means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

"Special Tax Requirement" means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) create and/or replenish reserve funds for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Facilities. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (ii) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay such costs as determined by the Administrator.

"Square Footage" means, for any Taxable Building in the CFD, the net saleable or leasable square footage of each Land Use on each Taxable Parcel within the Building, as determined by the Zoning Authority. If a building permit is issued to increase the Square Footage on any Taxable Parcel, the Administrator shall, in the first Fiscal Year after the final building permit inspection has been conducted in association with such expansion, work with the Zoning Authority to recalculate (i) the Square Footage of each Land Use on each Taxable Parcel, and (ii) the Maximum Special Tax for each Taxable Parcel based on the increased Square Footage. The final determination of Square Footage for each Land Use on each Taxable Parcel shall be made by the Zoning Authority.

"Story" or "Stories" means a portion or portions of a Building, except a mezzanine as defined in the City Building Code, included between the surface of any floor and the surface of the next floor above it, or if there is no floor above it, then the space between the surface of the floor and the ceiling next above it.

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

“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 COO.

“Taxable Child Care Square Footage” means the amount of Square Footage determined by subtracting the Exempt Child Care Square Footage within a Taxable Building from the total net leasable square footage within a Building that is used for licensed child care facilities, as determined by the Zoning Authority.

“Taxable Parcel” means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or Section G below. 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 this RMA.

“Taxable Parking Square Footage” means Square Footage of parking in a Taxable Building that is determined by the Zoning Authority not to be Exempt Parking Square Footage.

“TJPA” means the Transbay Joint Powers Authority.

“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 CFD. 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.

B. DATA FOR CFD ADMINISTRATION

On or after July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels in the CFD. In order to identify Taxable Parcels, the Administrator shall confirm which Buildings in the CFD have been issued both a Tax Commencement Authorization and a COO.

The Administrator shall also work with the Zoning Authority to confirm: (i) the Building Height for each Taxable Building, (ii) the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and Retail Square Footage on each Taxable Parcel, (iii) if applicable, the number of BMR Units and aggregate Square Footage of BMR Units within the Building, (iv) whether any of the Square Footage on a Parcel is subject to a Certificate of Exemption, and (v) the Special Tax Requirement for the Fiscal Year. In each Fiscal Year, the Administrator shall also keep track of how many Fiscal Years the Special Tax has been levied on each Parcel within the CFD. If there is Initial Square Footage and Net New Square Footage on a Parcel, the Administrator shall separately track the duration of the Special Tax levy in order to ensure compliance with Section F below.

In any Fiscal Year, if it is determined by the Administrator that (i) a parcel map or condominium plan for a portion of property in the CFD was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), and (ii) the Assessor does not yet recognize the newly-created parcels, the Administrator shall calculate the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor's Parcel that was subdivided by recordation of the parcel map or condominium plan.

C. DETERMINATION OF THE MAXIMUM SPECIAL TAX

1. *Base Special Tax*

Once the Building Height of, and Land Use(s) within, a Taxable Building have been identified, the Base Special Tax to be used for calculation of the Maximum Special Tax for each Taxable Parcel within the Building shall be determined based on reference to the applicable table(s) below:

FOR-SALE RESIDENTIAL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$4.71 per For-Sale Residential Square Foot
6 – 10 Stories	\$5.02 per For-Sale Residential Square Foot
11 – 15 Stories	\$6.13 per For-Sale Residential Square Foot
16 – 20 Stories	\$6.40 per For-Sale Residential Square Foot
21 – 25 Stories	\$6.61 per For-Sale Residential Square Foot
26 – 30 Stories	\$6.76 per For-Sale Residential Square Foot
31 – 35 Stories	\$6.88 per For-Sale Residential Square Foot
36 – 40 Stories	\$7.00 per For-Sale Residential Square Foot
41 – 45 Stories	\$7.11 per For Sale Residential Square Foot
46 – 50 Stories	\$7.25 per For-Sale Residential Square Foot
More than 50 Stories	\$7.36 per For-Sale Residential Square Foot

RENTAL RESIDENTIAL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$4.43 per Rental Residential Square Foot
6 – 10 Stories	\$4.60 per Rental Residential Square Foot
11 – 15 Stories	\$4.65 per Rental Residential Square Foot
16 – 20 Stories	\$4.68 per Rental Residential Square Foot
21 – 25 Stories	\$4.73 per Rental Residential Square Foot
26 – 30 Stories	\$4.78 per Rental Residential Square Foot
31 – 35 Stories	\$4.83 per Rental Residential Square Foot
36 – 40 Stories	\$4.87 per Rental Residential Square Foot
41 – 45 Stories	\$4.92 per Rental Residential Square Foot
46 – 50 Stories	\$4.98 per Rental Residential Square Foot
More than 50 Stories	\$5.03 per Rental Residential Square Foot

OFFICE/HOTEL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$3.45 per Office/Hotel Square Foot
6 – 10 Stories	\$3.56 per Office/Hotel Square Foot
11 – 15 Stories	\$4.03 per Office/Hotel Square Foot
16 – 20 Stories	\$4.14 per Office/Hotel Square Foot
21 – 25 Stories	\$4.25 per Office/Hotel Square Foot
26 – 30 Stories	\$4.36 per Office/Hotel Square Foot
31 – 35 Stories	\$4.47 per Office/Hotel Square Foot
36 – 40 Stories	\$4.58 per Office/Hotel Square Foot
41 – 45 Stories	\$4.69 per Office/Hotel Square Foot
46 – 50 Stories	\$4.80 per Office/Hotel Square Foot
More than 50 Stories	\$4.91 per Office/Hotel Square Foot

RETAIL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
N/A	\$3.18 per Retail Square Foot

* The Base Special Tax rates shown above for each Land Use shall escalate as set forth in Section D.1 below.

2. *Determining the Maximum Special Tax for Taxable Parcels*

Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the

Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the following steps to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building:

- Step 1.* Determine the Building Height for the Taxable Building for which a Certificate of Occupancy was issued.
- Step 2.* Determine the For-Sale Residential Square Footage and/or Rental Residential Square Footage for all Residential Units on each Taxable Parcel, as well as the Office/Hotel Square Footage and Retail Square Footage on each Taxable Parcel.
- Step 3.* ***For each Taxable Parcel that includes only For-Sale Units***, multiply the For-Sale Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 4.* ***For each Taxable Parcel that includes only Rental Units***, multiply the Rental Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 5.* ***For each Taxable Parcel that includes only Residential Uses other than Market Rate Units***, net out the Square Footage associated with any BMR Units and multiply the remaining Rental Residential Square Footage (if any) by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 6.* ***For each Taxable Parcel that includes only Office/Hotel Square Footage***, multiply the Office/Hotel Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 7.* ***For each Taxable Parcel that includes only Retail Square Footage***, multiply the Retail Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 8.* ***For Taxable Parcels that include multiple Land Uses***, separately determine the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and/or Retail Square Footage. Multiply the Square Footage of each Land Use by the applicable Base Special Tax from Section C.1, and sum the individual amounts to determine the aggregate Maximum Special Tax for the Taxable Parcel for the first succeeding Fiscal Year.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. *Annual Escalation of Base Special Tax*

The Base Special Tax rates identified in Section C.1 are applicable for fiscal year 2013-14. Beginning July 1, 2014 and each July 1 thereafter, the Base Special Taxes shall be adjusted by the Initial Annual Adjustment Factor. The Base Special Tax rates shall be 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, as set forth in Section C.2 and subject to the limitations set forth in Section D.3.

2. *Adjustment of the Maximum Special Tax*

After a Maximum Special Tax has been assigned to a Parcel for its first Fiscal Year as a Taxable Parcel pursuant to Section C.2 and Section D.1, the Maximum Special Tax shall escalate for subsequent Fiscal Years beginning July 1 of the Fiscal Year after the first Fiscal Year in which the Parcel was a Taxable Parcel, and each July 1 thereafter, by two percent (2%) of the amount in effect in the prior Fiscal Year. In addition to the foregoing, the Maximum Special Tax assigned to a Taxable Parcel shall be increased in any Fiscal Year in which the Administrator determines that Net New Square Footage was added to the Parcel in the prior Fiscal Year.

3. *Converted Apartment Buildings*

If an Apartment Building in the CFD becomes a Converted Apartment Building, the Administrator shall rely on information from the County Assessor, site visits to the sales office, data provided by the entity that is selling Residential Units within the Building, and any other available source of information to track sales of Residential Units. In the first Fiscal Year in which there is a Converted For-Sale Unit within the Building, the Administrator shall determine the applicable Base Maximum Special Tax for For-Sale Residential Units for that Fiscal Year. Such Base Maximum Special Tax shall be used to calculate the Maximum Special Tax for all Converted For-Sale Units in the Building in that Fiscal Year. In addition, this Base Maximum Special Tax, escalated each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year, shall be used to calculate the Maximum Special Tax for all future Converted For-Sale Units within the Building. Solely for purposes of calculating Maximum Special Taxes for Converted For-Sale Units within the Converted Apartment Building, the adjustment of Base Maximum Special Taxes set forth in Section D.1 shall not apply. All Rental Residential Square Footage within the Converted Apartment Building shall continue to be subject to the Maximum Special Tax for Rental Residential Square Footage until such time as the units become Converted For-Sale Units. The Maximum Special Tax for all Taxable Parcels within the Building shall escalate each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year.

4. *BMR Unit/Market Rate Unit Transfers*

If, in any Fiscal Year, the Administrator determines that a Residential Unit that had previously been designated as a BMR Unit no longer qualifies as such, the Maximum Special Tax on the

new Market Rate Unit shall be established pursuant to Section C.2 and adjusted, as applicable, by Sections D.1 and D.2. If a Market Rate Unit becomes a BMR Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit, the Maximum Special Tax on such Residential Unit shall not be decreased unless: (i) a BMR Unit is simultaneously redesignated as a Market Rate Unit, and (ii) such redesignation results in a Maximum Special Tax on the new Market Rate Unit that is greater than or equal to the Maximum Special Tax that was levied on the Market Rate Unit prior to the swap of units. If, based on the Building Height or Square Footage, there would be a reduction in the Maximum Special Tax due to the swap, the Maximum Special Tax that applied to the former Market Rate Unit will be transferred to the new Market Rate Unit regardless of the Building Height and Square Footage associated with the new Market Rate Unit.

5. *Changes in Land Use on a Taxable Parcel*

If any Square Footage that had been taxed as For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, or Retail Square Footage in a prior Fiscal Year is rezoned or otherwise changes Land Use, the Administrator shall apply the applicable subsection in Section C.2 to calculate what the Maximum Special Tax would be for the Parcel based on the new Land Use(s). If the amount determined is greater than the Maximum Special Tax that applied to the Parcel prior to the Land Use change, the Administrator shall increase the Maximum Special Tax to the amount calculated for the new Land Uses. If the amount determined is less than the Maximum Special Tax that applied prior to the Land Use change, there will be no change to the Maximum Special Tax for the Parcel. Under no circumstances shall the Maximum Special Tax on any Taxable Parcel be reduced, regardless of changes in Land Use or Square Footage on the Parcel, including reductions in Square Footage that may occur due to demolition, fire, water damage, or acts of God. In addition, if a Taxable Building within the CFD that had been subject to the levy of Special Taxes in any prior Fiscal Year becomes all or part of an Affordable Housing Project, the Parcel(s) shall continue to be subject to the Maximum Special Tax that had applied to the Parcel(s) before they became part of the Affordable Housing Project. All Maximum Special Taxes determined pursuant to Section C.2 shall be adjusted, as applicable, by Sections D.1 and D.2.

6. *Prepayments*

If a Parcel makes a prepayment pursuant to Section H below, the Administrator shall issue the owner of the Parcel a Certificate of Exemption for the Square Footage that was used to determine the prepayment amount, and no Special Tax shall be levied on the Parcel in future Fiscal Years unless there is Net New Square Footage added to a Building on the Parcel. Thereafter, a Special Tax calculated based solely on the Net New Square Footage on the Parcel shall be levied for up to thirty Fiscal Years, subject to the limitations set forth in Section F below. Notwithstanding the foregoing, any Special Tax that had been levied against, but not yet collected from, the Parcel is still due and payable, and no Certificate of Exemption shall be issued until such amounts are fully paid. If a prepayment is made in order to exempt Taxable Child Care Square Footage on a Parcel on which there are multiple Land Uses, the Maximum Special Tax for the Parcel shall be recalculated based on the exemption of this Child Care Square Footage which shall, after such prepayment, be designated as Exempt Child Care Square Footage and remain exempt in all Fiscal Years after the prepayment has been received.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied Proportionately on each Taxable Parcel up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Taxable Parcels is equal to the Special Tax Requirement.

F. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2014-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected from the first Fiscal Year in which a Parcel is designated as a Taxable Parcel until the principal and interest on all Bonds have been paid, the City's costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. Notwithstanding the foregoing, the Special Tax shall not be levied on any Square Footage in the CFD for more than thirty Fiscal Years, except that a Special Tax that was lawfully levied in or before the final Fiscal Year and that remains delinquent may be collected in subsequent Fiscal Years. After a Building or a particular block of Square Footage within a Building (i.e., Initial Square Footage vs. Net New Square Footage) has paid the Special Tax for thirty Fiscal Years, the then-current record owner of the Parcel(s) on which that Square Footage is located shall be issued a Certificate of Exemption for such Square Footage. Notwithstanding the foregoing, the Special Tax shall cease to be levied, and a Release of Special Tax Lien shall be recorded against all Parcels in the CFD that are still subject to the Special Tax, after the Special Tax has been levied in the CFD for seventy-five Fiscal Years.

Pursuant to Section 53321 (d) of the Act, the Special Tax levied against Residential Uses shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Square Footage for which a prepayment has been received and a Certificate of Exemption issued, (ii) Below Market Rate Units except as otherwise provided in Sections D.3 and D.4, (iii) Affordable Housing Projects, including all Residential Units, Retail Square Footage, and Office Square Footage within buildings that are part of an Affordable Housing Project, except as otherwise provided in Section D.4, and (iv) Exempt Child Care Square Footage.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation applicable to Square Footage in a building may be fully prepaid as described herein, provided that a prepayment may be made only if (i) the Parcel is a Taxable Parcel, and (ii) there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. Any prepayment made by a Parcel owner must satisfy the Special Tax obligation associated with all Square Footage on the Parcel that is subject to the Special Tax at the time the prepayment is calculated. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for the Square Footage on such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount for a Taxable Parcel shall be calculated as follows:

- Step 1:* Determine the Square Footage of each Land Use on the Parcel.
- Step 2:* Determine how many Fiscal Years the Square Footage on the Parcel has paid the Special Tax, which may be a separate total for Initial Square Footage and Net New Square Footage on the Parcel. If a Special Tax has been levied, but not yet paid, in the Fiscal Year in which the prepayment is being calculated, such Fiscal Year will be counted as a year in which the Special Tax was paid, but a Certificate of Exemption shall not be issued until such Special Taxes are received by the City's Office of the Treasurer and Tax Collector.
- Step 3:* Subtract the number of Fiscal Years for which the Special Tax has been paid (as determined in Step 2) from 30 to determine the remaining number of Fiscal Years for which Special Taxes are due from the Square Footage for which the prepayment is being made. This calculation would result in a different remainder for Initial Square Footage and Net New Square Footage within a building.
- Step 4:* Separately for Initial Square Footage and Net New Square Footage, and separately for each Land Use on the Parcel, multiply the amount of Square Footage by the applicable Maximum Special Tax that would apply to such Square Footage in each of the remaining Fiscal Years, taking into account the 2% escalator set forth in Section D.2, to determine the annual stream of Maximum Special Taxes that could be collected in future Fiscal Years.
- Step 5:* For each Parcel for which a prepayment is being made, sum the annual amounts calculated for each Land Use in Step 4 to determine the annual Maximum Special Tax that could have been levied on the Parcel in each of the remaining Fiscal Years.

Step 6. Calculate the net present value of the future annual Maximum Special Taxes that were determined in Step 5 using, as the discount rate for the net present value calculation, the true interest cost (TIC) on the Bonds as identified by the Office of Public Finance. If there is more than one series of Bonds outstanding at the time of the prepayment calculation, the Administrator shall determine the weighted average TIC based on the Bonds from each series that remain outstanding. The amount determined pursuant to this Step 6 is the required prepayment for each Parcel. Notwithstanding the foregoing, if at any point in time the Administrator determines that the Maximum Special Tax revenue that could be collected from Square Footage that remains subject to the Special Tax after the proposed prepayment is less than 110% of debt service on Bonds that will remain outstanding after defeasance or redemption of Bonds from proceeds of the estimated prepayment, the amount of the prepayment shall be increased until the amount of Bonds defeased or redeemed is sufficient to reduce remaining annual debt service to a point at which 110% debt service coverage is realized.

Once a prepayment has been received by the City, a Certificate of Exemption shall be issued to the owner of the Parcel indicating that all Square Footage that was the subject of such prepayment shall be exempt from Special Taxes.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Taxes and any security for any Bonds.

J. SPECIAL TAX APPEALS

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section J shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.

1 [Resolution of Formation - City and County of San Francisco Community Facilities District No.
2 2014-1 (Transbay Transit Center)]

3 **Resolution of formation of City and County of San Francisco Community Facilities**
4 **District No. 2014-1 (Transbay Transit Center) and determining other matters in**
5 **connection therewith.**

6
7 WHEREAS, On July 15, 2014, this Board of Supervisors adopted a resolution entitled
8 "Resolution of Intention to establish City and County of San Francisco Community Facilities
9 District No. 2014-1 (Transbay Transit Center) and determining other matters in connection
10 therewith" (the "Resolution of Intention"), which Resolution of Intention was signed by the
11 Mayor on July 22, 2014, stating its intention to form (i) "City and County of San Francisco
12 Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD") and (ii) a
13 "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit
14 Center) (Future Annexation Area)" (the "Future Annexation Area"), pursuant to the Mello-Roos
15 Community Facilities Act of 1982, as amended, constituting Chapter 2.5 of Part 1 of Division 2
16 of Title 5, commencing with Section 53311, of the California Government Code (the "Mello-
17 Roos Act"); and

18 WHEREAS, The Resolution of Intention, incorporating a map of the proposed
19 boundaries of the CFD and the Future Annexation Area and stating the facilities to be
20 provided (as set forth in the list attached hereto as Exhibit A) and the rate and method of
21 apportionment of the special tax to be levied within the CFD (the "Original Rate and Method")
22 to pay for the costs of the authorized facilities, including the principal and interest on bonds
23 and other debt (as defined in the Mello-Roos Act) proposed to be issued with respect to the
24
25

1 CFD, is on file with the Clerk of the Board of Supervisors and the provisions thereof are
2 incorporated herein by this reference as if fully set forth herein; and

3 WHEREAS, The properties in the CFD include (i) those properties owned by private
4 parties that have development entitlements from the City to construct improvements that
5 trigger an obligation to participate in the CFD pursuant to Section 424.8 of the Planning Code
6 or a disposition and development agreement with the Office of Community Investment and
7 Infrastructure and (ii) those properties owned by a public agency where the public agency has
8 stated in the course of the proceedings in a letter to the Board of Supervisors that all or a
9 portion of its land is intended to be transferred to private ownership, that its land will be
10 subject to the special tax on the same basis as private property within the CFD and that it
11 affirmatively waives any defense based on the fact of public ownership, to any action to
12 foreclose on the property in the event of nonpayment of the special tax; and

13 WHEREAS, Since the date of the Resolution of Intention, certain changes have been
14 proposed to the Original RMA that, among other things, provide that properties owned by
15 public agencies in the CFD will be subject to the special tax on the same basis as private
16 property and clarify that the obligation to participate in the CFD arises under Section 424.8 of
17 the Planning Code and by agreement between property owners and one or more public
18 agencies, and a copy of such amended rate and method of apportionment of special tax (the
19 "Amended and Restated Rate and Method") is on file with the Clerk of the Board of
20 Supervisors and the provisions thereof are incorporated herein by this reference as if fully set
21 forth herein; and

22 WHEREAS, The Clerk of the Board (i) published notice of a public hearing relative to
23 the proposed formation of the CFD and the Future Annexation Area pursuant to Section
24 53322 of the Mello-Roos Act and Section 53339.4 of the Mello-Roos Act, respectively and (ii)
25 mailed notice of such public hearing to the owners of the property in the CFD and to the

1 owners of the property in the Future Annexation Area that have notified the City of their intent
2 to construct improvements that will trigger an obligation to participate in the CFD pursuant to
3 Section 424.8 of the Planning Code or a disposition and development agreement with the
4 Office of Community Investment and Infrastructure; and

5 WHEREAS, This Board of Supervisors opened the public hearing on September 2,
6 2014 and continued the public hearing to September 9, 2014; and

7 WHEREAS, The Board of Supervisors continued the public hearing on September 9,
8 2014 and further continued the public hearing to September 23, 2014; and

9 WHEREAS, This Board of Supervisors has held a noticed public hearing as required by
10 the Mello-Roos Act and the Resolution of Intention relative to the proposed formation of the
11 CFD and the Future Annexation Area; and

12 WHEREAS, At the hearing all interested persons desiring to be heard on all matters
13 pertaining to the formation of the CFD and the Future Annexation Area, the facilities to be
14 provided therein and the levy of said special tax were heard and a full and fair hearing was
15 held; and

16 WHEREAS, At the hearing evidence was presented to this Board of Supervisors on
17 said matters before it, including a report caused to be prepared by the Director of the Office of
18 Public Finance (the "Report") as to the facilities to be provided through the CFD and the costs
19 thereof, a copy of which is on file with the Clerk of the Board of Supervisors, and this Board of
20 Supervisors at the conclusion of said hearing is fully advised in the matters related to the
21 CFD. The Report also constitutes the "CFD formation study" contemplated by the Transit
22 Center District Plan Program Implementation Document dated May 16, 2012; and

23 WHEREAS, Written protests with respect to the formation of the CFD, the furnishing of
24 specified types of facilities or the rate and method of apportionment of the special taxes have
25 not been filed with the Clerk of the Board of Supervisors by fifty percent (50%) or more of the

1 registered voters residing within the territory of the CFD or six registered voters, whichever is
2 more, or property owners of one-half (1/2) or more of the area of land within the CFD and not
3 exempt from the proposed special tax; and

4 WHEREAS, Written protests have not been filed with the Clerk of the Board of
5 Supervisors against the proposed annexation of the Future Annexation Area to the CFD by (i)
6 50% of more of the registered voters, or six registered voters, whichever is more, residing in
7 the proposed boundaries of the CFD, or (ii) 50% or more of the registered voters, or six
8 registered voters, whichever is more, residing in the Future Annexation Area, (iii) owners of
9 one-half or more of the area of land in the proposed CFD and not exempt from the proposed
10 special tax or (iv) owners of one-half or more of the area of land in the Future Annexation
11 Area and not exempt from the proposed special tax; and

12 WHEREAS, On June 15, 2004, this Board approved Motion No. M04-67 affirming the
13 Planning Commission's certification of the final environmental impact report for the Transbay
14 Terminal/Caltrain Downtown Extension/Redevelopment Project in compliance with the
15 California Environmental Quality Act (California Public Resources Code sections 21000 et
16 seq.) (the "Transbay Terminal FEIR") A copy of said Motion is on file with the Clerk of the
17 Board of Supervisors in File No. 040629.

