

CITY AND COUNTY OF SAN FRANCISCO

TRANSBAY TRANSIT CENTER

VERIFICATION LETTER FOR THE CLIMATE BONDS STANDARD – LOW CARBON LAND TRANSPORT

Issuing entity: City and County of San Francisco – for its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)

Type of engagement: Assurance Engagement

Period engagement was carried out: May 23, 2017 – June 8, 2017

Approved verifier: Sustainalytics US Inc.,

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Scope and Objectives:

The City and County of San Francisco (the “City”) established City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) to provide financing for a transportation-related program called the “Transbay Transit Center Program”, as described below.

Sustainalytics was engaged to review and verify that 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) (the “Green Bonds”), meet the requirements under the Low Carbon Land Transport criteria of the Climate Bonds Standard.

Transbay Transit Center Program

The Transbay Transit Center Program (the “Program”) is expected to increase transit use through intermodal connections for eight Bay Area counties and the State of California through eleven transportation systems¹. The Program will consist of three Phases:

- **Phase 1:** construction of a new one million square foot Transbay Transit Center which will replace the former Transbay Terminal in downtown San Francisco. The Transbay Center will include a 5.4 acre Rooftop Park which doubles as a green roof and the Train Box described in Schedule 1.
- **Phase 2:** extension of the Caltrain line, a 1.3 mile long tunnel below-grade rail extension to the heart of the Financial District. The subsurface train platform will contain six tracks and three platforms and high-speed electric rail service.

¹ Transportation Systems include: AC Transit, BART, Caltrain, Golden Gate Transit, Greyhound, Muni, SamTrans, WestCAT Lynx, Amtrak, Paratransit and California’s future High Speed Rail from San Francisco to Los Angeles/Anaheim

- **Phase 3:** redevelopment of the area surrounding the Transbay Transit Center with six acres of new public parks and 4400 units of new housing, 28% of which are permanently affordable.

Proceeds from the Green Bonds will be used to fund Phase 1 of the Transbay Transit Center Facilities, which include the Train Box and Rooftop Park (these are referred to herein as the “Nominated Projects”). See Schedule 1 for a detailed overview of current Nominated Projects.

Climate Bonds Standard Criteria:

Climate Bonds Standards Version 2.1

- Low Carbon Land Transport Criteria
 - Public passenger transport

Issuing Entity’s Responsibility

The City was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects;
- The details of the Nominated Projects;
- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and earmarking funds to Nominated Projects;
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements.

The City is not responsible for determining the compliance of the Green Bonds with the Climate Bonds Standard.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Green Bonds, issued to finance Nominated Projects, including the Train Box and Rooftop Park. Sustainalytics provided an independent opinion on the conformance of the Green Bonds with the Low Carbon Land Transport criteria of the Climate Bonds Standard. Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the Green Bonds.

Verifier's Responsibility

The work undertaken as part of this engagement included review of relevant documentation to confirm the Green Bonds' conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Climate Bonds Standard Version 2.1;
- Technical Criteria on Low Carbon Land Transport;
- Internal Processes & Controls requirements;
- Reporting Prior to Issuance requirements.

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give reasonable assurance that the Green Bonds meet the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that the proposed uses of proceeds of the Green Bonds will comply with Climate Bond Standard requirements.

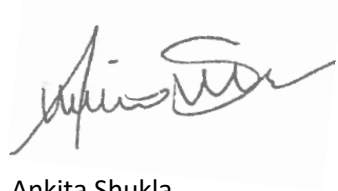
Sustainalytics has relied on the information and the facts presented by the City. Sustainalytics is not responsible for any aspect of the Nominated Projects referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Transbay CFD's management and used as a basis for this assessment were not correct or complete.

Opinion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Green Bonds, issued to finance Transbay Transit Center Facilities, is not in conformance with the Climate Bonds Standard Version 2.1 Pre-Issuance Requirements including Part B Eligible Projects.

Sustainalytics is of the opinion that the new Transbay Transit Center with its green building features, will make public transit a sustainable option to decrease congestion and pollution in the Bay Area. Proceeds approved under the Low Carbon Transport criteria of the Climate Bonds Standard will be used to fund the Transbay Transit Center Facilities which are crucial elements of the broader investments to upgrade and electrify the transportation system in the Bay Area.

Additionally, Sustainalytics believes that the modernisation and electrification of San Francisco's rail system is in alignment with the Low Carbon Transport criteria of the Climate Bonds Standard and encourages financiers in the region to align with the Standards should they issue bonds.



Ankita Shukla

June 8, 2017

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Schedule 1: Detailed Overview of Current Nominated Projects / Transbay Transit Center Facilities

Details of current eligible Nominated Projects are provided below:

Train Box

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

Rooftop Park

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

Schedule 2A: Criteria of the Climate Bonds Certification Pre-Issuance Requirements

Selection of Nominated Projects and Assets:	1.1 Statement on the environmental objectives of the bond and process to determine whether the Nominated Projects & Assets meet the eligibility requirements 1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria 1.3 Document a list of Nominated Projects and Assets 1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds 1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets
Internal Processes and Controls	2.1.1 Tracking of proceeds 2.1.2 Managing of unallocated proceeds 2.1.3 Earmarking funds to Nominated Projects and Assets
Reporting Prior to Issuance	3.1.1 Investment area of Nominated Projects and Assets 3.1.2 Intended types of temporary investments for the management of unallocated proceeds 3.1.3 Approach of Verifier 3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements

Schedule 2B: Conformance to the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	1.1 The objective of the Green Bond is to finance the Transbay Transit Center Facilities. 1.2 The Nominated Projects meet the Low Carbon Land Transport criteria of the Climate Bond Standard. 1.3 Current Nominated Projects may include: • Train Box • Rooftop Park The City may identify additional projects to be included under the Transbay Transit Center Program. 1.4 The City's management confirms that the projects shall not be nominated to other Climate Bonds. 1.5 The City's management confirms that the net proceeds of the Green Bond shall not be greater than the value of the projects.	None
Verification of requirements specified under Internal Processes and Controls	2.1.1 The City's management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance Nominated Projects. Bond proceeds will be deposited into an Improvement Fund and an Allocated Bond Proceeds Account. Disbursements from these accounts will be tracked and managed by the Fiscal Agent. Upon the completion of the projects, any unused funds will be used towards Debt Service payments on the Climate Bonds. 2.1.2 The City's management confirms that the balance of unallocated proceeds will be held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function.	None

	2.1.3 The City's management has confirmed that the proceeds from the bond will be earmarked until designated to the Nominated Projects.	
Verification of requirements specified under Reporting Prior to Issuance	3.1.1 The City's management confirms that the proceeds of the transaction will primarily be used to develop the Transbay Transit Center Facilities. Current eligible projects include the Train Box and Rooftop Park. 3.1.2 The Fiscal Agent Agreement discloses the intended types of temporary investments for the management of unallocated proceeds. 3.1.3 The Bond Disclosure Documentation discloses that an approved third party verifier has been engaged to confirm the Green Bond's conformance with pre-issuance requirements of the Low Carbon Land Transport criteria of the Climate Bonds Standard. 3.1.4 The Bond Disclosure Documentation discloses that an approved third party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the Green Bonds with the Low Carbon Land Transport criteria of the Climate Bonds Standard.	None

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The client is fully responsible for ensuring its commitments` compliance, implementation and monitoring.

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