

City and County of San Francisco Transbay Transit Center

PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: October 2019

Approved verifier: Sustainalytics

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Scope and Objectives

The City and County of San Francisco (the “City”) established the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) to finance the “Transbay Transit Center Program” through which it issued Special Tax Bonds, Series 2017B and Series 2019B. In May 2019, the City engaged Sustainalytics to review the Phase 1 projects funded through the issued green bonds and provide an assessment as to whether the projects met the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include:

- **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 will double 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.
- **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.

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity’s Responsibility

The City is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each projects, and disbursed amounts.

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Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the City and County of San Francisco's green bond, issued to finance Phase 1 projects of the Transbay Transit Center Program, and provided an independent opinion informing the City as to the conformance of the green bond with the Post-Issuance requirement and Low Carbon Land Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by the City with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by the City.

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 bond.

Verifier's Responsibility

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

The work undertaken as part of this engagement included conversations with relevant employees and review of relevant documentation to confirm the conformance of the City's green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No exceptions were identified.

All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the Low Carbon Land Transport criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of \$149 million from Series 2017B and \$142 million from Series 2019B issued to fund eligible Phase 1 projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

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

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

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Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of Phase 1 projects funded by the green bond in 2017 and 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All Phase 1 projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of Phase 1 projects funded by the green bond in 2017 and 2019 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Land Transport technical criteria.	All projects fall under the Low Carbon Land Transport criteria and meet the requirements of the Low Carbon Land Transport technical criteria.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

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. The Train Box 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 included 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 was also included.

Rooftop Park

The Transbay Transit Center's roof was developed as a 5.4-acre park. The 1,400-foot long elevated park doubles 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 provides shade to much of the ground-level sidewalk when the sun is strongest and provides 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: Post-Issuance General Requirements of the Climate Bonds Standard

<p>Nominated Projects & Assets</p>	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
<p>Use of Proceeds</p>	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
<p>Non-Contamination of Proceeds</p>	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
<p>Confidentiality</p>	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
<p>Reporting Post-Issuance</p>	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance Phase 1 projects of the Transbay Transit Center Program (Nominated Projects).</p> <p>4.2 The City's management confirms that the Nominated Projects meet the Eligibility Criteria.</p> <p>4.3 The City's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the Phase 1 Nominated Projects.</p> <p>5.2 The City's management has confirmed that the Series 2017B proceeds were allocated by the end-May 2019 and the Series 2019B proceeds are pending full allocation.</p> <p>5.3 The City's management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p>5.4 The City's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 The City's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 The City's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 The City's management confirms that pending the investment of proceeds, proceeds were segregated and tracked in a systematic manner and exclusively used to finance Nominated Projects.</p> <p>Bond proceeds were deposited into an Improvement Fund and an Allocated Bond Proceeds Account. Disbursements from these accounts were tracked and managed by the Fiscal Agent.</p> <p>Upon the completion of the projects, any unused funds were used towards Debt Service payments on the Climate Bonds.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 The City's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard</p>	None

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	<p>Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 The City's management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	
<p>Verification of requirements specified under Reporting Post-Issuance</p>	<p>8.1 The City's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).</p>	<p>None</p>

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For more information, visit www.sustainalytics.com

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