18 WHEREAS, The Board of Supervisors in Resolution No. 612-04, adopted
19 environmental findings in relation to the Transbay Terminal, Caltrain Downtown Extension,
20 and Transbay Redevelopment Plan. Copies of said Resolution and supporting materials are
21 in the Clerk of the Board of Supervisors File No. 41079. The Board of Supervisors in
22 Ordinance No. 124-05, as part of its adoption of the Transbay Redevelopment Plan, adopted
23 additional environmental findings. Copies of said Ordinance and supporting materials are in
24 the Clerk of the Board of Supervisors File No. 50184. The environmental findings associated
25 with Resolution No. 612-04 and Ordinance No. 124-05 are incorporated herein by reference.

1 WHEREAS, On May 24, 2012, the San Francisco Planning Commission adopted
2 Motion No. 18628 certifying a Final Environmental Impact Report for the Transit Center
3 District Plan ("TCDP") and the construction of the Transbay Tower ("Tower") (State
4 Clearinghouse No. 2008072073) (the "TCDP FEIR"). Also on May 24, 2012, the Planning
5 Commission adopted Motion No. 18629 relating to the adoption of environmental findings, a
6 statement of overriding considerations, rejection of alternatives, and adoption of feasible
7 mitigation measures, as required under the CEQA and CEQA Guidelines, in connection with
8 the adoption of the TCDP and related actions needed to implement the TCDP. The San
9 Francisco Board of Supervisors affirmed the Planning Commission's certification of the TCDP
10 FEIR on July 10, 2012 in Motion No. M12-078 and subsequently adopted the TCDP
11 implementing ordinances in Ordinance Nos. 182-12, 183-12, 194-12, and 185-12. Copies of
12 said Motion and Ordinances are on file with the Clerk of the Board in File Numbers 120697,
13 120665, 120666, 120667, and 120685 respectively. In Ordinance No. 185-12 the Board of
14 Supervisors adopted environmental findings in relation to the TCDP implementing ordinances.
15 Said findings are incorporated herein by reference.

16 WHEREAS, Subsequent to certification of the Transbay Terminal FEIR, the Transbay
17 Joint Powers Authority (TJPA) prepared Addenda 1-6 to this FEIR pursuant to the California
18 Environmental Quality Act (CEQA) and the CEQA Guidelines (Title 14, California Code of
19 Regulations, Sections 15000 et seq.). These Addenda and the record related to them have
20 been made available to this Board and the public at 201 Mission Street, Suite 2100, San
21 Francisco, 94105 and are incorporated herein by reference.

22 WHEREAS, The Board of Supervisors relies on the environmental findings identified
23 above associated with the Transbay Terminal FEIR and the TCDP FEIR, including the
24 environmental impacts and mitigation measures that were previously analyzed, studied, and
25 evaluated in the FEIRs in relation to the projects associated with the Mello-Roos District

1 funding, rejection of alternatives, a statement of overriding considerations and the
2 administrative records associated with the FEIRs. Since certification and Board of
3 Supervisors affirmation of the FEIRs and the TJPA's adoption of the identified Addenda,
4 there have been no changes in relation to the projects contemplated for funding through the
5 Mello-Roos District; no changes in circumstances, and no new information regarding a new
6 significant impact or a substantial increase in the severity of a significant impact requiring
7 major revisions in the FEIRs. Therefore, there are no circumstances that might require a
8 subsequent or supplemental EIR for projects associated with Mello-Roos District funding,
9 now, therefore, be it

10 RESOLVED, That the foregoing recitals are true and correct; and, be it

11 FURTHER RESOLVED, This Board of Supervisors hereby acknowledges receipt and
12 accepts the terms of a statement from each of the three public agencies in accordance with
13 Government Code 53111 in which each states that all or a portion of its land is intended to be
14 transferred to private ownership, that its land will be subject to the special tax on the same
15 basis as private property within the CFD and that it affirmatively waives any defense based on
16 the fact of public ownership, to any action to foreclose on the property in the event of
17 nonpayment of the special tax; and, be it

18 FURTHER RESOLVED, That the proposed special tax to be levied within the CFD has
19 not been precluded by majority protest pursuant to Mello-Roos Act Section 53324; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors hereby finds that the Amended
21 and Restated RMA does not increase the maximum special tax that can levied in the CFD;
22 and, be it

23 FURTHER RESOLVED, That this Board of Supervisors hereby directs the Director of
24 the Office of Public Finance to prepare a report that includes a brief analysis of the impact of
25

1 the proposed modifications set forth in the Amended and Restated RMA on the probable
2 special tax to be paid by owners of the lots or parcels in the proposed CFD; and, be it

3 FURTHER RESOLVED, That this Board of Supervisors has received and considered
4 the report prepared by the Director of the Office of Public Finance and the Board of
5 Supervisors hereby finds that the amendments to the Original RMA do not increase the
6 probable special tax to be paid by the owner of any lot or parcel; and, be it

7 FURTHER RESOLVED, That all prior proceedings taken by this Board of Supervisors
8 in connection with the establishment of the CFD and the Future Annexation Area and the levy
9 of the special tax have been duly considered and are hereby found and determined to be valid
10 and in conformity with the Mello-Roos Act; and, be it

11 FURTHER RESOLVED, That the community facilities district designated "City and
12 County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)"
13 and the future annexation area designated "City and County of San Francisco Community
14 Facilities District No. 2014-1 (Transbay Transit Center) (Future Annexation Area)" are hereby
15 established pursuant to the Mello-Roos Act; and, be it

16 FURTHER RESOLVED, That the boundaries of the CFD and the Future Annexation
17 Area as set forth in the map heretofore recorded in the Assessor-Recorder's Office on July 29,
18 2014 at 2:38 p.m. as Document No. 2014-J915559-00 in Book 001 Pages 75 and 76 of the
19 Book of Maps of Assessment and Community Facilities Districts are hereby approved, are
20 incorporated herein by reference and shall be the boundaries of the CFD and the Future
21 Annexation Area; and, be it

22 FURTHER RESOLVED, That parcels within the Future Annexation Area shall be
23 annexed to the CFD only with the unanimous approval (each, a "Unanimous Approval") of the
24 owner or owners of each parcel or parcels at the time that parcel or those parcels are
25

1 annexed, without any requirement for further public hearings or additional proceedings; and,
2 be it

3 FURTHER RESOLVED, That the type of public facilities proposed to be financed by
4 the CFD and pursuant to the Mello-Roos Act shall consist of those items listed as facilities in
5 Exhibit A hereto and by this reference incorporated herein (the "Facilities"); and, be it

6 FURTHER RESOLVED, That:

7 a. Except to the extent that funds are otherwise available to the CFD to pay for the
8 Facilities and/or the principal and interest as it becomes due on bonds of the CFD issued to
9 finance the Facilities, a special tax (the "Special Tax") sufficient to pay the costs thereof,
10 secured by the recordation of a continuing lien against all non-exempt real property in the
11 CFD, is intended to be levied annually within the CFD, and collected in the same manner as
12 ordinary *ad valorem* property taxes or in such other manner as may be prescribed by this
13 Board of Supervisors.

14 b. The proposed rate and method of apportionment of the Special Tax among the
15 parcels of real property within the CFD, in sufficient detail to allow each landowner within the
16 proposed CFD to estimate the maximum amount such owner will have to pay, are set forth in
17 the Amended and Restated Rate and Method, which is included in Exhibit B attached hereto
18 and hereby incorporated herein.

19 c. The Amended and Restated Rate and Method is consistent with the Transit
20 Center District Plan Program Implementation Document dated May 16, 2012, which provides
21 that (i) to obtain approval to build a new project denser than a floor area ratio of 9:1, newly
22 developed properties in the Transit Center District Plan area must opt into a community
23 facilities district and pay a special tax to be used to fund public infrastructure, facilities and
24 services and (ii) the final special tax levied on each property in the community facilities district
25 would be calculated to be equivalent to 0.55 percent of property value, although the special

1 tax structure would likely not be directly related to property value and would likely be a per-
2 square foot assessment based on a variety of factors, as determined through a detailed CFD
3 formation study, such as the amount of development on the property and other factors.

4 d. Territory in the Future Annexation Area will be annexed into the CFD and a
5 special tax will be levied on such territory only with the Unanimous Approval of the owner or
6 owners of each parcel or parcels at the time that parcel or those parcels are annexed into the
7 CFD. Except to the extent that funds are otherwise available to the CFD to pay for the
8 Facilities and/or the principal and interest as it becomes due on bonds of the CFD issued to
9 finance the Facilities, a special tax sufficient to pay the costs thereof, secured by the
10 recordation of a continuing lien against all non-exempt real property in the Future Annexation
11 Area, is intended to be levied annually within the Future Annexation Area, and collected in the
12 same manner as ordinary *ad valorem* property taxes or in such other manner as may be
13 prescribed by this Board of Supervisors. As required by Mello-Roos Act Section 53339.3(d),
14 the Board of Supervisors hereby determines that the special tax proposed to pay for one or
15 more Facilities to be supplied within the Future Annexation Area will be equal to the special
16 taxes levied to pay for the same Facilities in the original area of the CFD; and, be it

17 FURTHER RESOLVED, That it is hereby found and determined that the Facilities are
18 necessary to meet increased demands placed upon local agencies as the result of
19 development occurring in the CFD; and, be it

20 FURTHER RESOLVED, That the Director of the Office of Public Finance, 1 Dr. Carlton
21 B. Goodlett Place, San Francisco, CA 94102, 415-554-5956, is the officer of the City who will
22 be responsible for preparing annually a current roll of special tax levy obligations by
23 assessor's parcel number and who will be responsible for estimating future special tax levies
24 pursuant to the Mello-Roos Act; and, be it

1 FURTHER RESOLVED, That upon recordation of a notice of special tax lien pursuant
2 to Section 3114.5 of the Streets and Highways Code of California, a continuing lien to secure
3 each levy of the special tax shall attach to all nonexempt real property in the CFD and this lien
4 shall continue in force and effect until the special tax obligation is prepaid and permanently
5 satisfied and the lien canceled in accordance with law or until collection of the tax by the City
6 ceases; and, be it

7 FURTHER RESOLVED, That in accordance with the Mello-Roos Act, the annual
8 appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California
9 Constitution, of the CFD is hereby preliminarily established at \$300,000,000, and said
10 appropriations limit shall be submitted to the voters of the CFD as hereafter provided. The
11 proposition establishing said annual appropriations limit shall become effective if approved by
12 the qualified electors voting thereon and shall be adjusted in accordance with the applicable
13 provisions of the Mello-Roos Act; and, be it

14 FURTHER RESOLVED, That pursuant to the provisions of the Mello-Roos Act, the
15 proposition of the levy of the special tax and the proposition of the establishment of the
16 appropriations limit specified above shall be submitted to the qualified electors of the CFD at
17 an election. The time, place and conditions of the election shall be as specified by a separate
18 resolution of this Board of Supervisors; and, be it

19 FURTHER RESOLVED, That this resolution shall take effect upon its adoption.

20
21 APPROVED AS TO FORM:
22 DENNIS J. HERRERA, City Attorney

23 By: _____

24 Mark D. Blake
Deputy City Attorney

25 n:\financ\las2014\1300516\00959477.doc



City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 140814

Date Passed: September 23, 2014

Resolution of formation of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith.

September 02, 2014 Board of Supervisors - CONTINUED

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

September 09, 2014 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

September 09, 2014 Board of Supervisors - CONTINUED AS AMENDED

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

September 23, 2014 Board of Supervisors - AMENDED

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

September 23, 2014 Board of Supervisors - ADOPTED AS AMENDED

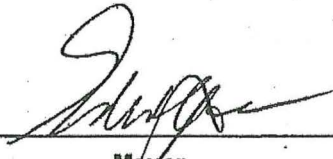
Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

File No. 140814

I hereby certify that the foregoing
Resolution was ADOPTED AS AMENDED
on 9/23/2014 by the Board of Supervisors
of the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



Mayor

September 29, 2014
Date Approved

1 **Living Streets (Beale, Main, and Spear Streets North of Folsom to Market Street):**

2 Improve Beale, Main, and Spear Streets from Folsom Street to Market Street by
3 significantly expanding the sidewalk on one side of each street to approximately 30 feet
4 and reducing the number of traffic lanes to one lane in either direction. Beale and Main
5 Streets would feature a bike lane in the direction of traffic. Within the widened
6 sidewalks, the Living Streets would include linear park space along the length of each
7 block and provide additional open space and pedestrian amenities. The enhancements
8 would include pedestrian amenities, street trees and landscaping, pedestrian lighting,
9 street furniture, pocket parks, active uses, and curb extensions.

10
11 **Alleys (Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Street):** Improve
12 Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Streets and other alleys within
13 the project area. Alley improvements would include a variety of pedestrian
14 improvements, including sidewalk widening, landscaping, pedestrian lighting, and street
15 furniture, and potential redesign as single-surface shared pedestrian/vehicle ways.

16
17 **Fremont/Folsom Freeway Off-Ramp Realignment:** Realign the Fremont/Folsom Bay
18 Bridge off-ramp so that it creates a "T" intersection with Fremont Street. This would
19 enhance the safety of pedestrians crossing the off-ramp by standardizing the alignment
20 of the off-ramp and improve the conditions along Folsom Street, planned as a major
21 pedestrian boulevard.

22 **Mid-block Crossings:** Analyze and build new crosswalks at various mid-block
23 locations in the Project Area. Mid-block crosswalks would include crosswalk striping at a
24 minimum. They may also include new traffic signals, curb extensions, and other
25 pedestrian safety features as appropriate.

1 **Signalization:** Upgrade or install traffic signals at approximately 25 intersections in the
2 Project Area. Traffic signal upgrades would be done in conjunction with overall
3 circulation and street improvements in the Project Area.

4 **Natoma Street:** Create a pedestrian plaza and link to the Transit Center between 1st
5 and 2nd Streets. The western two-thirds of Natoma Street between First and Second
6 Streets would be closed to vehicles. Service vehicles and deliveries may be able to
7 access this portion of Natoma Street during night and early morning hours before peak
8 transit and retail times. The eastern one-third of Natoma Street (nearest to First Street)
9 would remain open to vehicles to maintain access to parking and loading for existing
10 buildings on the north side of Howard Street. The pedestrian space would include a new
11 curbless single-surface space including decorative paving, pedestrian lighting,
12 landscaping, and street furniture.

13
14 **Casual Carpool waiting area improvements:** Improve drop-off and pick-up zones at
15 casual carpool locations in the Project Area, including sufficient sidewalk waiting and
16 passenger loading/unloading space and amenities, including shelters, seating,
17 informational signage and other supportive services.

18 **II. Transit and Other Transportation**

19 **Transit Delay Mitigation:** Pay for the purchase of new transit vehicles to mitigate
20 transportation impacts attributable to increased Project Area congestion.
21

22
23 **BART Station Capacity:** Enhance capacity constraints at Embarcadero and
24 Montgomery Stations regarding crowding on platforms, vertical circulation, and the
25 "dwell time" required for trains to load and unload passengers, which would be
exacerbated by the additional transit riders brought on by new development and the

Transbay Transit Center. Potential capacity enhancement measures could include additional vertical circulation (e.g. stairwells, escalators, and elevators), additional fare gates, improvements to the train control system to allow for more frequent service, platform edge doors, and better real-time public information displays on train arrivals at concourse and street levels.

Congestion Charging Pilot: Study, design and construct capital improvements relating to a congestion charging pilot program, potentially including fare booths, signals, electronic monitoring equipment, and the like. Conduct necessary analyses to inform the appropriate triggers, mechanisms, and capital improvements required for a congestion pricing pilot program to manage traffic volumes entering and exiting the CFD.

Underground Pedestrian Connector: Create an underground pedestrian tunnel connecting the Transbay Transit Center with the Embarcadero BART/Muni Metro Station, increasing circulation space available for pedestrians and creating a seamless link between the two transit stations.

Downtown Rail Extension (DTX): Extend the Caltrain rail tracks to the new Transbay Transit Center to accommodate Caltrain and California High Speed Rail, and construct the train components of the Transit Center building including associated systems. The funding would pay for the planning, engineering, right-of-way acquisition, and construction of the DTX.

III. Public Open space

City Park: Plan, design and construct public open space on the roof of the Transbay Transit Center.

1 **City Park Connections:** Provide connections to the Transbay Transit Center's City
2 Park from adjacent private buildings or from public streets and plazas. Connections
3 could include sky bridges, or connections from ground level to park level, such as
4 elevators, escalators, funiculars, gondolas or similar means of conveying people to City
5 Park. Connections would be required to be publicly accessible during standard hours so
6 that members of the public could easily access City Park.

7
8 **2nd and Howard Public Plaza:** Create an approximately 0.5-acre open space at the
9 corner of 2nd and Howard Streets, on a grouping of parcels located on top of the future
10 train tunnel. The open space would serve as a major access point to the adjacent
11 Transbay Transit Center, including featuring a possible connection to the elevated City
12 Park on the roof of the Transit Center. The open space design would be determined
13 through a public design process.

14
15 **Transbay Park:** Transbay Park would be a new approximately 1.1-acre park, located
16 between Main, Beale, Tehama, and Clementina Streets. The Park would provide a mix
17 of active and passive recreation spaces.

18
19 **Chinatown Open Space Improvements:** Improvements to multiple public open spaces
20 in Chinatown whose use would be increased by new development in the Project Area.
21 The open space improvements may include enhancements to Portsmouth Square, a
22 new open space at the Chinatown Central Subway Station, and improvements to other
23 Chinatown parks. Specific open space improvements would be determined through a
24 public design process.
25

1 **Other Downtown Open Space Improvements:** Improvements to multiple public open
2 spaces in Downtown, whose use would be increased by new development in the Project
3 Area. Specific locations for open space improvements have not been identified yet.

4 **Mission Square:** Public plaza at the entrance to the new Transbay Transit Center at
5 the corner of Fremont and Mission Streets. The plaza would create passive open space
6 and circulation space for people entering and exiting the Transit Center and the
7 adjacent Transit Tower development.

8
9 **Under-Ramp Park:** Under-Ramp Park would be a new system of open spaces, built
10 adjacent to and under the Bay Bridge off-ramps and bus ramps to the Transbay Transit
11 Center, between Harrison, Howard, First, and Second Streets. The Park would provide
12 a mix of active and passive recreation spaces.

13
14 **IV. Other Transit Center District Public Improvements**

15 The Facilities include the other public improvements not listed above but
16 described in the Transit Center District Plan Program Implementation Document, dated
17 May 16, 2012, as such Document may be amended from time to time.

18
19 -----
20 The costs to be financed include the costs of the acquisition of right-of-way
21 (including right-of-way that is intended to be dedicated by the recording of a final map),
22
23 the costs of design, engineering and planning, the costs of any environmental or traffic
24 studies, surveys or other reports, costs related to landscaping and irrigation, soils
25 testing, permits, plan check and inspection fees, insurance, legal and related overhead

costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

OTHER

The CFD may also finance any of the following:

1. Bond or other debt-related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.
2. Administrative fees of the City and the bond trustee or fiscal agent related to the CFD and the bonds or other debt.
3. Reimbursement of costs related to the formation of the CFD advanced by the City, the landowner(s) in the CFD, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the CFD or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the CFD.
4. The CFD may also pay in full all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay or any indebtedness secured by any tax, fee, charge, or assessment levied within the area of the CFD or may pay debt service on that indebtedness. In addition, tax revenues of the CFD may be used to make lease or debt service payments on any lease, lease-purchase contract, or certificate of participation used to finance facilities authorized to be financed by the CFD.

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2018

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
(TRANSBAY TRANSIT CENTER)**

[insert CBI logo]

**\$(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

\$[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>
--	-----------------------------------	--------------------------------	--------------	--------------	--

\$ _____ % 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 \$ _____

Maturity Date <u>(September 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Yield	Price	CUSIP [†] <u>(Base No. 79772E)</u>
---------------------------------------	----------------------------	-------------------------	-------	-------	--

\$ _____ % 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

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Special Tax Consultant

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Co-Municipal Advisors

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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.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 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 inter-modal 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 (September 1)	Principal Amount <u>Subject to Redemption</u>
--	--

(maturity)

2018A Bonds Maturing September 1, 20

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

(maturity)

2018B Bonds Maturing September 1, 20

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

(maturity)

2018B Bonds Maturing September 1, 20

Sinking Fund Redemption Date (September 1)	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, incurrence 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*	<input type="text"/>	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⁽¹⁾</u>	<u>Total 2017 Bonds Debt Service⁽²⁾</u>	<u>Total 2018 Bonds Debt Service⁽²⁾</u>	<u>Projected Special Tax Revenue⁽³⁾</u>	<u>Projected Debt Service Coverage⁽⁴⁾</u> %
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>
<u>Assessed Value⁽¹⁾</u>							
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
<u>Ad Valorem Tax Rate⁽²⁾</u>							
Base Tax Rate	1.0000%	\$3,929,623	\$2,903,366	\$13,365,953	\$2,267,443	\$5,185,354	\$3,543,295
Other <i>Ad Valorem</i> Property Taxes	0.1630%	\$640,529	\$473,249	\$2,178,650	\$369,593	\$845,213	\$577,557
Total <i>Ad Valorem</i> Taxes	1.1630%	\$4,570,151	\$3,376,614	\$15,544,603	\$2,637,036	\$6,030,567	\$4,120,852
<u>Direct Charges</u>							
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 XIII C and Article XIII D

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 XIII C and XIII D 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 XIII C and XIII D.

Article XIII D 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 XIII C 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 XIII C 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 reallocate 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.

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of August 1, 2018.

This Appendix A to the Official Statement of the City and County of San Francisco (the “City” or “San Francisco”) provides general information about the City’s governance structure, budget processes, property taxation system and tax and other revenue sources, City expenditures, labor relations, employment benefits and retirement costs, investments, bonds and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City’s website. A wide variety of other information, including financial information, concerning the City is available from the City’s publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A, and should not be considered in making a decision to buy the bonds. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to make an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State"), and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive annually significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the

Charter concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission, and may remove department heads.

Mayor

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity. Mayor Breed won the June 4, 2018 special election to fulfill the remaining term of the late Mayor Edwin Lee, which ends on January 2020. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco following the sudden passing of Mayor Lee. Mayor Breed has committed to addressing the most critical issues facing San Francisco residents. She intends to focus on providing care and shelter for the City's homeless population, creating more affordable housing opportunities for residents, improving public safety and supporting the San Francisco's education and public transportation systems. Mayor Breed served as a member of the Board of Supervisors for six years, including the last three years as President of the Board. During her time on the Board, Mayor Breed passed legislation to create more housing along transit corridors and prioritized residents for affordable housing opportunities in their communities. She helped to reform the City's emergency response systems, fought for funding for San Francisco's homelessness support network and enacted the strongest Styrofoam ban in the country.

Board of Supervisors

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, <i>District 1</i>	2016	2021
Catherine Stefani, <i>District 2</i>	2018	2019
Aaron Peskin, <i>District 3</i>	2015	2021
Katy Tang, <i>District 4</i>	2013	2019
Vallie Brown, <i>District 5</i>	2018	2020
Jane Kim, <i>District 6</i>	2010	2019
Norman Yee, <i>District 7</i>	2012	2021
Rafael Mandelman, <i>District 8</i>	2018	2021
Hillary Rohen, <i>District 9</i>	2016	2021
Malia Cohen, Board President, <i>District 10</i>	2010	2019
Ahsha Safai, <i>District 11</i>	2016	2021

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. The City Attorney represents the City in all legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was elected to a four-year term as Assessor-Recorder of the City in November 2014. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was recently reappointed by then-Mayor Mark Farrell to a new 10-year term as Controller, and his nomination was confirmed by the Board of Supervisors on May 1, 2018.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. As City Administrator, Ms. Kelly has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. Ms. Kelly oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract

Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

This section discusses the City's budget procedures.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprise through its annual budget process. On July 24, 2018, the City adopted its two-year budget. The City's fiscal year 2018-19 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately \$11.04 billion, of which the City's General Fund accounts for approximately \$5.51 billion. In fiscal year 2019-20 appropriated revenues, fund balance, transfers and reserves total approximately \$11.10 billion, of which \$5.52 billion represents the General Fund budget. For a further discussion of the fiscal years 2018-19 and 2019-20 adopted budgets, see "City Budget Adopted for Fiscal Years 2018-19 and 2019-20" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes and charges for services. A significant portion of the City's revenues comes in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal position is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a two-thirds vote of City residents. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

The City's fiscal year commences on July 1 and ends on June 30. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit a proposed budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from said website are not incorporated herein by reference. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each fiscal year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year reflecting the year-end revenue and expenditure appropriations for that fiscal year.

Two-Year Budgetary Cycle

The City's budget involves multi-year budgeting and financial planning, including:

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the Public Utilities Commission and MTA. All other departments prepared balanced, rolling two-year budgets.
2. Five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the then-Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on March 21, 2018, for fiscal year 2018-19 through fiscal year 2021-22. See "Five Year Financial Plan" section below.
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster

recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent fiscal year.

4. The City is required to submit labor agreements for all public employee unions by May 15.

Role of Controller; Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

In addition to the five year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2017-18 Nine Month Report (the "Nine Month Report"), on May 11, 2018. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 12, 2018 the Controller released the Discussion of the Mayor's fiscal year 2018-19 and fiscal year 2019-20 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal year 2018-19 and 2019-20 Original Budgets total \$5.51 billion and \$5.52 billion, respectively, including appropriations, reserves, and transfers out. These amounts do not include expenditures of the enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2015-16 through 2016-17 and the Original Budgets for fiscal years 2017-18, 2018-19, and 2019-20. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2016-17 was issued on December 29, 2017. The fiscal year 2016-17 CAFR reported that as of June 30, 2017, the General Fund balance available for appropriation in subsequent years was \$545.9 million (see Table A-4), of which \$183.3 million was

assumed in the fiscal year 2017-18 Original Budget and \$288.2 million was assumed in the fiscal year 2018-19 Original Budget. This represents a \$110.7 million increase in available fund balance over the \$435 million available as of June 30, 2016 and resulted primarily from greater-than-budgeted additional tax revenue, particularly property, business and transfer tax revenues, partially offset by under performance in sales, hotel and parking tax revenues in fiscal year 2016-17.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16 Final Revised Budget	2016-17 Final Revised Budget	2017-18 Original Budget ²	2018-19 Original Budget ³	2019-20 Original Budget
Prior-Year Budgetary Fund Balance & Reserves	\$1,236,090	\$178,109	\$187,182	\$249,007	\$224,247
<u>Budgeted Revenues</u>					
Property Taxes	\$1,291,000	\$1,412,000	\$1,557,000	\$1,728,000	\$1,743,000
Business Taxes	634,460	669,450	750,820	879,380	914,710
Other Local Taxes	1,062,535	1,117,245	1,112,570	1,053,390	1,058,420
Licenses, Permits and Franchises	27,163	28,876	29,964	30,833	31,015
Fines, Forfeitures and Penalties	4,550	4,580	4,579	3,125	3,156
Interest and Investment Earnings	10,680	13,970	18,180	27,270	27,540
Rents and Concessions	15,432	16,140	14,088	14,769	15,016
Grants and Subventions	900,997	959,099	1,019,167	1,051,643	1,062,592
Charges for Services	219,628	236,102	242,817	261,294	247,781
Other	31,084	61,334	39,959	41,050	41,356
Total Budgeted Revenues	\$4,197,529	\$4,518,796	\$4,789,144	\$5,090,754	\$5,144,586
Bond Proceeds & Repayment of Loans	\$918	\$881	\$110	\$87	-
<u>Expenditure Appropriations</u>					
Public Protection	\$1,211,007	\$1,266,148	\$1,331,196	\$1,403,620	\$1,453,652
Public Works, Transportation & Commerce	138,288	166,295	170,949	183,703	170,150
Human Welfare & Neighborhood Development	892,069	978,126	995,230	1,053,814	1,083,329
Community Health	751,416	763,496	884,393	943,631	893,763
Culture and Recreation	125,253	139,473	162,622	165,784	166,575
General Administration & Finance	235,647	252,998	358,588	391,900	418,497
General City Responsibilities ¹	113,672	134,153	152,390	183,159	188,171
Total Expenditure Appropriations	\$3,467,352	\$3,700,689	\$4,055,368	\$4,325,611	\$4,374,137
Budgetary reserves and designations, net	\$9,907	\$9,868	\$58,730	\$21,410	\$14,200
Transfers In	\$235,416	\$246,779	\$171,122	\$170,671	\$153,213
Transfers Out	(962,511)	(857,528)	(1,033,460)	(1,164,612)	(1,134,320)
Net Transfers In/Out	(\$727,095)	(\$610,749)	(\$862,338)	(\$993,941)	(\$981,107)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	\$1,230,182	\$376,480	\$0	(1,113,075)	(\$611)
Variance of Actual vs. Budget	296,673	249,475			
Total Actual Budgetary Fund Balance ³	\$1,526,855	\$625,955	\$0	(1,113,075)	(\$611)

¹ Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

² Fiscal year 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.

³ Fiscal year 2018-19 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

Source: Office of the Controller, City and County of San Francisco.

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2017 was \$1.9 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$4.5 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2013 through June 30, 2017.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Years 2012-13 through 2016-17
(000s)

	2012-13	2013-14	2014-15	2015-16	2016-17 ¹
Restricted for rainy day (Economic Stabilization account)	\$23,329	\$60,289	\$71,904	\$74,986	\$78,336
Restricted for rainy day (One-time Spending account)	3,010	22,905	43,065	45,120	47,353
Committed for budget stabilization (citywide)	121,580	132,264	132,264	178,434	323,204
Committed for Recreation & Parks expenditure savings reserve	15,907	12,862	10,551	8,736	4,403
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$74,815	\$92,269	\$137,641	\$190,965	\$244,158
Assigned for appropriation carryforward	112,327	159,345	201,192	293,921	434,223
Assigned for budget savings incentive program (Citywide)	24,819	32,088	33,939	58,907	67,450
Assigned for salaries and benefits	6,338	10,040	20,155	18,203	23,051
Total Fund Balance Not Available for Appropriation	\$382,125	\$522,062	\$650,711	\$869,272	\$1,222,178
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies	\$30,254	79,223	131,970	\$145,443	\$136,080
Assigned for General reserve	21,818	-	-	-	-
Assigned for subsequent year's budget	122,689	135,938	180,179	172,128	183,326
Unassigned for General Reserve	-	45,748	62,579	76,913	95,156
Unassigned - Budgeted for use second budget year	111,604	137,075	194,082	191,202	288,185
Unassigned - Contingency for second budget year	-	-	-	60,000	60,000
Unassigned - Available for future appropriation	6,147	21,656	16,569	11,872	14,409
Total Fund Balance Available for Appropriation	\$292,512	\$419,640	\$585,379	\$657,558	\$777,156
Total Fund Balance, Budget Basis	\$674,637	\$941,702	\$1,236,090	\$1,526,830	\$1,999,334
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$674,637	\$941,702	\$1,236,090	\$1,526,830	\$1,999,334
Unrealized gain or loss on investments	(1,140)	935	1,141	343	(1,197)
Nonspendable fund balance	23,854	24,022	24,786	522	525
Cumulative Excess Property Tax Revenues Recognized	(38,210)	(37,303)	(37,303)	(36,008)	(38,469)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(93,910)	(66,415)	(50,406)	(56,709)	(83,757)
Deferred Amounts on Loan Receivables	(20,067)	(21,670)	(23,212)	-	-
Pre-paid lease revenue	(4,293)	(5,709)	(5,900)	(5,816)	(5,733)
Total Fund Balance, GAAP Basis	\$540,871	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703

Source: Office of the Controller, City and County of San Francisco.

¹ Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2017 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2017." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Years 2012-13 through 2016-17¹
(000s)

	2012-13	2013-14	2014-15	2015-16	2016-17 ²
Revenues:					
Property Taxes	\$1,122,008	\$1,178,277	\$1,272,623	\$1,393,574	\$1,478,671
Business Taxes ³	479,627	562,896	609,614	659,086	700,536
Other Local Taxes	756,346	922,205	1,085,381	1,054,109	1,203,587
Licenses, Permits and Franchises	26,273	26,975	27,789	27,909	29,336
Fines, Forfeitures and Penalties	6,226	5,281	6,369	8,985	2,734
Interest and Investment Income	2,125	7,866	7,867	9,613	14,439
Rents and Concessions	35,273	25,501	24,339	46,553	15,352
Intergovernmental	720,625	827,750	854,464	900,820	932,576
Charges for Services	164,391	180,850	215,036	233,976	220,877
Other	14,142	9,760	9,162	22,291	38,679
Total Revenues	\$3,327,036	\$3,747,361	\$4,112,644	\$4,356,916	\$4,636,787
Expenditures:					
Public Protection	\$1,057,451	\$1,096,839	\$1,148,405	\$1,204,666	\$1,257,948
Public Works, Transportation & Commerce	68,014	78,249	87,452	136,762	166,285
Human Welfare and Neighborhood Development	660,657	720,787	786,362	853,924	956,478
Community Health	634,701	668,701	650,741	666,138	600,067
Culture and Recreation	105,870	113,019	119,278	124,515	139,368
General Administration & Finance	186,342	190,335	208,695	223,844	238,064
General City Responsibilities	81,657	86,968	98,620	114,663	121,444
Total Expenditures	\$2,794,692	\$2,954,898	\$3,099,553	\$3,324,512	\$3,479,654
Excess of Revenues over Expenditures	\$532,344	\$792,463	\$1,013,091	\$1,032,404	\$1,157,133
Other Financing Sources (Uses):					
Transfers In	\$195,272	\$216,449	\$164,712	\$209,494	\$140,272
Transfers Out	(646,912)	(720,806)	(873,741)	(962,343)	(857,629)
Other Financing Sources	4,442	6,585	5,572	4,411	1,765
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(\$447,198)	(\$497,772)	(\$703,457)	(\$748,438)	(\$715,592)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$85,146	\$294,691	\$309,634	\$283,966	\$441,541
Total Fund Balance at Beginning of Year	\$455,725	\$540,871	\$835,562	\$1,145,196	\$1,429,162
Total Fund Balance at End of Year – GAAP Basis⁴	\$540,871	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
– GAAP Basis	\$135,795	\$178,066	\$234,273	\$249,238	\$273,827
– Budget Basis	\$240,410	\$294,669	\$390,830	\$435,202	\$545,920

Five-Year Financial Plan

The Five-Year Financial Plan ("Plan") is required under Proposition A. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. The City currently updates the Plan annually.

On March 21, 2018 (the "March 2018 Update"), the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued an update to the Plan, which projects annual shortfalls of \$37.9 million, \$99.0 million, \$521.0 million, and \$651.9 million cumulative for fiscal years 2018-19 through 2021-22, respectively.

The updated Plan projects growth over a four-year period in General Fund revenues of 9%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 22% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City currently projects growth in General Fund sources of \$488.7 million over the Plan period, and expenditure growth of \$1.14 billion. Growth in salaries and benefits accounts for 47% or \$531.2 million of the cumulative four year shortfall. Growth in citywide operating costs accounts for 25% or \$283 million of the cumulative four year shortfall. Growth in Charter mandated baselines and reserves accounts for 17% or \$190.7 million of the cumulative four year shortfall. Growth in individual department costs account for 12% or \$135.6 million of the cumulative four year shortfall. These figures incorporate the key assumptions from the March 2018 Update, including:

- **Continued Increases in Employer Contribution Rates to City Retirement System:** Consistent with the prior plan, the March 2018 Update anticipates increased retirement costs. The increase in employer contribution rates is due to three main factors: lower than expected actual fiscal year 2016-17 investment earnings; updated demographic assumptions, which show that retirees are living longer and collecting pensions longer than previously expected; and an appellate court ruling against the City which found that voter-adopted changes to the conditions under which retirees could receive a supplemental COLA violated retirees' vested rights.
- **Continued Increases in Wages and Health Care Costs:** The March 2018 Update incorporates the cost of contract extensions for most miscellaneous employees, as negotiated for fiscal years 2017-18 and 2018-19, with most labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit, as projected in the March 2018 Update to the Five-Year Financial Plan, exceeds \$200 million.

The March 2018 Update assumes employer share of health and dental insurance costs for active employees will increase by 6% in fiscal year 2018-19 and 8% in each subsequent fiscal year. This is a significant increase from the proposed Plan projection in December 2014, which anticipated approximately 5% growth in the employer share of health and dental rates. The March 2018 Update also assumes retiree health costs, to increase by 9% in each year of projection.

- **Voter Adopted Revenue and Spending Requirements:** The March 2018 Update continues to assume several new revenue and expenditure requirements adopted by voters in 2016: a Recreation and Parks baseline (June 2016 Proposition B), a Dignity Fund baseline (November

2016 Proposition I), and a Street Tree Maintenance Fund baseline (November 2016 Proposition E). In addition to these spending requirements, the voters adopted an increase to the Real Property Transfer Tax rate (November 2016 Proposition W) and a tax on the distribution of sugar-sweetened beverages (November 2016 Proposition V).

- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans, allowing them to stay in their homes rather than move into more costly nursing facilities or other programs. It is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 Enacted State budget, significant costs for this program were shifted from the state to counties. The City's fiscal year 2017-18 and 2018-19 adopted budgets, assumed cost increases of \$11.1 million in fiscal year 2017-18 and \$16.9 million in fiscal year 2018-19, as compared to prior budget projections. As more detail has been released by the State, the March 2018 Update adds an additional cost of \$11.1 million in fiscal year 2017-18, bringing the total cost growth in that year to \$22.3 million above prior projections. The cost shift continues to grow in fiscal year 2018-19 to \$37.9 million, \$60.8 million in fiscal year 2019-20, \$74.2 million in fiscal year 2020-21, and \$84.8 million in fiscal year 2021-22.

Beyond the IHSS Cost Shift, the March 2018 Update does not assume any losses of federal or state revenues, except for formula-driven reductions. Although proposals that would have significant negative impact on the City budget are pending at the state and federal level, it is unclear which will ultimately be adopted and what the specific impacts will be.

While the projected shortfalls in the March 2018 Update reflect the difference in projected revenues and expenditures over the next four years if current service levels and policies continue, the Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

The March 2018 Update does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of economic expansion, and the current economic expansion began over eight years ago.

The recently adopted fiscal year 2018-19 and 2019-20 budget closes the deficits identified in the projections.

City Budget Adopted for Fiscal Years 2018-19 and 2019-20

On July 31, 2018, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2019 and June 30, 2020. This is the seventh two-year budget for the entire City. The adopted budget closed the \$38 million and \$99 million General Fund shortfalls for fiscal years 2018-19 and 2019-20 identified in the City's March 31, 2018 update to the Five-Year Financial Plan through a combination of increased revenues and expenditures savings.

The Original Budget for fiscal year 2018-19 and fiscal year 2019-20 totals \$11.04 billion and \$11.10 billion respectively, representing a year over year increase of \$920 million in fiscal year 2018-19 and year over year increase of \$59 million in fiscal year 2019-20. The General Fund portion of each year's budget is \$5.52 billion in fiscal year 2018-19 and \$5.51 billion in fiscal year 2019-20 representing year over year increases of \$364 million and \$11 million. There are 31,220 funded full time positions in the

fiscal year 2018-19 Original Budget and 31,579 in the fiscal year 2019-20 Original Budget representing year-over-year increases of 385 and 359 positions, respectively.

Other Budget Updates

On June 12, 2018, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2018-19 and fiscal year 2019-20 Proposed Budget ("Revenue Letter"). The report found that the revenue assumptions in the proposed and now-adopted budget are reasonable, voter-required baseline and set-aside requirements are met or exceeded, and that code-mandated reserves and funded and maintained at required levels.

The letter also certified that the Original Budget for fiscal years 2018-19 and 2019-20 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses. The policy can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts; otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long term obligations.

Impact of June 5, 2018 Voter-Initiated and Approved Revenue Measures on Local Finances

On August 28, 2017, the California Supreme Court in *California Cannabis Coalition v. City of Upland* (August 28, 2017, No. S234148) interpreted Article XIII C, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with Proposition C, the "Propositions"). The estimated annual values of Propositions C and G are approximately \$146 million and \$50 million, respectively. Proceeds of both measures would need to be appropriated by the Board of Supervisors to be spent. The adopted fiscal year 2018-19 and 2019-20 budget does not appropriate any of these sources. There is a risk that a court in the future could invalidate the levy and collection of the taxes approved by the Propositions on the grounds that they were not approved by a super-majority vote. If a court struck down the Propositions, the City could be obligated to refund all or a portion of any taxes levied and collected for the measures. The City is considering seeking judicial validation of the Propositions under Civil Code section 860 et seq. The City cannot predict the outcome of any litigation to resolve this issue.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 14% of the General Fund revenues appropriated in the Original Budget for fiscal years 2018-19 and 2019-20, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2018, the Governor signed the 2018-19 State Budget, appropriating \$201.4 billion from the General Fund and other State funds. General Fund appropriations total \$138.7 billion, \$11.6 billion or 9% more than the 2017-18 budget. The State budget agreement focuses on maintaining fiscal prudence by continuing to pay down past budgetary borrowing and state employee pension liabilities and contributing to stabilization reserves. The budget increases funding to K-12 schools through the full implementation of the Local Control Funding Formula, and increases funding to community colleges and the university systems. Among many investments to counteract poverty, the budget also includes \$500 million to assist local governments with efforts to address homelessness. Of the \$500 million the City is expected to receive approximately \$30 million, which is assumed in the City's budget. The State budget also continues to implement the Road Repair and Accountability Act of 2017 (SB1) providing \$55 billion of new transportation infrastructure funding over the next 10 years. The City's fiscal year 2018-19 budget assumes \$23.0 million of street-related capital funding and \$36.5 million for transit services and repair through the Road Repair and Accountability Act of 2017 (SB1). Voters will decide on Proposition 6 in the November 2018 State ballot, which would repeal the gas tax increase and result in a loss of these funds.

The final fiscal year 2018-19 budget continues to re-base the In-Home Supportive Services Maintenance-of-Effort "IHSS MOE" agreement negotiated in 2012, as first proposed in the fiscal year 2017-18 budget. The City's budget assumes an additional General Fund cost of \$30.0 million in fiscal year 2018-19 or a total cost of \$67.9 million and an additional \$26.0 million or a total cost of \$86.8 million in fiscal year 2019-20 to support the IHSS program, partially offset by health and welfare realignment subventions.

Impact of Federal Government on Local Finances

The City is continuing to assess the potential material adverse changes in anticipated federal funding. Currently, these changes include, for example, potential increased costs associated with changes to or termination or replacement of the Affordable Care Act ("ACA"), potential withholding of federal grants or other federal funds flowing to "sanctuary jurisdictions," impact of new census questions related to immigration status, and the potential suspension or termination of other federal grants for capital projects. The scope and timing of such changes will not be known until the administration concretely proposes specific changes or Congress acts on such proposals, as applicable. As to potential withholding of funds for "sanctuary cities" the City has challenged in federal court the Presidential Executive Order that would cut funding from "sanctuary jurisdictions." The federal district court issued a permanent injunction in November 2017. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order. The City will continue to monitor federal budget and policy changes, but cannot at this time determine the financial impacts of any proposed federal budget changes. The fiscal year 2017-18 and 2018-19 budget created a \$50 million reserve to manage cost and revenue uncertainty related to potential federal and state changes to the

administration and funding of the Affordable Care Act. In addition, the recently adopted fiscal year 2018-19 and 2019-20 budget establishes a \$40 million reserve to manage state, federal, and other revenue uncertainty and a \$70 million reserve to manage costs related to local wage and salary contingencies.

The federal tax reform bill that was approved by Congress on December 20, 2017 and its effects on San Francisco are not clear at this time. However, the local economy may be affected by the tax law's provisions, including: (1) creation of a \$10,000 cap on the state and local tax deduction, which will increase many residents' total tax liabilities and affect consumer spending; (2) repeal of the individual health insurance mandate under the ACA; (3) reduction in the mortgage interest tax deduction; and (4) reduction of corporate income tax rates.

Budgetary Reserves

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The City maintains an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The Original Budget for fiscal years 2018-19 and 2019-20 includes starting balances of \$127.3 million and \$141.5 million for the General Reserve, respectively.

In addition to the operating cash and general reserves, the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (Original Budget includes \$24.8 million for fiscal year 2018-19 and \$14.9 million in fiscal year 2019-20), and the Litigation Reserve (Original Budget includes \$10.9 million for fiscal year 2018-19 and \$11 million in fiscal year 2019-20). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

Rainy Day Reserve

The City maintains a Rainy Day Reserve. Charter Section 9.113.5 requires that if the Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into two accounts within the Rainy Day Reserve and for other lawful governmental purposes. Effective January 1, 2015, Proposition C passed by the voters in November 2014 divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the existing balance. Additionally, any deposits to the reserve subsequent to January 1, 2015 will be allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve;
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2016-17 revenue exceeded the deposit threshold by \$8.9 million generating a deposit of \$3.4 million to the City Reserve, \$1.1 million to the School Reserve, and \$2.2 million to the One-Time or Capital Expenditures account. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures.

Monies in the City Reserve are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. The fiscal year 2016-17 combined ending balance of the One-Time and Economic Stabilization portions of the Reserve was \$125.7 million. No deposits or withdrawals are projected in the Controller's 2017-18 Nine-Month Report or in the fiscal year 2018-19 and 2019-20 budgets.

Budget Stabilization Reserve

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the five-year annual average (controlling for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

Fiscal year 2016-17 RPTT receipts exceeded the five-year annual average by \$144.4 million and ending general fund unassigned fund balance was \$57.6 million, triggering a \$57.6 million deposit. However, \$6.7 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a \$144.8 million deposit to the Budget Stabilization Reserve and an ending balance of \$323.3 million. No deposits or withdrawals are projected in the Controller's 2017-18 Nine-Month Report. The fiscal year 2018-19 and 2019-20 budgets assume no reserve deposits given projected RPTT receipts. The Controller's Office determines deposits during year end close based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues. As of the Controller's fiscal year 2017-18 Nine-Month Report, 10% of General Fund revenues is projected to be \$488 million, slightly above the projected ending balance of \$449 million and 9.2% of revenues. Under the City's current policy, no further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

The San Francisco Redevelopment Agency (herein after the "Successor Agency") was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Successor Agency is a separate legal entity from the City, and no funds of the City are pledged or available for Successor Agency operations. The Successor Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Successor Agency had redevelopment plans for nine redevelopment project areas.

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Successor Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the Successor Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations and the authority to take actions required by AB 26 and AB 1484 and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area ("YBC"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency. The Successor Agency also issues CFD bonds from time to time to

facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor Agency (OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received \$153 million of property tax increment in fiscal year 2017-18, diverting about \$85 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.14% for fiscal year 2017-18. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 111 for fiscal year 2017-18 compared to 262 in fiscal year 2016-17. The trustee deeds recorded in fiscal year 2011-12, fiscal year 2012-13 and fiscal year 2013-14 were 804, 363 and 187, respectively. In fiscal year 2016-17 there were 262 Notices of Trustee's Sales deeds recorded.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2012-13 through 2018-19
(000s)

Fiscal Year	Net Assessed ¹ Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2012-13	\$165,043,120	4.0%	1.169	\$1,997,645	\$1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479 ¹	10.8%	TBD	TBD	N/A	N/A

¹ Based on initial assessed valuations for fiscal year 2018-19. Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

² Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

³ The Total Tax Levy and Total Tax Collected through fiscal year 2017-18 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Rate and Total Tax Levy for fiscal year 2018-19 has not yet been determined.

Source: Office of the Controller, City and County of San Francisco.

SCO source noted in (3): <http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/sanfrancisco.pdf>

At the start of fiscal year 2018-19, the total net assessed valuation of taxable property within the City was \$259.3 billion. Of this total, \$244.9 billion (94.4%) represents secured valuations and \$14.4 billion (5.6%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIII A of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have

been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2012-13 through 2016-17 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2012-13 through 2016-17
(000s)

Fiscal Year	Amount Refunded
2012-13	\$36,744
2013-14	25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2017, the Assessor granted 7,090 temporary reductions in property assessed values worth a total of \$194.9 million (equating to a reduction of approximately \$2.3 million in general fund taxes), compared to 7,055 temporary reductions worth \$128.7 million (equating to a reduction of approximately \$1.52 million in general fund taxes) as of July 1, 2016 and 8,598 temporary reductions worth \$425.1 million (equating to a reduction of approximately \$5.03 million in general fund taxes) as of July 1, 2015. The July 2017 temporary reductions of \$194.9 million represent 0.08% of the fiscal year 2017-18 Net Assessed Valuation of \$234.1 billion shown in Table A-5. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of December 31, 2017, the total number of open appeals before the AAB was 1,605, compared to 1,754 open AAB appeals as of December 31, 2016. As of May 31, 2018 there were 1,552 new applications filed during fiscal year 2017-18, compared to 1,428 new applications filed during the same period (May 31, 2017) of fiscal year 2016-17. Also, as of May 31, 2018 the total number of open applications was 965 and the difference between the current assessed value and the taxpayer's opinion of values for the open appeals is \$4.88 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential property tax impact of about \$57.5 million would result.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2017-18 was estimated to produce about \$2.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City had budgeted to receive \$1.6 billion into the General Fund and \$201.5 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive about \$176.3 million and \$33.1 million, respectively, and the local ERAF was estimated to receive \$580.0 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received \$153 million. The remaining portion was allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose.

General Fund property tax revenues in fiscal year 2017-18 were projected to be \$1.65 billion as of the Controller's Nine-Month Report, representing an increase of \$169.9 million (11.5%) over fiscal year 2016-17 actual revenue. Property tax revenue is budgeted at \$1.73 billion for fiscal year 2018-19 representing an increase of \$77.0 million (4.7%) over fiscal year 2017-18 projections. Fiscal year 2019-20 property tax revenue is budgeted at \$1.74 billion, \$15.0 million (or 0.9%) more than the fiscal year 2018-19 budget. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues for fiscal years 2012-13 through 2016-17, and budgeted receipts for fiscal years 2017-18, 2018-19, and fiscal year 2019-20.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift. The State's Triple Flip ended in fiscal year 2015-16, eliminating the sales tax in-lieu revenue from property taxes from succeeding fiscal years and shifting it to the local sales tax revenue line.

Generally, property taxes levied by the City on real property becomes a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to ad valorem taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment

against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, in June 2017, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2012-13 through 2016-17
(000s)

Year Ended	Amount Funded
2012-13	\$18,341
2013-14	19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2018 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2018

Assessee	Location	Parcel Number	Type	Total Assessed Value ¹	% of Basis of Levy ²
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	\$1,336,595,294	0.51540%
SUTTER BAY HOSPITALS ³	1101 VAN NESS AVE	0695 006	HOSPITAL	1,182,540,579	0.45600
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	1,018,418,547	0.39271
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	984,858,015	0.37977
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	834,307,207	0.32172
SHR ST FRANCIS LLC	301 - 345 POWELL ST	0307 001	HOTEL	738,069,300	0.28461
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	689,319,255	0.26581
GSW ARENA LLC	300 16TH STREET	8722 021	ENTERTAINMENT COMPLEX	659,966,629	0.25449
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	558,150,177	0.21523
P55 HOTEL OWNER LLC	55 CYRIL MAGNIN ST	0330 026	HOTEL	533,785,362	0.20583
				\$8,536,010,365	

¹ Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures.

² The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

³ Nonprofit organization that is exempt from property taxes.

Source: Office of the Assessor-Recorder, City and County of San Francisco.

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2018-19 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Through tax year 2014 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of “engaging in business” in San Francisco. The gross receipts tax will apply to businesses with \$1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company’s total payroll expense within San Francisco in lieu of the Gross Receipts Tax, and increases annual business registration fees to as much as \$35,000 for businesses with over \$200 million in gross receipts. Prior to Proposition E, business registration taxes varied from \$25 to \$500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between \$75 and \$35,000 annually.

Business tax revenue in fiscal year 2017-18 is projected to be \$810.4 million (all funds) as of the Controller’s Nine-Month Report, representing an increase of \$109.9 million (15.4%) from fiscal year 2016-17. Business tax revenue is budgeted at \$879.4 million in fiscal year 2018-19 representing an increase of \$68.9 million (8.5%) over fiscal year 2017-18 projected revenue. Business tax revenue is budgeted at \$914.7 million in fiscal year 2019-20 representing an increase of \$35.3 million (4.0%) over fiscal year 2018-19 budget.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2014-15 through 2019-20
All Funds
(000s)

Fiscal Year ¹	Revenue	Change	
2014-15	\$611,932	\$48,525	8.6%
2015-16	660,926	48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18 <i>projected</i> ²	810,434	108,103	15.4%
2018-19 <i>budgeted</i> ³	879,380	68,946	8.5%
2019-20 <i>budgeted</i> ³	914,710	35,330	4.0%

¹ Figures for fiscal years 2014-15 through 2016-17 are audited actuals.

Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.

² Figure for fiscal year 2017-18 from Controller's Nine-Month Report.

³ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (“ADR”) and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, experienced double digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this

period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The Moscone Center reopened in the second quarter of fiscal year 2017-18, and RevPAR is expected to partially recover. Hotel tax revenue in fiscal year 2017-18 is projected to be \$377.2 million (all funds) as of the Controller's Nine-Month Report, a slight increase of \$1.9 million (0.5%) from fiscal year 2016-17. In fiscal year 2018-19, hotel tax is budgeted to be \$398.9 million, representing growth of \$20.7 million (5.5%). In fiscal year 2019-20, hotel tax is budgeted to be \$409.8 million, an increase of \$11.9 million (3.0%) from fiscal year 2018-19 budget.

San Francisco and a number of other jurisdictions in California and the United States are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately \$88 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court's decision in a similar case between the online travel companies and the City of San Diego. That ruling was issued on December 12, 2016 but did not resolve the matters that are the subject to the City's appeal.. On May 23, 2018, the Court of Appeal ruled in favor of the online travel companies, and San Francisco is seeking review of that decision by the California Supreme Court.

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TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2014-15 through 2019-20
All Funds
(000s)

Fiscal Year ¹	Tax Rate	Revenue	Change	
2014-15 ²	14.0%	\$399,364	\$86,226	27.5%
2015-16	14.0%	392,686	(6,678)	-1.7%
2016-17	14.0%	375,291	(17,395)	-4.4%
2017-18 <i>projected</i> ³	14.0%	377,156	1,865	0.5%
2018-19 <i>budgeted</i> ⁴	14.0%	397,896	20,740	5.5%
2019-20 <i>budgeted</i> ⁴	14.0%	409,840	11,945	3.0%

¹Figures for fiscal year 2014-15 through fiscal year 2016-17 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds.

²Figures in fiscal year 2014-15 are substantially adjusted due to multi-year audit and litigation resolution.

³Figure for fiscal year 2017-18 from Controller's 9-Month Report.

⁴Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts. These amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming should a local ballot measure to dedicate a portion of hotel tax pass in November 2018.

Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the rates were \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000 for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$20.00 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; and \$25 per \$1,000 for properties valued at more than \$10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended, raising the rate to \$22.50 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; \$27.50 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million; and \$30.00 per \$1,000 for properties valued at more than \$25.0 million. This change resulted in an estimated additional \$30.3 million in transfer tax revenue in fiscal year 2017-18.

Real property transfer tax ("RPTT") revenue for fiscal year 2017-18 was projected to be \$257.0 million as of the Controller's Nine-Month Report, a \$153.6 million (37.4%) decrease from fiscal year 2016-17 revenue. Fiscal year 2018-19 RPTT revenue is budgeted to be \$228.0 million, \$29 million (11.3%) less than the revenue received in fiscal year 2017-18 primarily due to the assumption that RPTT collections will return to their historic average. For fiscal year 2019-20, RPTT revenue is budgeted to be \$228 million, which represents no change from the fiscal year 2018-19 budget.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2014-15 through 2019-20
(000s)

Fiscal Year ¹	Revenue	Change	
2014-15	\$314,603	\$52,678	20.1%
2015-16	269,090	(45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18 <i>projected</i> ²	257,000	(153,561)	-37.4%
2018-19 <i>budgeted</i> ³	228,000	(29,000)	-11.3%
2019-20 <i>budgeted</i> ³	228,000	-	0.0%

¹ Figures for fiscal year 2014-15 through 2016-17 are audited actuals.

² Figure for fiscal year 2017-18 from Controller's 9-Month Report.

³ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share. The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. Between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of City's 1.00% local share of the sales tax, and replaced the lost revenue with a shift of local property taxes to the City from local school district funding. This "Triple Flip" concluded on December 31, 2015, after which point the full 1.00% local tax is recorded in the General Fund.

Local sales tax for fiscal year 2017-18 are projected to be \$191.7 million as of the Controller's Nine-Month Report, a slight increase of \$2.2 million (1.2%) from fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted to be \$196.9 million, an increase of \$5.2 million (2.7%) from fiscal year 2017-18 budget. Fiscal year 2019-20 revenue is budgeted to be \$198.8 million, an increase of \$2.0 million (1.0%) from fiscal year 2018-19 budget.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

In June 2018, the United States Supreme Court ruled in favor of South Dakota in the case of *South Dakota v. Wayfair, Inc.*, requiring out-of-state online retailers to collect sales taxes on sales to in-state residents. The impact of this ruling on sales tax revenues in the City remains unknown due to various factors. In California and other states, many large online retailers already collect and remit state and local sales and use taxes, including Wayfair and Amazon. However, out-of-state retailers, who have no physical presence in California and no agreements with affiliates, are not required to collect California sales and use tax. In addition, the ruling affirms the South Dakota tax system, which provides a safe harbor to small businesses that have less than \$100,000 in sales or 200 separate transactions in the state. It is difficult to determine if and when California will modify its sales tax rules and regulations, or if

Congress will adopt uniform standards at the federal level. As a result, the budget assumes no changes from the impact of this ruling.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2014-15 through 2016-17, projected receipts for fiscal year 2017-18, and budgeted receipts for fiscal year 2018-19 and 2019-20. The fiscal year 2014-15 and 2015-16 figures include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2014-15 through 2019-20
(000s)

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
2014-15	8.75%	0.75%	140,146	6,441	4.8%
2014-15 adj. ²	8.75%	1.00%	186,891	9,592	5.4%
2015-16	8.75%	0.75%	167,915	27,769	19.8%
2015-16 adj. ³	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18 projected ⁴	8.50%	1.00%	191,696	2,223	1.2%
2018-19 budgeted ³	8.50%	1.00%	196,870	5,174	2.7%
2019-20 budgeted ³	8.50%	1.00%	198,840	1,970	1.0%

¹ Figures for fiscal year 2014-15 through fiscal year 2016-17 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

² Adjusted figure represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 through December 31, 2015 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

³ The 2015-16 adjusted figure includes the State's final payment to the Counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through June 2015.

⁴ Figure for fiscal year 2017-18 from Controller's 9-Month Report.

⁵ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol ("VOIP"). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2017-18 Utility User Tax ("UUT") revenues were projected to be \$98.0 million as of the Controller's Nine-Month Report, a decline of \$3.2 million (3.2%) from fiscal year 2016-17. Fiscal year 2018-19 UUT revenues are budgeted at \$99.1 million, a \$1.1 million (1.1%) increase from the 2017-18 projection. Fiscal year 2019-20 revenues are budgeted at \$100.0 million, a \$0.9 million (1.0%) increase from the prior year budget.

Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenue for fiscal year 2017-18 is projected to be \$52.0 million as of the Controller's Nine-Month Report, a \$5.5 million (11.8%) increase over fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted at \$51.9 million a \$0.1 million (0.3%) decrease from fiscal year 2017-18 projections. Fiscal year 2019-20 revenue is budgeted at \$53.5 million, a \$1.6 million (3.2%) increase from the prior year. Budgeted amounts in fiscal year 2018-19 assume annual inflationary increases to the access line tax rate as allowed under Business and Tax Regulation Code Section 784.

Sugar Sweetened Beverage Tax

On November 9, 2016 voters adopted Proposition V, a one cent per ounce tax on the distribution of sugary beverages. This measure took effect on January 1, 2018 and is expected to raise \$15.0 million in annual revenue.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. Historically, parking tax revenue was positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections. However, widespread use of ride-sharing services and redevelopment of surface lots and parking garages into office and other uses have led to declines in this source over the past two fiscal years.

Fiscal year 2017-18 Parking Tax revenue is projected to be \$85.5 million as of the Controller's Nine-Month Report, \$1.3 million (1.5%) increase from fiscal year 2016-17 revenue. Parking tax revenue is budgeted at \$85.5 million in fiscal year 2018-19 and fiscal year 2019-20, representing no change from fiscal year 2017-18 revenue.

Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment and 2011 Public Safety Realignment.

1991 Health & Welfare Realignment. In fiscal year 2017-18, the General Fund share of 1991 realignment revenue is projected to be \$197.7 million, as of the Controller's Nine-Month Report, or \$5.6 million (2.9%) more than the fiscal year 2016-17. The fiscal years 2018-19 and 2019-20 General Fund share of these revenues are budgeted at \$209.1 million and \$215.5 million, a net increase of \$11.3 million (5.7%) and \$6.4 million (3.1%) from the respective prior year, based on projected sales tax and VLF growth payments.

Since fiscal year 2014-15, the State has assumed that under the Affordable Care Act (ACA), counties will realize savings as a result of treating fewer uninsured patients. The State redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for by the State's General Fund. In fiscal year 2018-19, reductions to the City's allocation are assumed equal to \$12.0 million. However, they are projected to be offset by the true up payments from the State for fiscal year 2015-16. The fiscal year 2019-20 budget makes the same assumption as fiscal year 2018-19, projecting reductions to the City's allocation that are equally offset by true up payments from fiscal year 2016-17. Future budget adjustments could be necessary depending on final State determinations of ACA savings amounts, which are expected in January 2020 and January 2021 for fiscal year 2017-18 and fiscal year 2018-19, respectively. The fiscal year 2018-19 and 2019-20 realignment budget assumes the redirection of sales tax and VLF growth distributions from health and mental health allocations to social service allocations, consistent with IHSS assumptions enacted in the Governor's 2018-19 budget.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. In fiscal year 2017-18, revenue is projected to be \$37.6 million as of the Controller's Nine-Month Report, a \$2.1 million (5.9%) increase from the fiscal year 2016-17 actual. Based on the State's adopted budget, this revenue is budgeted at \$39.0 million in fiscal year 2018-19, a \$1.4 million (3.8%) increase over the fiscal year 2017-18 projection. This increase reflects increased State funding to support implementation of AB109. The fiscal year 2019-20 budget assumes a \$1.2 million (3.1%) increase from the fiscal year 2018-19 budget.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. In fiscal year 2017-18, public safety sales tax is projected to be \$103.6 million as of the Controller's Nine-Month Report, a \$3.2 million (3.2%) increase from fiscal year 2016-17 revenues. In fiscal years 2018-19 and 2019-20, this revenue is budgeted at \$104.7 million and \$106.2 million, representing growth of \$1.0 million (1.0%) and \$1.6 million (1.5%), respectively. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The county ratio for San Francisco in fiscal year 2016-17 is almost 3% and is expected to decline slightly in fiscal years 2017-18, 2018-19, and 2019-20.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, the City is projected to receive \$654.1 million of funds in fiscal year 2017-18 from grants and subventions, as of the Controller's Nine-Month Report, from State and federal governments to fund public health, social services and other programs in the General Fund. This represents a \$24.3 million (3.9%) increase from fiscal year 2016-17. The fiscal year 2018-19 budget is \$698.9 million, an increase of \$44.88 million (6.9%) over fiscal year 2017-18 projected. Fiscal year 2019-20 budget is \$700.7 million, an increase of \$1.8 million (0.3%) over fiscal year 2018-19 budget.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2017-18 is projected to be \$226.8 million in the Controller's Nine-Month Report and is expected to increase to \$248.4 million in the fiscal year 2018-19 budget and \$234.9 million in the fiscal year 2019-20 budget.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is \$1.5 billion in fiscal year 2018-19 and \$1.5 billion in fiscal year 2019-20.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas as described in table A-13 below:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO Expenditures by Major Service Area Fiscal Years 2015-16 through 2019-20 (000s)					
Major Service Areas	2015-16 Final Budget	2016-17 Final Budget ²	2017-18 Original Budget ¹	2018-19 Original Budget	2019-20 Original Budget
Public Protection	\$1,223,981	\$1,298,185	\$1,331,196	\$1,403,620	\$1,453,652
Human Welfare & Neighborhood Development	857,055	176,768	995,230	1,053,814	1,083,329
Community Health	787,554	970,679	884,393	943,631	893,763
General Administration & Finance	286,871	786,218	358,588	391,900	418,497
Culture & Recreation	137,062	158,954	162,622	165,784	166,575
General City Responsibilities	186,068	349,308	152,390	183,159	188,171
Public Works, Transportation & Commerce	161,545	154,344	170,949	183,703	170,150
Total*	\$3,640,137	\$3,894,456	\$4,055,368	\$4,325,611	\$4,374,137

*Total may not add due to rounding

¹ Fiscal year 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.

Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. These departments are budgeted to receive \$485 million, \$255 million and \$193 million of General Fund support respectively in fiscal year 2018-19 and \$514 million, \$265 million, and \$193 million, respectively in fiscal year 2019-20. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to

receive \$272 million of General Fund support in the fiscal year 2018-19 and \$286 million in fiscal year 2019-20.

The Public Health Department is budgeted to receive \$738 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2018-19 and \$751 million in fiscal year 2019-20.

For budgetary purposes, enterprise funds are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be \$68.4 million in both fiscal years 2017-18 and 2018-19.

Baselines

The Charter requires funding for baselines and other voter-mandated funding requirements. The chart below identifies the required and budgeted levels of funding for key baselines and mandates. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending. Table A-14 reflects fiscal year 2018-19 spending requirements at the time the fiscal year 2018-19 and fiscal year 2019-20 budget was finally adopted.

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TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2018-19
(millions)

Baselines & Set-Asides	2018-19 Required Baseline	2018-19 Original Budget
<u>Municipal Transportation Agency (MTA)</u>		
Municipal Railway Baseline	\$244.6	\$244.6
Parking and Traffic Baseline	\$91.7	\$91.7
Population Adjustment	\$50.9	\$50.9
Children's Services	\$176.7	\$182.2
Transitional Aged Youth	\$21.2	\$28.1
Library Preservation	\$83.6	\$83.6
Recreation and Park Maintenance of Effort	\$73.2	\$75.5
Dignity Fund	\$47.1	\$47.1
Street Treet Maintenance Fund	\$19.8	\$19.8
City Services Auditor	\$18.8	\$18.8
Human Services Homeless Care Fund	\$17.6	\$17.6
<u>Public Education Enrichment Funding</u>		
Unified School District	\$74.6	\$74.6
Office of Early Care and Education	\$37.3	\$37.3
Public Education Baseline Services	\$10.6	\$10.6
<u>Property Tax Related Set-Asides</u>		
Municipal Symphony	\$3.2	\$3.2
Children's Fund Set-Aside	\$101.7	\$101.7
Library Preservation Set-Aside	\$63.6	\$63.6
Open Space Set-Aside	\$63.6	\$63.6
<u>Staffing and Service-Driven</u>		
Police Minimum Staffing		Requirement met
Total Baseline Spending	\$1,199.8	\$1,214.6

Source: Office of the Controller, City and County of San Francisco.

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Administrative Code mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances and four Rescue Captains (medical supervisors).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$5.2 billion in the fiscal year 2018-19 Original Budget (all-funds), and \$5.4 billion in the fiscal year 2019-20 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was \$2.3 billion in the fiscal year 2017-18 Original Budget and \$2.4 billion in the fiscal

year 2018-19 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of the San Francisco Unified School District (SFUSD), San Francisco Community College District (SFCCD) and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2018-19 and 2019-20 includes 31,220 and 31,579 budgeted and funded City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, even managers, are represented by labor organizations. Further, the City Charter provides a unique impasse resolution procedure. In most cities and counties, when labor organizations cannot reach agreement on a new contract, there is no mandatory procedure to settle the impasse. However, in San Francisco, nearly all of the City's contracts advance to interest arbitration in the event the parties cannot reach agreement. This process provides a mandatory ruling by an impartial third party arbitrator, who will set the terms of the new agreement. Except for nurses and less than one-hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a tripartite mediation and arbitration panel. The award of the arbitration panel is final and binding. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of police, fire and sheriff's employees.

In February 2017, the City negotiated two-year contract extensions (for fiscal years 2017-18 and 2018-19) with most of its labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit for fiscal year 2018-2019, as projected in the March 2018 Update, exceeds \$200 million (the March 2018 Update projected a \$37.9 million deficit for fiscal year 2018-19). MTA and TWU, along with unions representing MTA service critical employees, agreed to two-year contract extensions with the same wage provisions and term as those contracts covering City employees. The agreement with supervising nurses expires in June, 2019.

In May 2018, the City negotiated three-year agreements (for fiscal years 2018-19 through 2020-21) with the Police Officers' Association ("POA") and the Municipal Executives' Association ("MEA") – Police Chiefs. The POA contract was resolved through interest arbitration. The POA and MEA – Police contracts included a wage schedule increase of 3% (July 1, 2018), 3% (July 1, 2019), 2% (July 1, 2020), and 1%

(January 1, 2021). The final two increases are subject to a six-month delay if the March 2020 Five-Year Financial Plan update projects a budget deficit of more than \$200 million.

The City also negotiated three-year agreements with the Firefighters Local 798 ("798") and the MEA – Fire Chiefs in May 2018. The 798 contract was a mediated arbitration award. The 798 and MEA – Fire contracts included a wage schedule increase of 3% (July 1, 2018), 3% (July 1, 2019), and 3% (July 1, 2020). The final increase is subject to a six-month delay if the March 2020 Five-Year Financial Plan projects a budget deficit of more than \$200 million.

Also in May 2018, the City negotiated contract extensions with the Union of American Physicians and Dentists ("UAPD") and SEIU – H-1 Fire Rescue Paramedics. UAPD agreed to a one-year extension with a wage increase of 3% on July 1, 2018. The H-1 Fire Rescue Paramedics agreed to a two-year extension with a wage increase schedule of 3% (July 1, 2018) and 3% (July 1, 2019).

With the exception of the safety unions, the City will negotiate new contracts with all unions in the Spring of 2019. The MTA will also negotiate new contracts at that time. The MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units pursuant to Charter Section 8A.104. These contracts are subject to approval by the MTA Board. Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

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TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2018

Organization	City Budgeted Positions	Expiration Date of MOU
Auto Machinist, Lodge 1414	495	30-Jun-19
BrickLayers, Local 3 / Hod Carriers, Local 36	10	30-Jun-19
Building Inspectors Association	93	30-Jun-19
CAIR/CIR (Interns & Residents)	0	30-Jun-21
Carpenters, Local 22	114	30-Jun-19
Carpet, Linoleum & Soft Tile	3	30-Jun-19
Cement Masons, Local 300	45	30-Jun-19
Electrical Workers, Local 6	949	30-Jun-19
Firefighters, Local 798	1,887	30-Jun-21
Glaziers, Local 718	13	30-Jun-19
Hod Carriers, Local 36	8	30-Jun-19
Iron Workers, Local 377	15	30-Jun-19
Laborers, Local 261	1,141	30-Jun-19
Municipal Attorneys Association	470	30-Jun-19
Municipal Exec Assoc - Fire	9	30-Jun-21
Municipal Exec Assoc - Misc	1,390	30-Jun-19
Municipal Exec Assoc - Police	16	30-Jun-21
Operating Engineers, Local 3	65	30-Jun-19
Physician/Dentists, UAPD	204	30-Jun-19
Pile Drivers, Local 34	37	30-Jun-19
Plasterers & Shphnds, Local 66	0	30-Jun-19
Plumbers, Local 38	350	30-Jun-19
Police Officers Association	2,584	30-Jun-21
Prof & Tech Eng, Local 21	6,254	30-Jun-19
Roofers, Local 40	13	30-Jun-19
SEIU 1021, H-1 Paramedics	1	30-Jun-20
SEIU 1021, Misc.	12,547	30-Jun-19
SEIU 1021, Staff & Per Diem RNs	1,720	30-Jun-19
SF City Workers United	133	30-Jun-19
SF Deputy Sheriffs Assn	819	30-Jun-19
SF Probation Off Assoc	153	30-Jun-19
SF Sheriff's Managers and Supv	109	30-Jun-19
SFDA Investigators Assn	45	30-Jun-19
SFIPOA, Op Eng, Local 3	1	30-Jun-19
Sheet Metal Workers, Local 104	41	30-Jun-19
Stationary Engineers, Local 39	694	30-Jun-19
Sup Probation Ofcr, Op Eng 3	32	30-Jun-19
Teamsters, Local 853	174	30-Jun-19
Teamsters, Local 856 Multi-Unit	111	30-Jun-19
Teamsters, Local 856 Spv Nurses	127	30-Jun-19
Theatrical Stage Emp, Local 16	27	30-Jun-19
TWU Local 200	374	30-Jun-19
TWU Local 250-A, AutoServWrkr	141	30-Jun-19
TWU Local 250-A, Misc	110	30-Jun-19
TWU Local 250-A; TranFareInsp	50	30-Jun-19
TWU Local 250-A, TransitOpr	2,615	30-Jun-19
Unrepresented Employees	89	30-Jun-19
	36,276 ¹	

¹ Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

Budgeted positions include authorized positions that are not currently funded.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as chief executive officer of SFERS. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2014, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In July 2014, the IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011. This 2014 Determination Letter has no operative expiration date pursuant to Revenue Procedure 2016-37. The IRS does not intend to issue new determination letters except under special exceptions.

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2017 is 41,867, compared to 40,051 at July 1, 2016. Active membership at July 1, 2017 includes 7,381 terminated vested members and 1,039 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 29,127 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-16 shows total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2013 through July 1, 2017.

TABLE A-16

**City and County of San Francisco
Employees' Retirement System
Fiscal Years 2012-13 through 2016-17**

As of 7/1/2017	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2012-13	28,717	4,933	1,040	34,690	26,034	1.103
2013-14	29,516	5,409	1,032	35,957	26,852	1.099
2014-15	30,837	5,960	1,024	37,821	27,485	1.122
2015-16	32,406	6,617	1,028	40,051	28,286	1.146
2016-17	33,447	7,381	1,039	41,867	29,127	1.148

Sources: SFERS' annual July 1 actuarial valuation reports

See <http://mysfers.org/resources/publications/sfers-actuarial-valuations/>

Notes: Member counts exclude DROP participants.

Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the November 2017 Retirement Board meeting, the Board adopted updated economic assumptions for the July 1, 2017 actuarial valuation after consideration of two options presented by the consulting actuarial firm. Key economic assumptions are the long-term investment earnings assumption of 7.50%, the long-term wage inflation assumption of 3.50%, and the long-term consumer price index assumption of 3.00%. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds are cautioned that the information

and assumptions speak only as of the respective dates contained in the underlying source documents, and are therefore subject to change.

Employer Contribution History and Annual Valuations

Fiscal year 2015-16 total City employer contributions were \$496.3 million which included \$215.2 million from the General Fund. Fiscal year 2016-2017 total City contributions were \$519.1 million which included \$230.1 million from the General Fund. For fiscal year 2017-18, total City employer contributions to the Retirement System are budgeted at \$568.7 million which includes \$265.8 million from the General Fund. These budgeted amounts are based upon the fiscal year 2017-18 employer contribution rate of 23.46% (estimated to be 20.1% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2018-19 employer contribution rate is 23.31% (estimated to be 19.8% after cost-sharing). The slight decrease in employer contribution rate from 23.46% to 23.31% reflects investment experience better than assumed and the reduction in wage inflation from 3.75% to 3.50% offset by a new Supplemental COLA effective July 1, 2017 and the continued phase-in of the 2015 assumption changes approved by the Retirement Board. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's December 2016 Five Year Financial Plan.

Table A-17 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2012-13 through 2016-17. Information is shown for all employers in the Retirement System (City, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

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TABLE A-17

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2012-13 through 2016-17
(000s)

As of 7/1/2017	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates ¹ in prior FY
2012-13	\$20,224,777	\$17,011,545	\$16,303,397	84.1%	80.6	\$701,596	20.71%
2013-14	21,122,567	19,920,607	18,012,088	94.3	85.3	821,902	24.82
2014-15	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2015-16	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2016-17	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40

¹ Employer contribution rates for fiscal years 2017-18 and 2018-19 are 23.46% and 23.31%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information
SFERS' annual July 1 actuarial valuation reports

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2017, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio in 2017. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement was first implemented by the Retirement System in fiscal year 2013-14. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting statement was first effective in fiscal year 2014-15. These accounting statements separated financial reporting from funding and required additional disclosures in the notes to the financial statements and required supplemental information. In general, the City's funding of its pension obligations are not affected by the GASB 68 changes to the reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return to the extent the fiduciary net position is available to make payments and at a municipal bond rate to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have been small, ranging from zero to six basis points at the last five fiscal year-ends. The third distinct difference is that Total Pension

Liability includes a provision for Supplemental COLAS that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAS that have been already been granted.

Table A-17A below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-17A

**City and County of San Francisco
Employees' Retirement System (000s)
GASB 67/68 Disclosures**

As of 6/30/2017	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2012-13	\$20,785,417	7.52 %	\$17,011,545	81.8 %	\$3,773,872	\$3,552,075
2013-14	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2014-15	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2015-16	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2016-17	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2014, 2015, 2016 and 2017.

Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The fiscal year 2017 decline in the City's net pension liability is due to investment return during the fiscal year that exceeded the assumed 7.50%.

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Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2017, see Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," page 63.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2017 were 9.98%. For the ten-year and twenty-year periods ending June 30, 2017, annualized investment returns were 5.40% and 7.46% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. As detailed below, the most recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees.

Voters of San Francisco approved Proposition C in November 2011 which provided the following:

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;
2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees who earn between \$50,000 and \$100,000 per year pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate, while Miscellaneous employees who earn \$100,000 or more per year pay a fluctuating contribution rate in the range of +5% to -5% of the

Charter-mandated employee contribution rate. Similar fluctuating employee contributions are also required from Safety employees; and

4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

A retiree organization has brought a legal action against the requirement in Proposition C that SFERS be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final and its implementation increased the July 1, 2016 unfunded actuarial liability by \$429.3 million for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

On July 13, 2016, the SFERS Board adopted a Resolution to exempt members who retired before November 6, 1996, from the "fully funded" provision related to payment of Supplemental COLAs under Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of \$34 million, create additional liability for continuing payments of \$114 million, and cause a new unfunded liability of \$148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be \$260 million, with over \$200 million to be paid in the next five fiscal years. The City obtained a permanent injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996. The Retirement Board has appealed the Superior Court's injunction, and the schedule for that appeal is not yet known.

In August 2012, Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2017, the audited market value of Retirement System assets was \$22.4 billion. As of June 30, 2018, the unaudited market value of SFERS' portfolio was \$24.4 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and

the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled \$19.2 million in fiscal year 2012-13 and \$20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of \$25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2017, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits and GASB 45."

Medical Benefits

Administration through San Francisco Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the San Francisco Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "SFHSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the SFHSS Beneficiaries are funded. The San Francisco Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health

Service Trust Fund. This report may be obtained on the SFHSS website or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the SFHSS website. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, the Health Service Trust Fund is not currently affected by GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In the Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-County Average was eliminated in the calculation of premiums for active employees represented by most unions, and exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The 10-County Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*Post-Employment Health Care Benefits and GASB 45.*"

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in most of the union agreements and, when applicable, the City contribution of the "10-County average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.

In addition to the 10-County Average contribution, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

After application of the calculations described above, the City contributes 50% of monthly contributions required for the first dependent.

City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009. For retirees who were hired on or after January 10, 2009, there are five coverage / employer contribution classifications based on certain criteria outlined in the table below. In 2019, the provision for retirees who have at least 10 but less than 15 years of Credited Service with the Employers will apply for the first time.

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Retiree Medical Coverage / Employer Contribution For Those Hired On or After January 10, 2009	
Years of Credited Service At Retirement	Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3)
Less than 5 year of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty)	No Retiree Medical Benefits Coverage
At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) (A8.428 Subsection (b)(6))	0% - Access to Retiree Medical Benefits Coverage. Including Access to Dependent Coverage
At least 10 but less than 15 years of Credited Service with the Employers (AB.428 Subsection (b)(5))	50%
At least 15 but less than 20 years pf Credited Service with the Employers (AB.428 Subsection (b)(5))	75%
At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty (AB.428 Subsection (b)(4))	100%

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far. Two pieces of legislation, passed by Congress in December 2017 and January 2018, respectively, have amended and repealed some of the fiscal requirements of the law.

In December 2017, Congress passed the Tax Cuts and Jobs Act (the "ACT"). The ACT eliminated the ACA's requirement which "zeroes out" the ACA individual mandate penalty effective beginning after December 31, 2018. This does not end the mandate, rather eliminates the tax penalty for violating the mandate. The ACA mandate that requires employers, with 50 or more full-time employees, to offer full-time workers ACA-compliant health coverage is still in place. Eligibility for health benefits is offered to employees who are employed, on average, at least 20 hours of service per week. In addition, the employer reporting obligations under the ACA remains unchanged. In January 2018, approximately 50,000 1095 forms were distributed to SFHSS members documenting compliance to this mandate.

The potential impact with the repeal of the individual mandate may: 1) increase uncompensated care costs, which is generally passed onto plan sponsors, employers and other payers, 2) destabilize the individual market leading to more employees and dependents electing high cost, limit duration COBRA

benefits instead of buying coverage elsewhere, and 3) limit the opportunity for plan sponsors/employers to leverage the healthcare marketplace as a coverage vehicle for groups such as part-time employees or pre-65 retirees. In addition, the overall cost of health care may increase as a result of changes in risk pools due to the young, healthy population not electing coverage.

On January 22, 2018 Congress approved the delay of three ACA taxes that impact SFHSS rates for medical coverage. The taxes are:

- **Excise Tax on High-cost Employer-sponsored Health Plans**

The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. Implementation of the tax has been delayed twice and is now effective in 2022. SFHSS continues to evaluate the future impact of the cost of medical benefits for all coverage tiers and it is expected that the plans for pre-65 retirees will trigger the tax first.

- **Health Insurance Tax ("HIT")**

The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019.

The HIT tax is mandated for the 2018 plan year. The 2018 plan year premiums for Kaiser Permanente and City Health Plan (UHC) included the impact of the HIT tax which was estimated to cost the City \$10.98 million. Late in 2016, Blue Shield and the California Department of Managed Health Care agreed that the HIT tax was not applicable to Blue Shield because SFHSS "flex funds" Blue Shield meaning that SFHSS is at risk directly for non-physician costs and thus it is not fully-insured. This resulted in a one-time refund for 2016 of \$9.93 million which is applied to the 2018 rate stabilization reserve.

- **Medical Device Excise Tax**

The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

The Patient Centered Outcomes Research Institute ("PCORI") fee is still in place for 2018, however it sunsets in 2019. Beginning in 2013, the PCORI Fee was assessed at the rate of \$2.00 per enrollee per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The 2018 PCORI fee is \$2.39 per enrollee per year and was factored into the calculation of medical premium rates and premium equivalents for the 2018 plan year. The impact on the City is \$0.31 million.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax will apply to all managed care plans which include the City's Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2. Statutes 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The fee is \$1.30 per covered life per month and in 2019 the obligation is expected to be \$504,000 for the City and County of San Francisco.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. In addition, the Proposition requires employee hired on or before January 9, 2009 contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning July 1, 2016. The contribution requirement increases to 0.50% effective July 1, 2017, 0.75% effective July 1, 2018 and cap out at 1.00% on July 1, 2019. The San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2016-17, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$713.9 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$604.5 million; approximately \$165.4 million of this \$604.5 million amount was for health care benefits for approximately 21,410 retired City employees and their eligible dependents and approximately \$439.1 million was for benefits for approximately 31,905 active City employees and their eligible dependents.

The 2018 aggregate plan costs for the City increased by 3.28%. This is due to a number of factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The flattening is anticipated to continue. In 2019, the aggregate plan costs for the City are estimated to increase 2.47%.

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to 3% of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

1. The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,
2. The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,
3. The Controller, Mayor, Trust Board and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements

The City was required to begin reporting the liability and related information for unfunded OPEBs in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under GASB 45. GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

City's Estimated Liability

The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was \$4.26 billion, and the actuarial value of assets was \$49.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of \$4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

The difference between the estimated ("ARC") and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2016-17 annual OPEB cost was \$401.4 million, of which the City funded \$175.0 million which caused, among other impacts, the City's long-term liability to increase by \$237.5 million (as shown on the City's balance sheet and below). The annual OPEB cost

consists of the ARC, one year of interest on the net OPEB obligation and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2017, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2012-13 to 2016-17¹
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2012-13	\$418,539	38.3%	\$1,607,130
2013-14	353,251	47.2%	1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	401,402	43.6%	2,384,938

¹ Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. In accordance with GASB 75, the City's actuarial analysis is updated every two years. As of June 30, 2017, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was \$187.4 million, an increase of 63% versus the prior year. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but is expected to grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2017 is approximately \$187.4 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2014-15 to fiscal year 2019-20.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2014-15 through 2019-20¹
(000s)

	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget ⁴	2018-19 Budget ⁵	2019-20 Budget ⁵
SFERS and PERS Retirement Contributions	\$593,619	\$531,821	\$554,956	\$597,176	\$628,601	\$642,174
Social Security & Medicare	171,877	184,530	196,914	207,108	215,164	220,733
Health - Medical + Dental, active employees ²	383,218	421,864	459,772	480,956	508,108	548,119
Health - Retiree Medical ²	146,164	158,939	165,822	180,975	186,742	195,613
Other Benefits ³	18,439	20,827	21,388	29,145	21,229	50,384
Total Benefit Costs	\$1,313,318	\$1,317,981	\$1,398,852	\$1,495,360	\$1,559,844	\$1,657,023

¹ Fiscal year 2014-15 through fiscal year 2016-17 figures are audited actuals.

² Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

³ "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.

⁴ Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

⁵ Figures for fiscal years 2018-19 and 2019-20 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of June 30, 2018, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

**City and County of San Francisco
Investment Portfolio
Pooled Funds
As of June 30, 2018**

<u>Type of Investment</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasuries	\$1,085,000,000	\$1,075,080,435	\$1,069,988,408
Federal Agencies	4,976,915,000	4,973,704,498	4,922,493,983
State and Local Obligations	191,080,228	192,862,253	189,487,372
Public Time Deposits	25,240,000	25,240,000	25,240,000
Negotiable Certificates of Deposit	2,187,838,000	2,187,838,000	2,188,602,355
Commercial Paper	927,000,000	917,442,780	922,170,924
Medium Term Notes	98,463,000	98,357,441	98,173,583
Money Market Funds	407,022,866	407,022,866	407,022,866
Supranationals	782,262,000	778,498,288	773,679,833
Total	\$10,680,821,094	\$10,656,046,561	\$10,596,859,324

June 2018 Earned Income Yield: 2.01%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

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TABLE A-21

**City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of June 30, 2018**

Maturity in Months			Par Value	Percentage
0	to	1	\$1,514,472,866	14.2%
1	to	2	422,000,000	4.0%
2	to	3	463,000,000	4.3%
3	to	4	649,000,000	6.1%
4	to	5	375,000,000	3.5%
5	to	6	491,545,000	4.6%
6	to	12	1,920,667,000	18.0%
12	to	24	2,040,915,000	19.1%
24	to	36	1,656,011,228	15.5%
36	to	48	766,635,000	7.2%
48	to	60	381,575,000	3.6%
			<hr/> \$10,680,821,094	<hr/> 100.0%

Weighted Average Maturity: 466 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2017 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10 year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10 year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2018-2027 Capital Plan was approved by the CPC on February 27, 2017, and was adopted by the Board of Supervisors in April 2017. The Capital Plan contains \$35.2 billion in capital investments over the coming decade for all City departments, including \$5.25 billion in projects for General Fund-supported departments. The Capital Plan proposes \$1.9 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over \$200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, and fire facilities; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the relocation of public health staff and services to improved spaces, among other capital projects. \$2.1 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends \$18.9 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments and the Sewer System Improvement Program, among others. Approximately \$12.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$4.6 billion in capital needs including enhancements are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. The late Mayor Edwin Lee convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

Failure to make the capital improvements and repairs recommended in the Capital Plan may have the following impacts: (i) failing to meet federal, State or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of

use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of August 1, 2018, the City had approximately \$2.48 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of August 1, 2018 ^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2018-19 ³	\$235,390,545	\$95,065,892	\$330,456,437
2019-20	139,126,232	93,933,252	233,059,484
2020-21	138,365,457	87,917,066	226,282,523
2021-22	145,103,401	81,593,303	226,696,704
2022-23	149,575,251	74,875,636	224,450,887
2023-24	153,006,206	67,762,310	220,768,516
2024-25	154,731,476	60,452,314	215,183,790
2025-26	150,921,279	53,210,200	204,131,479
2026-27	157,080,840	46,508,995	203,589,835
2027-28	162,674,035	39,874,779	202,548,814
2028-29	163,776,751	33,430,898	197,207,649
2029-30	160,805,094	26,830,558	187,635,652
2030-31	123,526,950	20,469,219	143,996,169
2031-32	127,655,000	16,033,541	143,688,541
2032-33	93,940,000	11,510,799	105,450,799
2033-34	70,545,000	8,019,895	78,564,895
2034-35	62,900,000	5,464,844	68,364,844
2035-36	41,440,000	3,214,796	44,654,796
2036-37	29,740,000	1,756,985	31,496,985
2037-38	19,730,000	717,223	20,447,223
TOTAL ⁴	\$2,480,033,517	828,642,505	\$3,308,676,022

¹ This table includes the City's General Obligation Bonds shown in Table A-24 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

³ Excludes payments made to date in current fiscal year

⁴ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency indebtedness.

Source: Office of Public Finance, City and County of San Francisco.

General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A, which authorized the issuance of up to \$350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program was to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued \$35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed \$35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007, the City initiated an initial borrowing of \$2.0 million, and in October 2007, the City borrowed approximately \$3.8 million from the Credit Bank. In January 2008, the City borrowed approximately \$3.9 million and in November 2008, the City borrowed \$1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the \$35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved. In August 2015, the City issued \$24.0 million in Series 2015A taxable general obligation bonds under the Seismic Safety Loan Program authorization. On November 8, 2016, voters approved Proposition C, authorizing the use of Seismic Safety Bond Program to fund the purchase and improvement of buildings in need of safety upgrades in order to convert them into affordable housing.

In February 2008, voters approved Proposition A (the "2008 Parks Proposition") that authorized the issuance of up to \$185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under the 2008 Parks Proposition in the amount of approximately \$42.5 million in August 2008. The City issued the second series in the amount of approximately \$60.4 million in March 2010 and the third series in the amount of approximately \$73.4 million in March 2012. The City issued the fourth and final series in the amount of approximately \$8.7 million in January 2016.

In June 2010, voters approved Proposition B (the "2010 ESER Proposition"), which authorized the issuance of up to \$412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under the 2010 ESER Proposition in the amount of \$79.5 million in December 2010 and the second series of bonds in the amount of \$183.3 million in March 2012. The City issued the third series in the amount of approximately \$38.3 million in August 2012 and the fourth series of bonds in the amount of \$31.0 million in June 2013,

and the fifth series in the amount of \$54.9 million was issued in October 2014. The final series was issued in June 2016 in the amount of approximately \$25 million.

In November 2011, voters approved Proposition B (the "2011 Roads & Streets Proposition"), which authorized the issuance of up to \$248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under the 2011 Roads & Streets Proposition in the amount of approximately \$74.3 million in March 2012 and the second series of bonds in the amount of \$129.6 million in June 2013. The City issued the final series in June 2016 in the amount of approximately \$109 million.

In November 2012, voters approved Proposition B (the "2012 Parks Proposition"), which authorized the issuance of up to \$195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under the 2012 Parks Proposition in the amount of approximately \$71.9 million in June 2013. The City issued the second series of bonds in the amount of \$43 million in January 2016. The third series of bonds under the 2012 Parks Proposition authorization was issued in April 2018 in the amount of approximately \$76.7 million.

In June 2014, voters approved Proposition A (the "2014 ESER Proposition"), which authorized the issuance of up to \$400.0 million in general obligation bonds to improve fire, earthquake and emergency response by improving and/or replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for incurring indebtedness of fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically unsafe police and medical examiner facilities with earthquake-safe buildings and to pay related costs. The City issued the first series of bonds under the 2014 ESER Proposition authorization in the amount of \$100.7 million in October 2014 and the second series of bonds in the amount of \$109.6 million in April 2016. The third and final series was issued in May 2018 in the amount of \$189.7 million.

In November 2014, voters approved Proposition A (the "2014 Transportation Proposition"), which authorized the issuance of up to \$500 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued the first series of bonds under the 2014 Transportation Proposition in the amount of approximately \$67 million in June 2015. The second series of bonds under the 2014 Transportation Proposition authorization was issued in April 2018 in the amount of approximately 174.4 million.

In November 2015, voters approved Proposition A (the "2015 Affordable Housing Proposition") which authorized the issuance of up to \$310 million in general obligation bonds to provide funds to finance the construction, development, acquisition and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City issued the first series of bonds under the 2015 Affordable Housing Proposition in the amount of approximately \$75

million in October 2016. The second series was issued in May 2018 in the amount of \$142.1 million.

In June 2016, voters approved Proposition A (the “2016 Public Health & Safety Proposition”), which authorized the issuance of up to \$350 million in general obligation bonds to provide funds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City issued the first series of the bonds under the 2016 Public Health & Safety Proposition authorization in the amount of approximately \$173.1 million in February 2017. The second series was issued in May 2018 in the amount of \$49.9 million.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (the “2004 Resolution”). The 2004 Resolution authorized the issuance of \$800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. On November of 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the “2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance \$1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The City has issued [four] series of refunding bonds, of which three series remain currently outstanding, under the Refunding Resolutions, as shown in Table A-23 below.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO General Obligation Refunding Bonds As of August 1, 2018

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	\$232,075,000	\$5,110,000
2008-R2	May 2008	39,320,000	-
2011-R1	November 2011	339,475,000	176,360,000 ¹
2015-R1	February 2015	293,910,000	248,035,000 ²

¹ Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

² Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015.

Table A-24 below lists for each of the City’s voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of August 1, 2018, the City had authorized and unissued general obligation bond authority of approximately \$742 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of August 1, 2018

Description of Issue (Date of Authorization)	Series	Issued	Outstanding ¹	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	\$30,315,450	\$20,093,517	
	2015A	24,000,000	24,000,000	\$260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	2,610,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	48,035,000	
	2016A	8,695,000	7,520,000	
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	5,525,000	
	2010A	120,890,000	12,735,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	155,825,000	
	2014A	209,955,000	161,730,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	40,815,000	
	2012A	183,330,000	121,625,000	
	2012E	38,265,000	29,925,000	
	2013B	31,020,000	17,540,000	
	2014C	54,950,000	41,925,000	
	2016C	25,215,000	22,370,000	
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	49,175,000	
	2013C	129,560,000	73,205,000	
	2016E	44,145,000	39,155,000	
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	40,680,000	
	2016B	43,220,000	24,400,000	
	2018A	76,710,000	46,485,000	3,100,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	76,780,000	
	2016D	109,595,000	75,465,000	
	2018C	189,735,000	189,735,000	
Transportation and Road Improvement (11/4/14)	2015B	67,005,000	43,665,000	
	2018B	174,445,000	105,715,000	258,550,000
Affordable Housing Bond (11/3/15)	2016F	75,130,000	50,795,000	
	2018D	142,145,000	142,145,000	92,725,000
Public Health and Safety Bond (6/7/16)	2017A	173,120,000	121,450,000	
	2018E	49,955,000	49,955,000	126,925,000
SUB TOTALS		\$3,018,195,450	\$2,050,528,517	\$741,984,550
<u>General Obligation Refunding Bonds:</u>				
Series 2008-R1 issued 5/29/08		232,075,000	5,110,000	
Series 2011-R1 issued 11/9/12		339,475,000	176,360,000	
Series 2015-R1 issued 2/25/15		293,910,000	248,035,000	
SUB TOTALS		865,460,000	429,505,000	
TOTALS		\$3,883,655,450	\$2,480,033,517	\$741,984,550

¹ Of the \$35,000,000 authorized by the Board of Supervisors in February 2007, \$30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

Source: Office of Public Finance, City and County of San Francisco.

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-25 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of August 1, 2018. The annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of August 1, 2018

Fiscal Year	Principal	Interest	Annual Payment Obligation
2018-19	63,300,000	62,426,217	125,726,217
2019-20	49,115,000	59,788,198	108,903,198
2020-21	57,800,000	57,310,890	115,110,890
2021-22	58,210,000	54,742,504	112,952,504
2022-23	60,795,000	52,119,175	112,914,175
2023-24	62,995,000	49,374,771	112,369,771
2024-25	63,325,000	46,505,114	109,830,114
2025-26	63,810,000	43,645,624	107,455,624
2026-27	66,820,000	40,628,011	107,448,011
2027-28	68,180,000	37,474,005	105,654,005
2028-29	71,360,000	34,218,461	105,578,461
2029-30	71,870,000	30,826,226	102,696,226
2030-31	64,020,000	27,588,665	91,608,665
2031-32	53,780,000	24,737,593	78,517,593
2032-33	54,755,000	22,446,642	77,201,642
2033-34	57,130,000	19,918,261	77,048,261
2034-35	45,615,000	17,650,673	63,265,673
2035-36	44,865,000	15,599,242	60,464,242
2036-37	43,915,000	13,589,230	57,504,230
2037-38	45,705,000	11,612,665	57,317,665
2038-39	47,555,000	9,553,956	57,108,956
2039-40	49,500,000	7,407,472	56,907,472
2040-41	51,515,000	5,172,668	56,687,668
2041-42	45,550,000	3,007,611	48,557,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL ²	\$1,392,060,000	\$750,060,874 ³	\$2,142,120,874

¹ Excludes payments made to date in current fiscal year

² Totals reflect rounding to nearest dollar.

³ For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

Source: Office of Public Finance, City and County of San Francisco.

Source: Office of Public Finance, City and County of San Francisco.

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of August 1, 2018 the total authorized amount for such financings was \$73.7 million. The total principal amount outstanding as of August 1, 2018 was \$890 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to \$60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued \$22.6 million and \$23.3 million of Proposition B lease revenue bonds, respectively, leaving \$14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In March 2000, voters approved Proposition C, which extended a two and one half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately \$27.0 million and \$42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively. The City intends to issue refunding lease revenues bonds for the remaining outstanding amounts of the Series 2006 and Series 2007 Open Space Fund lease revenue bonds in August 2018.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two and one half cent per \$100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately \$34.3 million in March 2009. The City intends to issue refunding lease revenues bonds for the remaining outstanding amounts of the Series 2009A Branch Library Improvement Project lease revenue bonds in August 2018.

Commercial Paper Program

In March of 2009, the Board authorized and the Mayor approved a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of

long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. The original Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association were scheduled to expire in June of 2016. In May of 2016, the City obtained renewal credit facilities to secure the CP Notes from: (i) State Street Bank and Trust Company (with a maximum principal amount of \$75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of \$75 million). These credit facilities expire in May of 2021.

In July of 2013, the Board authorized and the Mayor approved an additional \$100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to \$250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring in February of 2019.

As of August 1, 2018, the outstanding principal amount of CP Notes is \$36.5 million. The weighted average interest rate for the outstanding CP Notes is approximately 1.67%.

Transbay Transit Center Interim Financing

In May of 2016, the Board authorized and the Mayor approved the establishment of a not-to-exceed \$260.0 million Lease Revenue Commercial Paper Certificates of Participation (the "Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center. The Short-Term Certificates are expected to be repaid in part from Transbay Transit Center CFD bond proceeds and tax increment. It is anticipated that long-term debt will be issued to retire the Short-Term Certificates, and such long-term debt is also expected to be repaid from such sources.

The Short-Term Certificates consist of \$160 million of direct placement revolving certificates with Wells Fargo, expiring in January of 2020 and \$100 million of direct placement revolving certificates with Bay Area Toll Authority expiring September 1, 2021.

As of August 1, 2018, the TJPA had drawn a total of \$103,000,000 from the Wells Fargo financing facility, at a current interest rate of 2.64%.

Board Authorized and Unissued Long-Term Obligations

In October of 2013, the Board authorized and the Mayor approved the issuance of not to exceed \$13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. It is anticipated that a portion of these certificates will be issued in the summer of 2019.

In November 2016, the Board authorized and the Mayor approved the issuance of not to exceed \$60.5 million of City and County of San Francisco Certificates of Participation (Animal Care and Control Renovation Project) to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in the summer of 2019.

In June of 2017, the Board authorized and the Mayor approved the issuance of not to exceed \$321.8 million of City and County of San Francisco Certificates of Participation (49 South Van Ness Project, formerly referred to as "1500 Mission Project") to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology,

and moving costs for the 1500 Mission Street office building. The City anticipates issuing the certificates in the Fall of 2019.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of August 1, 2018 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of August 1, 2018

<u>2018-19 Assessed Valuation</u> (net of non-reimbursable & homeowner exemptions):		\$259,329,479,498
<u>DIRECT GENERAL OBLIGATION BOND DEBT</u>		
General City Purposes Carried on the Tax Roll		\$2,480,033,517
GROSS DIRECT DEBT		\$2,480,033,517
<u>DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS</u>		
San Francisco Finance Corporation, Equipment LRBs Series 2013A		\$890,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1		8,545,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2		91,800,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007		40,760,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A		25,975,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)		119,130,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)		30,075,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt		19,835,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs		129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A		100,575,000
San Francisco COPs, Refunding Series 2011AB (Moscone)		25,515,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)		35,460,000
San Francisco COPs, Series 2013BC Port Facilities		31,170,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)		35,150,000
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements		125,295,000
San Francisco Refunding COPs, Series 2015-R1 (City Office Buildings-Multiple Properties Project)		118,100,000
San Francisco COPs, Series 2016A War Memorial Veterans Building Seismic Upgrade and Improvements		14,305,000
San Francisco COPs Series 2017A (Hope SF)		27,575,000
San Francisco COPs Series 2017B (Moscone Convention Center Expansion)		412,355,000
LONG-TERM OBLIGATIONS		\$1,392,060,000
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS		\$3,872,093,517
<u>OVERLAPPING DEBT & LONG-TERM OBLIGATIONS</u>		
Bayshore Hester Assessment District		\$510,000
San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds (29.27%)		148,123,091
San Francisco Bay Area Rapid Transit District General Obligation Bonds (34.14%)		276,417,924
San Francisco Community College District General Obligation Bonds (2001, 2005)		231,675,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds (2011)		27,715,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)		859,949,677
San Francisco Redevelopment Agency Obligations (Special Tax Bonds CFD #4, #6, #7)		182,261,505
Association of Bay Area Governments Obligations Special Tax Bonds, Series 2004-1, 2006-1, 2006-1		18,140,000
Special Tax District No. 2009-1 Improvement Area 1, 2 SF Sustainable Financing		2,906,624
San Francisco Unified School District General Obligation Bonds (2003, 2006, 2011, 2015R, 2016, 2017)		968,915,000
San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Series 2017A, 2017B		207,500,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		\$2,924,113,821 ³
GROSS COMBINED TOTAL OBLIGATIONS		\$6,796,207,338 ¹
<u>Ratios to Assessed Valuation:</u>		
	Actual Ratio	Charter Req.
Gross Direct Debt (General Obligation Bonds)	0.96%	< 3.00%
Gross Direct Debt & Long-Term Obligations	1.49%	n/a
Gross Combined Total Obligations	2.62%	n/a

¹ Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

² Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

³ Does not include CCSF Lease Revenue Direct Placement Revolving COPs (Transbay Interim Financing)

Source: Office of Public Finance, City and County of San Francisco.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over \$6 billion of new economic activity to the City, more than 15,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately \$90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with 375 completed units and 198 units currently under construction. An additional 478 units are expected to begin construction in 2018. On Candlestick Point, 306 housing units are now complete which includes a mix of public housing replacement and new, affordable units, with an additional 31 units in construction. In 2016, horizontal infrastructure construction commenced to support additional residential and commercial development; designs for approximately 1260 housing units, 220 hotel rooms, and a 62,000 square-foot film and arts center are currently underway.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 2,173 of which will be offered at below-market rates; up to 500 hotel rooms; an expanded marina; restaurants; retail and entertainment venues; and a world-class 300-acre parks and open space system. The compact mixed-use transit-oriented

development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plan includes green building standard, best practices in low-impact development, and sea level rise adaptation strategies.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") occurred in May 2015 and included the northern half of Yerba Buena Island and more than half of the area of Treasure Island. This was followed by smaller transfers of additional parcels on Treasure Island in September 2016 and August 2017. The developer, Treasure Island Community Development ("TICD"), received its first land transfer in February 2016. Demolition in these areas is complete, and initial infrastructure and geotechnical improvements are underway. The first phase of development will include extensive horizontal infrastructure improvements (utilities, ferry facilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over 15 to 20 years.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,500 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 70% complete. Over 5,646 units have been completed with an additional 262 units under construction, along with several new parks. In the past 6 months, a 119-unit affordable housing project and a 250 room have broken ground.

Mission Bay Blocks 29-32– Warriors Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association team, is developing a multipurpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have restaurants, retail, office space, bike valet, public plazas and a limited amount of parking. Environmental review has been completed for the site, and was upheld in a November 2016 decision. The project began construction in January 2017 and the event center is scheduled to open in time for the 2019-2020 basketball season.

Transbay Transit Center

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Salesforce Transit Center. The Transbay Program will replace the former Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into

the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and is scheduled to open in August 2018. Demolition of existing structures on the site was completed in August 2011.

The Pelli Clarke Pelli Architects-designed transit center will serve more than 100,000 people per day through 11 transportation systems, including future California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The center is designed to embrace the goals of green architecture and sustainability. The heart of the Salesforce Transit Center, "Salesforce Park," a 5.4-acre public park atop the facility, that will serve as a living green roof for the transit facility. The center will have a LEED rating of at least Silver. The Transbay Program is funded by various public funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, AC Transit and the Successor Agency among others.

The 10 acres of property formerly owned by the State surrounding the Transbay Transit Center is being redeveloped with plans for 3,300 new homes, 1,300 to be affordable below-market rate homes, over 2.4 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, three parcels are fully complete and seven parcels are in various stages of development and pre-development. Four of those parcels are currently under construction and will provide over 1,400 housing units and 760,000 of commercial space within the next 2 years. The sale of various sites has generated more than \$600 million in funding for construction of the Transbay Transit Center.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres. The development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of AT&T Park as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the Project Site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. On In April 2018, State Lands Commission made determinations required under California statutes regarding the Mission Rock development. Site preparation and ground improvement work is planned for Fall 2019, and full project buildout is anticipated to occur in four phases over 15 to 30 years.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, OEWD, in its capacity as lead City negotiator, and the City's

development partner, Forest City, completed project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018.

The Special Use District for the neighborhood includes 9 acres of parks, 1,600 to 3,000 residential units and 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Forest City team has submitted its phase 1 application, and Phase I broke ground in 2018.

Moscone Convention Center Expansion Project

The Moscone Center Expansion Project will add approximately 300,000 square feet and repurpose an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and repurposed building support area.

In addition to adding new rentable square footage, the project architects propose an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian entrance from Third Street and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City would forego up to \$2 billion in revenue over the next decade if Moscone were not expanded. The project allows the City to recover approximately \$734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of \$507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. On July 6, 2017, the City issued \$412 million in Certificates of Participation for the Moscone Convention Center Expansion Project, and there are no plans to issue any subsequent certificates for the expansion project. Project development began in December 2012, with major construction starting in November 2014. The project is expected to reach completion by the end of 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIII A) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII.

Article XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIII B includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years.

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes, and has caused limited obligation bonds to be issued in

1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Felder v. City of Los Angeles*, 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues,

subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State statute governing the issue), and that local ordinances were without effect. The effect of the *McWilliams* case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2017, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on the Bonds, its General Fund lease or other debt obligations, nor have a material adverse impact on City finances.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Transbay Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS—Transbay".

The TJPA began excavation and construction of the Transbay Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Transbay Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Transbay Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. In total, seven lawsuits have been filed against TJPA, and a total of three of those name the City.

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in a lawsuit filed by owners of multiple units, Case No. 17-559210, the Ying Lawsuit. The Montana and Ying Lawsuits contain the same claims as the Lehman Lawsuit. The City continues to evaluate the lawsuits, and the subject matter of the lawsuits, and is engaged in discovery, but cannot now make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Management Program

Citywide risk management is coordinated by the Risk Management Division which reports to the Office of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial liability insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, the SF Public Utilities Commission, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in some City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR, attached to this Official Statement as Appendix B.



CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)\$ _____
Special Tax Bonds, Series 2018A
(Federally Taxable)\$ _____
Special Tax Bonds, Series 2018B
(Federally Taxable – Green Bonds)

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) in connection with the issuance of the above captioned respective series of bonds (together, the “Bonds”). The Bonds are issued pursuant to Resolution No. ____-18 adopted by the Board of Supervisors of the City on _____, 2018 and approved by Mayor Ed Lee on _____, 2018 (the “Resolution”) and 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, and 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 City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made

through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Salesforce Transit Center” shall mean the one million square foot transit center which will replace the former Transbay Terminal in downtown San Francisco.

“Train Box” shall mean the core and shell of the two below-grade levels of the Salesforce Transit Center, that were built to accommodate the downtown rail extension that will extend the Caltrain rail tracks from 4th & King Streets to the Salesforce Transit Center.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which is June 30), commencing with the report for the 2017-18 Fiscal Year (which is due not later than March 31, 2019), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

THE CITY’S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF’S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY

DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) the principal amount of the Bonds of each series outstanding as of June 30 next preceding the date of the Annual Report.

(c) the balances in the 2018A Improvement Fund and the Allocated Bond Proceeds Account as of June 30 next preceding the date of the Annual Report.

(d) the balance in the Reserve Fund for the Bonds as of June 30 next preceding the date of the Annual Report.

(e) the total assessed value of all parcels subject to the Special Taxes and the current year's assessed value for the District.

(f) concerning delinquent parcels:

- number of parcels delinquent in payment of Special Tax,
- amount of total delinquency and as a percentage of total Special Tax levy, and
- status of the District's actions on covenants to pursue foreclosure proceedings upon delinquent properties.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available.

(h) for the Fiscal Year for which the Annual Report is being issued, identify any Certificate of Occupancy or Tax Commencement Authorization that has been issued on a parcel subject to the Special Taxes.

(i) to the extent not otherwise provided pursuant to the preceding items a-h, annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

(j) updated Table 1 (only Section A) and Table 2 in the Official Statement, dated _____, 2018 relating to the Bonds.

(k) a statement confirming that, during the most recent fiscal year, proceeds of the 2018B Bonds in the Allocated Bond Proceeds Account were spent only on Project costs at the Salesforce Transit Center. The City shall no longer be obligated to include this statement in its Annual Report beginning with the Annual Report for the fiscal year that follows the earliest to occur of (i) the expenditure of all of the proceeds of the 2018B Bonds in the Allocated Bond Proceeds Account and (ii) completion of the Salesforce Transit Center. **[confirm final certificate of occupancy, i.e. completion has occurred]**

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
11. Modifications to rights of Bond holders;
12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;
15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Within ten (10) business 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 with the MSRB.

(d) Within ten (10) business days after the District is removed from the Teeter Plan, the City will post, or cause to be posted, notice of such event with the MSRB.

(e) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(f) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(g) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative

form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

[Remainder of page intentionally left blank.]

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2018

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: City and County of San Francisco Community Facilities District No. 2014-1
(Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable) and
Special Tax Bonds, Series 2018B (Federally Taxable – Green Bonds)

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated _____, 2018. The City anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

CITY AND COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]
Title: _____

FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of November 1, 2018

RELATING TO

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

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

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FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

THIS FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT, dated as of November 1, 2018 (the **"First Supplement to Fiscal Agent Agreement"**), by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the **"City"**) for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the **"CFD"**), and ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the **"Fiscal Agent"**);

WITNESSETH:

WHEREAS, the Board of Supervisors of the City (the **"Board of Supervisors"**) previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the **"Act"**), to form the CFD, to authorize the levy of special taxes (**"Special Taxes"**) upon the land within the CFD and to issue bonds secured by the Special Taxes for financing certain public improvements (**"Facilities"**), all as described in those proceedings; and

WHEREAS, pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015 (the **"Original Resolution of Issuance"**), the Board of Supervisors authorized the issuance of up to \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 247-17 (the **"First Supplemental Resolution of Issuance"**), and a Fiscal Agent Agreement, dated as of November 1, 2017 (the **"Master Fiscal Agent Agreement"**), the City previously the following special tax bonds on behalf of the CFD (collectively, the **"2017 Bonds"**):

- (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable), and
- (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds); and

WHEREAS, the City wishes to provide for the issuance of two series of Parity Bonds (as defined in the Master Fiscal Agent Agreement) on behalf of the CFD under Section 3.06 of the Master Fiscal Agent Agreement for the purpose of paying for the costs of acquiring and constructing the Facilities, which Parity Bonds shall be entitled (i) "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 (ii) "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**," together with the 2018A Bonds, the "**2018 Bonds**"); and

WHEREAS, proceeds of the 2018A Bonds are expected to be used to finance street and sidewalk improvements in the vicinity of the Transbay Transit Center; and

WHEREAS, proceeds of the 2018B Bonds are expected to be used to finance the following improvements (the "**Transbay Facilities**"): (i) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Transbay Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Transbay Transit Center building and associated systems and (ii) the planning, design, engineering and construction of open space on the roof of the Transbay Transit Center; and

WHEREAS, Section 8.01(B)(v) of the Master Fiscal Agent Agreement provides that the Master Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may be modified or amended at any time by a Supplemental Agreement in connection with the issuance of Parity Bonds; without the consent of any Owners, but with the written consent of the Fiscal Agent, after the Fiscal Agent has been furnished an opinion of counsel that the amendment is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, the Fiscal Agent has received an opinion of counsel that this First Supplement to Fiscal Agent Agreement, to the extent it amends the Master Fiscal Agent Agreement as described in the second preceding Whereas clause, is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, on _____, 2018, the Board of Supervisors adopted Resolution No. _____ (the "**Second Supplemental Resolution of Issuance**"; together with the Original Resolution of Issuance and the First Supplemental Resolution of Issuance, the "**Resolution of Issuance**") authorizing the issuance of the 2018 Bonds for and on behalf of the CFD; and

WHEREAS, in order to provide for the authentication and delivery of the 2018 Bonds, to establish and declare the terms and conditions upon which the 2018 Bonds are to be issued and to secure the 2018 Bonds by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds, the Board of Supervisors has authorized the execution and delivery of this First Supplement to Fiscal Agent Agreement; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this First Supplement to Fiscal Agent Agreement to provide for the issuance of the 2018 Bonds hereunder to finance the acquisition and construction of facilities for the CFD and to provide for the disbursement of proceeds of the 2018 Bonds, the disposition of the special taxes securing the 2018 Bonds and the administration and payment of the 2018 Bonds; and

WHEREAS, the City has determined that all acts and proceedings required by law and the Master Fiscal Agent Agreement necessary to make the 2018 Bonds, when executed by the City, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the City, and to constitute this First Supplement to Fiscal Agent Agreement a valid and binding agreement for the uses and purposes herein set forth, in

accordance with its terms, have been done and taken; and the execution and delivery of this First Supplement to Fiscal Agent Agreement have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Authorization. Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this First Supplement to Fiscal Agent Agreement and has taken all actions necessary to authorize the execution of this First Supplement to Fiscal Agent Agreement by the officers and persons signing it.

Section 2. Equal Security. As Parity Bonds issued pursuant to Section 3.06 of the Master Fiscal Agent Agreement, the 2018 Bonds shall be secured by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds, provided that the Owners of the 2018 Bonds will have no interest in or claim to the Reserve Fund established under the Master Fiscal Agent Agreement and that the Owners of the 2017 Bonds will have no interest in or claim to the 2018 Reserve Fund.

Section 3. Supplement to Master Fiscal Agent Agreement. In accordance with the provisions of Section 8.01(v) of the Master Fiscal Agent Agreement, the Master Fiscal Agent Agreement is hereby amended by adding a supplement thereto consisting of new articles to be designated as Article X, XI and XII. Such Articles shall read in their entirety as follows:

ARTICLE X

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2018 BONDS; EQUAL SECURITY

Section 10.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of Articles X, XI, XII and XIII and for other purposes of this Agreement, to the extent applicable, have the respective meanings specified in this Section 10.01. All terms used in Articles X, XI, XII and XIII and not otherwise defined in this Section 10.01 shall have the respective meanings given to such terms in Section 1.03 of the Agreement.

“BART Allocated Bond Proceeds Account” means the account designated the “BART Allocated Bond Proceeds Account” within the Improvement Fund, which account is established pursuant to Section 12.04.

“Closing Date” means the date of initial issuance and delivery of the 2018 Bonds hereunder.

“Interest Payment Date” for the 2018 Bonds means March 1 and September 1 of each year, commencing March 1, 2019.

“JCFA (BART)” means the Joint Community Facilities Agreement, dated as of December 1, 2014, by and between the City and the San Francisco Bay Area Rapid Transit District, as amended from time to time.

“Original Purchaser” and **“Participating Underwriter”** means _____ and Stifel, Nicolaus & Company, Incorporated, as the first purchasers of the 2018 Bonds from the City.

“2017 Bonds” means the 2017A Bonds and the 2017B Bonds.

"2017A Bonds" means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable).

"2017B Bonds" means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds).

"2018 Bonds" means the 2018A Bonds and the 2018B Bonds.

"2018 Costs of Issuance Fund" means the fund designated the "2018 Costs of Issuance Fund" which fund is established pursuant to Section 12.03.

"2018 Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a stated term that extends at least to the final maturity date of the 2018 Bonds and any 2018 Related Parity Bonds; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2018 Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to all or a portion of the 2018 Bonds and any 2018 Related Parity Bonds.

"2018 Related Parity Bonds" means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2018 Reserve Fund so that the balance therein is equal to the 2018 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2018 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.

"2018 Reserve Fund" means the 2018 Reserve Fund established pursuant to Section 12.06.

"2018 Reserve Requirement" means, as of the date of calculation, which shall be (A) the date of issuance of the 2018 Bonds and any 2018 Related Parity Bonds and (B) the date of defeasance or redemption of any of the 2018 Bonds or 2018 Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the 2018 Bonds and any 2018 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 2018 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 2018 Related Parity Bonds (or, if the 2018 Bonds and any 2018 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 2018 Related Parity Bonds); provided that, with respect to the issuance of any 2018 Related Parity Bonds, if the 2018 Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of the 2018 Related Parity Bonds (or, if the 2018 Related Parity Bonds have more than a de minimis amount of original issue discount or premium, of the issue price of such 2018 Related Parity Bonds), then the 2018 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 2018 Related Parity Bonds deposited with the Fiscal Agent upon delivery of such 2018 Related Parity Bonds shall be excluded for purposes of the calculation of the 2018 Reserve Requirement.

"2018A Bonds" means the Bonds so designated and authorized to be issued under Section 11.01 hereof.

"2018A Improvement Account" means the account designated the "2018A Improvement Account" within the Improvement Fund, which account is established pursuant to Section 12.04.

"2018B Bonds" means the Bonds so designated and authorized to be issued under Section 11.01 hereof.

Section 10.02. Rules of Construction. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to the Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE XI

ISSUANCE OF 2018 BONDS

Section 11.01. Terms of 2018 Bonds.

(A) **Principal Amount; Designation.** The 2018 Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the City under and subject to the Resolution of Issuance, the Act, other applicable laws of the State of California and the terms of the Agreement.

The 2018A Bonds shall be designated the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable)" and shall be issued in the initial principal amount of _____ Dollars (\$_____).

The 2018B Bonds shall be designated as the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018B (Federally Taxable - Green Bonds)," and shall be in the initial principal amount of _____ Dollars (\$_____).

(B) **Maturity Dates; Interest Rates.** The 2018 Bonds shall be dated the Closing Date, issued in fully registered form without coupons in denominations of \$5,000, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

2018A Bonds

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
---	-----------------------------------	--------------------------------

*=Term Bond

2018B Bonds

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
---	-----------------------------------	--------------------------------

*=Term Bond

(C) Form; Denominations; Authentication. The 2018 Bonds shall be issued as fully registered Bonds without coupons. The 2018 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The 2018 Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

The 2018 Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibits E-1 and E-2 attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Act.

(D) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Purchaser of the 2018 Bonds, be imprinted on the 2018 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2018 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept

delivery of and pay for the 2018 Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(E) Interest. The 2018 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all 2018 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2018 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 2018 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2018 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 2018 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 2018 Bonds are transferred to a new Owner. The interest, principal of and any premium on the 2018 Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2018 Bonds at the Principal Office of the Fiscal Agent. All 2018 Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2018 Bonds and issue a certificate of destruction of such Bonds to the City.

Section 11.02. Other Terms of the Bonds. Except as otherwise set forth in this Article XI, Sections 2.05-2.10 shall govern the 2018 Bonds.

Section 11.03. Redemption of 2018 Bonds.

(A) Optional Redemption. The 2018A Bonds maturing on or after September 1, [2029], are subject to redemption prior to their stated maturities, on any date on and after September 1, [2028], 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, [2029], are subject to redemption prior to their stated maturities, on any date on and after September 1, [2028], 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

(B) 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, _____

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

* Maturity

2018A Bonds Maturing September 1, _____

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

* Maturity

2018B Bonds Maturing September 1, _____

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

* Maturity

2018B Bonds Maturing September 1, _____

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed under subsection (A) above or subsection (C) below, 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.

(C) Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 12.06(F) shall be used to redeem 2018 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D)(i), among series and maturities as provided in Section 2.03(D)(iii), 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

(D) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under Section 11.03 (A) and (C) not less than forty-five (45) days prior to the applicable redemption date or such lesser number of days as shall be allowed by the Fiscal Agent.

(E) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 11.03(A), 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 2018 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 2018 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 2018 Bonds were to be redeemed in accordance with this Agreement. Any 2018 Bonds purchased pursuant to this Section 11.03(E) shall be treated as outstanding 2018 Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

(F) Redemption Procedure by Fiscal Agent. The provisions of Section 2.03(D) shall govern the procedure for redemption of the 2018 Bonds.

(G) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2018 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2018 Bonds so called shall cease to be entitled to any benefit under the Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All 2018 Bonds redeemed and purchased by the Fiscal Agent under this Section 11.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2018 Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 11.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City on the Closing Date relating to the 2018 Bonds. Notwithstanding any other provision of the Master Fiscal Agent Agreement or this First Supplement to Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent shall, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2018 Bonds, and upon receipt of indemnity satisfactory to the Fiscal Agent, or any holder or beneficial owner of the 2018 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE XII

ISSUE OF 2018 BONDS

Section 12.01. Issuance of 2018 Bonds. Upon the execution and delivery of the First Supplement to Fiscal Agent Agreement and satisfaction of the requirements for issuance of Parity Bonds under Section 3.06, the City shall execute and deliver the 2018 Bonds in the aggregate principal amount set forth in Section 11.01 to the Fiscal Agent for authentication and delivery to the Original Purchaser thereof upon receipt by the Fiscal Agent of an Officer's Certificate requesting authentication and delivery.

The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2018 Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2018 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2018 Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the 2018 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2018 Bonds.

Section 12.02. Application of Proceeds of Sale of 2018 Bonds.

(A) 2018A Bonds. The Proceeds of the 2018A Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the principal amount of the 2018A Bonds, less an original issue discount of \$_____ and less an underwriter's discount of \$_____) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$_____ into the 2018 Costs of Issuance Fund ;
- (ii) \$_____ into the 2018 Reserve Fund;
- (iii) \$_____ into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2018A Capitalized Interest Account, which is hereby established);
- (iv) \$_____ into the 2018A Improvement Account; and
- (v) \$_____ into the BART Allocated Bond Proceeds Account.

Amounts on deposit in the 2018A Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2018A Bonds as follows: \$_____ shall be used on March 1, 2019, and the remainder shall be used on September 1, 2019. When the amount in the 2018A Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

(B) 2018B Bonds. The Proceeds of the 2018B Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the principal amount of the 2018B Bonds, less an original issue discount of _____ and less an underwriter's discount of \$_____), shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$_____ into the 2018 Costs of Issuance Fund;
- (ii) \$_____ into the 2018 Reserve Fund;
- (iii) \$_____ into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2018B Capitalized Interest Account, which is hereby established); and
- (iv) \$_____ into the Allocated Bond Proceeds Account maintained and administered by the Fiscal Agent in accordance with Section 4.07 of the Master Fiscal Agent Agreement.

Amounts on deposit in the 2018B Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2018B Bonds as follows: \$_____ shall be used on March 1, 2019, and the remainder shall be used on September 1, 2019. When the amount in the 2018B Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Section 12.03. 2018 Costs of Issuance Fund.

(A) Establishment of 2018 Costs of Issuance Fund. The 2018 Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposit shall be made as required by Section 12.02. Moneys in the 2018 Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the 2018 Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2018 Bonds, as set forth in a requisition substantially in the form of Exhibit F hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the 2018 Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the 2018 Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the 2018 Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall deposit any moneys remaining therein, including any investment earnings thereon, into the 2018A Improvement Account.

Section 12.04. New Accounts in the Improvement Fund.

(A) Establishment of the 2018A Improvement Account and BART Allocated Bond Proceeds Account; Deposit. There are hereby established separate accounts within the Improvement Fund to be held by the Fiscal Agent to be designated the "Series 2018A Improvement Account" and the "BART Allocated Bond Proceeds Account," to the credit of which deposits shall be made as required by Section 12.02. Moneys in the 2018 Improvement Account and the BART Allocated Bond Proceeds Account shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the Project.

(B) Procedure for Disbursement. Disbursements from the 2018A Improvement Account and the BART Allocated Bond Proceeds Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto 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 JCFA or the JCFA (BART).

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

In addition, the Fiscal Agent shall transfer moneys from the 2018A Improvement Account to the Allocated Bond Proceeds Account or the BART Allocated Bond Proceeds Account in accordance with a written instruction requesting such transfer signed by an Authorized Officer.

(C) Investment. Moneys in the 2018A Improvement Account and the BART Allocated Bond Proceeds Account shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the related fund or accounts to be used for the purpose of such fund or accounts.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund (including the 2018A Improvement Account and the BART Allocated Bond Proceeds Account), the Fiscal Agent shall transfer the amount, if any, remaining in the 2018A Improvement Account and the BART Allocated Bond Proceeds Account to the Bond Fund for application to Debt Service payments on the Bonds specified in the Officer's Certificate.

Section 12.05. Limitation on Use of 2018B Bond Proceeds. [Because the 2018B Bonds have been designated as Green Bonds, proceeds of the 2018B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs at the Transbay Transit Center. In the event that any moneys in the Allocated Bond Proceeds Account are not spent on Project costs at the Transbay Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative at the following address:

The Climate Bonds Initiative
72 Muswell Hill Place, London, N10 3RR, United Kingdom
Email: info@climatebonds.net
Attn: Rob Fowler, Head of Certification]

Section 12.06. 2018 Reserve Fund.

(A) Establishment of 2018 Reserve Fund. The 2018 Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 12.02, which deposit, as of the Closing Date, is equal to the initial 2018 Reserve Requirement with respect to the 2018 Bonds, and deposits shall be made as provided in Sections 3.06(C) and 4.05(A) and (B). Moneys in the 2018 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2018 Bonds and any 2018 Related Parity Bonds as a reserve for the payment of the principal of, and interest and any

premium on, the 2018 Bonds and any 2018 Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2018 Bonds and any 2018 Related Parity Bonds.

(B) Use of 2018 Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the 2018 Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2018 Bonds and any 2018 Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming 2018 Bonds and any 2018 Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2018 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2018 Bonds and any 2018 Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

(C) Transfer of Excess of 2018 Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2018 Reserve Fund exceeds the 2018 Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2018 Reserve Fund to the Bond Fund, to be used to pay interest on the 2018 Bonds and any 2018 Related Parity Bonds on the next Interest Payment Date.

(D) Transfer for Rebate Purposes. Amounts in the 2018 Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with any obligation to do so under this Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; provided, however, that no amounts in the 2018 Reserve Fund shall be used for rebate unless the amount in the 2018 Reserve Fund following such withdrawal equals the 2018 Reserve Requirement.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2018 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2018 Bonds and all Outstanding 2018 Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2018 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 11.03 and the provisions of the Supplemental Agreement related to the 2018 Related Parity Bonds, as applicable, of all of the Outstanding 2018 Bonds and Outstanding 2018 Related Parity Bonds. In the event that the amount so transferred from the 2018 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2018 Bonds and Outstanding 2018 Related Parity Bonds, the balance in the 2018 Reserve Fund shall be transferred to the City, at the written direction of the Finance Director, and shall be used by the City for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this Section 12.06(E), no amounts shall be transferred from the 2018 Reserve Fund under this Section 12.06(E) until after: (i) with respect to any 2018 Related Parity Bonds the interest on which is exempt from gross income for federal income tax purposes, the calculation of any amounts due to the federal government under this Fiscal Agent Agreement and withdrawal of any such amount under Section 12.06(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2018 Bonds or any 2018 Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 11.03(C) or a Supplemental Agreement related to any 2018 Related Parity Bonds, a proportionate amount in the 2018 Reserve Fund (determined on the basis of the principal of 2018 Bonds and 2018 Related Parity Bonds to be redeemed and the then-Outstanding principal of the 2018 Bonds and 2018 Related Parity Bonds, but in any event not in excess of the amount that will leave the balance in the 2018 Reserve Fund following the proposed redemption equal to the 2018 Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2018 Bonds pursuant to Section 11.03(C) or 2018 Related Parity Bonds pursuant to a Supplemental Agreement related to any 2018 Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

(G) Investment. Moneys in the 2018 Reserve Fund shall be invested by the Fiscal Agent under Section 6.01.

(H) 2018 Qualified Reserve Fund Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2018 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 2018 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. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of written calculation of the amount permitted to be released from the 2018 Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2018 Reserve Fund to the City to be deposited in the Improvement Fund and used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a 2018 Qualified Reserve Fund Credit Instrument as shall be required to maintain such 2018 Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section 12.06. If the 2018 Reserve Requirement is being maintained partially in cash and partially with a 2018 Qualified Reserve Fund Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2018 Bonds and any 2018 Related Parity Bonds. If the 2018 Reserve Requirement is being maintained with two or more 2018 Qualified Reserve Fund Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2018 Bonds and any 2018 Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a 2018 Qualified Reserve Fund Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2018 Reserve Fund may be established for such series, and the calculation of the 2018 Reserve Requirement with respect to all other Bonds payable from the 2018 Reserve Fund shall exclude the debt service on such issue of Bonds.

The City shall have no obligation to replace the 2018 Qualified Reserve Fund Credit Instrument or to fund the 2018 Reserve Fund with cash if, at any time that the 2018 Bonds and any 2018 Related Parity Bonds are Outstanding, amounts are not available under the 2018

Qualified Reserve Fund Credit Instrument or if the rating of the claims-paying ability of the provider of the 2018 Qualified Reserve Fund Credit Instrument is downgraded.

Section 4. Attachment of Exhibit E. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit E setting forth the form of the 2018A Bonds, which shall read substantially as set forth in Appendix 1 which is attached hereto and by this reference incorporated herein.

Section 5. Amendment and Restatement of Exhibit B. Exhibit B to the Master Fiscal Agent Agreement is hereby amended and restated in the form attached hereto as Appendix 2.

Section 6. Attachment of Exhibit F. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit F, which shall read substantially as set forth in Appendix 3 which is attached hereto and by this reference incorporated herein.

Section 7. Limitation on Principal Amount of Parity Bonds. Notwithstanding the provisions of Section 5.12 of the Master Fiscal Agent Agreement, following the issuance of the 2018 Bonds, the City will not issue more than \$_____ initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Section 8. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9. Conflict with Act. In the event of a conflict between any provision of this First Supplement to Fiscal Agent Agreement and any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 10. Conclusive Evidence of Regularity. 2018 Bonds issued pursuant to this First Supplement to Fiscal Agent Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 11. Confirmation of Master Fiscal Agent Agreement; Conflict With Master Fiscal Agent Agreement. All representations, covenants, warranties and other provisions of the Master Fiscal Agent Agreement, unless specifically amended, modified or supplemented by this First Supplement to Fiscal Agent Agreement, are hereby confirmed as applicable to this First Supplement to Fiscal Agent Agreement. In the event of any conflict between the provisions of this First Supplement to Fiscal Agent Agreement and the Master Fiscal Agent Agreement, the provisions of this First Supplement to Fiscal Agent Agreement shall govern.

Section 12. Counterparts. This First Supplement to Fiscal Agent Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this First Supplement to Fiscal Agent Agreement to be executed as of the date first written above..

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By _____
Director of the Office of Public Finance

ZIONS BANK, A DIVISION OF ZB, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

APPENDIX 1

EXHIBIT E-1

FORM OF 2018A BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BOND, SERIES 2018A (FEDERALLY TAXABLE)**

INTEREST RATE

MATURITY DATE

DATED DATE

____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2019, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing March 1, 2019 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and 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 (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the

Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented by Resolution No. _____ of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of November 1, 2018 (as supplemented, the "Agreement"), between the City and the Zions Bank, a Division of ZB, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement): (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable), (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) and (iii) \$_____ 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 Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

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

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, 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
(September 1)

Principal Amount
Subject to Redemption
\$

* Maturity

2018A Bonds Maturing September 1, 20

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption
\$

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, 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 shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

Redemption Date
Any Interest Payment Date on or before March 1, 20__

Redemption Price
1__%

On September 1, 20__ and March 1, 20__	1__
On September 1, 20__ and March 1, 20__	1__
On September 1, 20__ and any Interest Payment Date thereafter	1__

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. 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 as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR

TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANK, A DIVISION OF ZB,
NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be
made by a guarantor institution participating
in the Securities Transfer Agents Medallion
Program or in such other guarantee
program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment
must correspond with the name(s) as
written on the face of the within Bond in
every particular without alteration or
enlargement or any change whatsoever.

EXHIBIT E-2

FORM OF 2018B BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

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

SPECIAL TAX BOND, SERIES 2018B (FEDERALLY TAXABLE - GREEN BONDS)

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2019, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing March 1, 2019 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and 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 (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior

to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented by Resolution No. _____ of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "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 "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of November 1, 2018 (as supplemented, the "Agreement"), between the City and the Zions Bank, a Division of ZB, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement): (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable), (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) and (iii) \$_____ City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A (Federally Taxable). The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

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

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, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2018B Bonds Maturing September 1, 20__

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption
\$

* Maturity

2018B Bonds Maturing September 1, 20__

Sinking Fund
Redemption Date
(September 1)
20__

Principal Amount
Subject to Redemption
\$

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, 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 shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

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

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. 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 as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

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

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANK, A DIVISION OF ZB,
NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be
made by a guarantor institution participating
in the Securities Transfer Agents Medallion
Program or in such other guarantee
program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment
must correspond with the name(s) as
written on the face of the within Bond in
every particular without alteration or
enlargement or any change whatsoever.

APPENDIX 2

EXHIBIT F

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

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

OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM 2018 COSTS OF ISSUANCE FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered duly organized and existing under the Constitution and the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bank, a Division of ZB, National Association, as fiscal agent (the "Fiscal Agent"), which agreement was supplemented by the First Supplement to Fiscal Agent Agreement, dated as of November 1, 2018 (the "First Supplement"; together with the Master Fiscal Agent Agreement, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent;

(iii) Under Section 12.03 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2018 Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth in an invoice submitted by each such payee but no more than the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the 2018 Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

PAYEE NAME AND ADDRESS	PURPOSE OF OBLIGATION	AMOUNT

APPENDIX 3

AMENDED AND RESTATED EXHIBIT B

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

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

OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM IMPROVEMENT FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city duly organized and existing under the Constitution and the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same.

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bank, a Division of ZB, National Association, as fiscal agent (the "Fiscal Agent"), as supplemented from time to time (as supplement, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent.

(iii) The undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Improvement Fund established under the Master Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The proposed requisition from the Improvement Fund and expenditure of such moneys complies with the JCFA and the JCFA (BART).

(v) If the moneys are being requisitioned from the Allocated Bond Proceeds Account, or a subaccount therein, the City hereby represents that the moneys will be used for Project costs at the Transbay Transit Center.

(vi) No portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

PAYEE NAME AND ADDRESS	PURPOSE OF OBLIGATION	[SPECIFY ACCOUNT OR SUBACCOUNT]

* If the moneys are requisitioned from the Allocated Bond Proceeds Account, the moneys will be used for Project costs at the Transbay Transit Center.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO


Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, San Francisco Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance 
Jamie Querubin, Office of Public Finance

DATE: Friday, September 21, 2018

SUBJECT: Resolution Authorizing the Issuance of Special Tax Bonds – Community Facilities District No. 2014-1 (Transbay Transit Center) Not to Exceed Aggregate Principal Amount of \$200,000,000; Confirming Annexation of Properties into City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center);

Ordinance Appropriating Proceeds of Special Tax Bonds, Series 2018A and Series 2018B

Recommended Action:

We respectfully request that the Board of Supervisors (the "Board") consider for review and approval the resolution authorizing the issuance and sale of an aggregate not to exceed par amount of \$200,000,000 in City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2018A and Series 2018B (the "Bonds") to finance or refinance capital improvements for the Transbay Transit Center (now, the "Salesforce Transit Center") and adjacent infrastructure, and confirming the annexation of property into the district. Related to the resolution, we also respectfully request for review and approval of the ordinance appropriating the proceeds.

Background:

Over the past decade, the City has engaged in several efforts to plan for future development and construction of public infrastructure for the area surrounding the Salesforce Transit Center and the extension of the Caltrain rail tracks to the Salesforce Transit Center to accommodate Caltrain and California High Speed Rail (the "DTX"). In 2005, the Transbay Redevelopment Project Area was adopted with the purpose of redeveloping 10 acres of property owned by the State of California in order to generate funding for the Transbay Joint Powers Authority ("TJPA") to construct the new Salesforce Transit Center.

In 2012, the City adopted the Transit Center District Plan ("TCDP") after a multi-year public planning process. In adopting the TCDP, the Board of Supervisors authorized the formation of a Mello-Roos

2 | Resolution Authorizing Community Facilities District (Transbay Transit Center) Special Tax Bonds & Ordinance Appropriating the Proceeds

community facilities district ("CFD") within the TCDP boundary for new large developments to provide funding for the new Transbay project and related public infrastructure.

In 2015, the Board approved the formation of the CFD to fund certain public infrastructure related to the Transbay Project, and authorized bonded indebtedness for the CFD in an aggregate amount not to exceed \$1.4 billion. The Transbay CFD District ("District") is located in downtown San Francisco immediately south of Market Street near the City's new Salesforce Transit Center. Properties that receive a zoning bonus that allows for development exceeding the current height and floor-to-area ratios in the City's Planning Code must participate in the CFD.

Pursuant to a Joint Community Facilities Agreement between the City and TJPA, 82.6% of the CFD special tax proceeds will finance a portion of the Transbay project, including the DTX, the train-related components of the Salesforce Transit Center Phase I (the "Train Box"), and the Rooftop Park. The remaining 17.4% of CFD special tax proceeds will finance streetscape enhancements within the CFD and capacity enhancements for the closest San Francisco Bay Area Rapid Transit District ("BART") stations.

First Issuance of Special Tax Bonds:

In November 2017, the City, on behalf of the Community Facilities District No. 2014-1 (Transbay Transit Center) completed the first issuance of Special Tax Bonds Series 2017A and 2017B (the "2017 Bonds") in the aggregate amount of \$207.5 million.

Recommended for Approval - Second Issuance of Special Tax Bonds:

The proposed resolution authorizes the second sale of special tax bonds in a par amount not to exceed \$200,000,000. Based on Project cost estimates and schedules, the Office of Public Finance currently expects to deliver approximately \$173.0 million of Bonds based on certain assumptions regarding market conditions at the expected time of sale (discussed further under "Plan of Finance").

Both the 2017 Bonds and the proposed 2018 Bonds will be secured by a pledge of the special tax revenues collections in the CFD. Special taxes are only levied on property in the CFD for which both a Certificate of Occupancy and Tax Commencement Authorization have been issued and may only be levied on taxable property for 30 years. There are currently 5 completed buildings subject to the Special Tax levy and a sixth building – Park Tower – is expected to become subject to the Special Tax shortly. The Bonds are sized based on the projected annual Special Tax levy on these buildings. During fiscal year 2018-19, the CFD anticipates collecting approximately \$15.5 million in annual special tax revenues, with annual collection increasing to approximately \$19.4 million by fiscal year-end 2019-20, and to approximately \$19.8 million by fiscal year-end 2020-21.

Project Description:

The proceeds of the Bonds will be used to finance or refinance portions of the Salesforce Transit Center and adjacent public infrastructure, including sidewalk widening and extensions, pedestrian bulbs, bus islands, curb ramps, additional pedestrian crosswalks, and certain station capacity enhancements delivered by BART.

Plan of Finance: Table 1 outlines anticipated sources and uses for the Bonds, based on current market conditions.

Table 1: Estimated Sources and Uses from the Bonds

Estimated Sources:

Estimated Par Amount	\$173,032,670
-----------------------------	----------------------

Estimated Uses:

Project Fund Deposits:

Transbay Plan Infrastructure Project Fund	25,864,276
CSA Audit Fee ¹	51,729
BART Transbay Plan Infrastructure Project Fund ²	1,000,000
Transbay Transit Center Project Fund	127,507,973
	<u>154,423,977</u>

Other Fund Deposits:

Debt Service Reserve Fund	13,341,833
Capitalized Interest Fund	<u>2,213,500</u>

Delivery Date Expenses:

Cost of Issuance	<u>3,053,360</u>
------------------	------------------

Total Estimated Uses:	\$173,032,670
------------------------------	----------------------

Source: Stifel, Nicolaus & Company, Inc.

(Note 1) The CSA Audit Fee is a fee payable to the Controller's Office City Services Auditor unit on all City-delivered projects that receive City-issued bond financing.

(Note 2) Pursuant the Joint Community Facilities Agreement (JCFA) between the City and BART, a portion of the Transbay Plan Infrastructure Project Fund proceeds are allocable to BART.

The requested not-to-exceed par amount of \$200,000,000 exceeds the current estimated par amount of \$173.0 million in order to provide flexibility to capture the benefit of more favorable market conditions should they be available at the time of sale. Conditions that could result in a change in the anticipated project fund and/or par amount, include: (1) Bonds are issued on a federally tax-exempt basis, as determined by the Director of the Office of Public Finance in consultation with the City Attorney; (2) Bonds are issued with a debt service reserve fund surety policy or smaller cash reserve fund; (3) fluctuations in market interest rates between the date of authorization by the Board and the sale of the Bonds; (4) there are changes in required deposits for capitalized interest; and lastly, (5) there are changes in estimated delivery date expenses.

Based upon current market conditions, a 30-year term and an overall borrowing cost of 4.27%, which assumes the issuance of all bonds on a federally taxable basis, the Office of Public Finance estimates an average annual debt service of approximately \$10.7 million. The anticipated total par amount of \$173.0 million is estimated to result in approximately \$153.0 million in interest payments over the life of the Bonds. The total debt service over the life of the Bonds is estimated at approximately \$328.5 million¹

¹ Other key assumptions underlying the debt service estimates include: 1) Level debt service structure; 2) Debt Service Reserve Fund sized at Maximum Annual Debt Service and funded with bond proceeds; and 3) Capitalized Interest on the amount proportional to Park Tower (Block 5) until 9/1/2018.

4 | Resolution Authorizing Community Facilities District (Transbay Transit Center) Special Tax Bonds & Ordinance Appropriating the Proceeds

As a companion piece of legislation to the resolution, the Office of Public Finance is also requesting the approval of a Supplemental Appropriation Ordinance to finance project costs and associating financing costs. The Bonds, including the 2017 Bonds, are limited obligations of the City, secured and payable solely from the Special Tax Revenues and the funds pledged under the Fiscal Agent Agreement and are not payable from any other source of funds. 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 or the State of California or any its political subdivision is pledged to the payment of the Bonds.

Method of Sale & Bond Purchase Agreement: We are proposing a negotiated sale in connection with this transaction. The Bonds are repaid from special tax revenues from specific projects within the district and are outside of the City's customary credit profile. The Office of Public Finance has selected Stifel, Nicolaus & Company, Incorporated ("Stifel") to serve as Senior Underwriter and intends to select one or more additional underwriter(s) to serve as Co-underwriter(s). Firms are selected from the City's Underwriter Pool, which was established via a competitive process. The proposed Resolution approves the form of the Bond Purchase Agreement which provides the terms of sale of the bonds by the City to the selected underwriters.

"Green Bond" Designation:

As it did with the 2017B Bonds, the City intends to designate the 2018B Bonds as "Green Bonds" (also known as "Climate Bonds") since the proceeds will be used to 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 (together, the "Transbay Project"), which have been certified by the Climate Bonds Initiative.

Capital Plan:

The Bonds are limited obligations of the City. They are payable solely from the special tax revenues within the CFD. Therefore, this transaction is not subject to the policy constraints of the Capital Plan.

Teeter Plan:

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan.

In November 2017, in connection with the approval of the 2017 Bonds, the Board approved for the Community Facilities District 2014-1 (Transbay Transit Center) to receive 100% of the levy of special taxes per year without discounting the level of delinquencies which might occur. Under the Teeter Plan, the City makes all the taxing agencies "whole" and assumes the minor risk of being paid at some future date. In return, the City receives the interest (currently at 18%) and penalties (currently 10%) when taxes are ultimately paid. The net effect of this adjustment would be an increase in special tax revenues to the City at least in the short term while providing credit enhancement for Bonds.

Property Annexation – 250 Howard (Park Tower):

As a part of the authorizing resolution, the Office of Public Finance is seeking confirmation of the annexation of the property located at 250 Howard Street into the District. This property, known as Park Tower (also referred to as “Block Five”) was annexed into the District on July 18, 2018.² In order for a property to be annexed into the District, the Board of Supervisors must adopt a resolution determining that the property has been added to the District. Approval of this resolution confirms the annexation of 250 Howard (Park Tower) into the CFD, which is a necessary condition to be deemed a taxable property under the CFD.

Financing Timeline:

Milestones:

Capital Planning Committee
Board Introduction
Budget & Finance Committee Hearing
Board Approval of Resolution and 1st Reading of Appropriation Ordinance
Final Board Approval (2nd Reading)
Estimated Sale & Closing

Dates*:

September 10
September 25
October 4
October 16
October 23
November 2018

*Please note that dates are preliminary and may change.

Additional Information

The legislation was presented to the Capital Planning Committee on Monday, September 10, 2018 and is expected to be introduced at the Board of Supervisors meeting on Tuesday, September 25, 2018. The related financing documents—including the Bond Purchase Agreement, First Supplemental to the Fiscal Agent Agreement, Continuing Disclosure Agreement, Preliminary Official Statement, and Appendix A—will also be submitted.

First Supplemental to Fiscal Agent Agreement: The proposed resolution also approves the form of First Supplemental to the Fiscal Agent Agreement which supplements the original Fiscal Agent Agreement approved with the 2017 Bonds. Pursuant to the Fiscal Agent Agreement between the City and the Fiscal Agent, the Fiscal Agent administers and disburses bond payments. The Fiscal Agent Agreement provides for the terms of the bond redemption, prepayment provisions, and other related administrative provisions. The Fiscal Agent holds the CFD special taxes and the bonds' proceeds derived from the sale of the Bonds and will disburse the proceeds as directed by authorized City representatives. The Director of Public Finance has selected Zions Bank, a Division of ZB, National Association to serve as Fiscal Agent.

The Preliminary Official Statement: The proposed resolution also approves the form of Preliminary and final Official Statement relating to the Bonds (the “Official Statement”). The Preliminary Official Statement summarizes the security for the Bonds, the current status of properties subject to the Special Tax, and known potential risks to investors.

Federal securities laws impose on the City the obligation to ensure that this document is accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies

² The Office of Public Finance sent a memorandum dated July 9, 2018 notifying the Clerk of the Board of Supervisors and full the Board of Supervisors of the annexation of the property at 250 Howard (Park Tower) into Community Facilities District No. 2014-1 (Transbay Transit Center).

approving the document as well as City staff charged with preparing the document. The draft Preliminary Official Statement is attached for your approval prior to its publication.

Contents Included in the Preliminary Official Statement:

Appendix A: The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") which describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. The information contained in the Appendix A to the Preliminary Official Statement was updated as of August 1, 2018 and was prepared by City staff for inclusion in the Official Statement. Any additional information available to reflect a new financial condition will be reflected in a newly dated Appendix A prior to the finalization of the Preliminary Official Statement.

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

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 or anna.vandegna@sfgov.org or Jamie Querubin at 415-554-6902 or jamie.querubin@sfgov.org if you have any questions.

CC: Ben Rosenfield, Controller
Mark Blake, Deputy City Attorney
Ken Roux, Deputy City Attorney
Mark Zabaneh, Executive Director, Transbay Joint Powers Authority
Mary Pryor, NWC Partners, Consultant for Transbay Joint Powers Authority
Bruce Robertson, Finance Manager, Public Works
Shannon Cairns, Project Manager, Public Works
Nikki Foletta, Principal Planner Grants Development, Bay Area Rapid Transit (BART)



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor London Breed *LNB*
RE: Resolution Authorizing the Issuance of Special Tax Bonds – Community Facilities District No. 2014-1 (Transbay Transit Center) ---- Not to Exceed Aggregate Principal Amount of \$200,000,000; Confirming Annexation of Properties into City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)
DATE: September 25, 2018

Resolution authorizing the issuance and sale of one or more series of Special Tax Bonds for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in the aggregate principal amount not to exceed \$200,000,000, approving related documents, including an Official Statement, First Supplement to Fiscal Agent Agreement, Bond Purchase Agreement and Continuing Disclosure Undertaking, confirming annexation of properties into City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), and determining other matters in connection therewith.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 554-6696

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