

File No. 110750

Committee Item No. 8  
Board Item No. 28

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: July 13, 2011

Board of Supervisors Meeting

Date 7/19/11

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget & Legislative Analyst Report          |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ethics Form 126                              |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <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 type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |

#### OTHER

(Use back side if additional space is needed)

\*\*Trust Agreement, Preliminary Official Statement

\*\*Property Lease, Project Lease, Official Notice of Sale

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Completed by: Victor Young

Date: July 8, 2011

Completed by: Victor Young

Date: 7-14-11

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Certificates of Participation - War Memorial Veterans Building Seismic Upgrade and  
2 Improvements - Not to Exceed \$170,000,000]

3  
4 **Ordinance authorizing the execution and delivery of certificates of participation**  
5 **evidencing in an aggregate principal amount of not to exceed \$170,000,000 to: 1)**  
6 **finance the seismic upgrade of and certain improvements to the War Memorial**  
7 **Veterans Building; 2) authorizing the selection of a trustee by the Director of Public**  
8 **Finance and approving the form of a trust agreement for the certificates of participation**  
9 **between the City and County of San Francisco and the trustee named therein**  
10 **(including certain indemnities contained therein); 3) approving the forms of a property**  
11 **lease and a project lease between the City and the trustee of one or more portions of**  
12 **the San Francisco War Memorial Performing Arts Center; 4) approving the form of an**  
13 **official notice of sale and notice of intention to sell for the certificates of participation,**  
14 **if sold by competitive sale; 5) authorizing the selection of underwriters by the Director**  
15 **of Public Finance and approving the form of a purchase contract between the City and**  
16 **the underwriters relating to the certificates of participation, if sold by negotiated sale;**  
17 **6) approving the forms of a preliminary and final official statement with respect to the**  
18 **certificates of participation; 7) approving the form of a continuing disclosure**  
19 **certificate; 8) finding that the proposed project is categorically exempt from the**  
20 **California Environmental Quality Act; 9) finding that the proposed project is in**  
21 **conformity with the priority policies of Planning Code Section 101.1(b) and with the**  
22 **General Plan consistency requirements of Charter Section 4.105 and Administrative**  
23 **Code Section 2A.53; 10) granting general authority to City officials to take necessary**  
24 **actions in connection with the authorization, issuance, sale and delivery of the**  
25

1 certificates of participation; 11) approving modifications to documents and  
2 agreements; and 12) ratifying previous actions taken in connection therewith.

3 NOTE: Additions are single-underline italics Times New Roman;  
4 deletions are ~~strike through italics Times New Roman~~.  
5 Board amendment additions are double-underlined;  
6 Board amendment deletions are ~~strikethrough normal~~.

7 WHEREAS, the Board of Supervisors of the City and County of San Francisco  
8 (the "Board of Supervisors" or the "Board") desires to finance the construction and installation  
9 of certain improvements in connection with the renovation of the San Francisco War Memorial  
10 Veterans Building (the "Project"); and

11 WHEREAS, the Board desires to initially finance renovation activities for the  
12 Project through the issuance of commercial paper under the City's commercial paper program  
13 and to apply proceeds of certificates of participation authorized hereby (the "Certificates") to,  
14 in part, repay such commercial paper, and interest thereon; and

15 WHEREAS, the Board desires to cause the execution and delivery of one or  
16 more series of the Certificates to finance the Project pursuant to a trust agreement (the "Trust  
17 Agreement"), between the City and the trustee named therein (the "Trustee"); and

18 WHEREAS, in connection with the execution and delivery of the Certificates, the  
19 Board desires to cause the execution of a Property Lease (the "Property Lease"), pursuant to  
20 which the City will lease to the Trustee one or more portions of the San Francisco War  
21 Memorial Performing Arts Center (the "Leased Property") located on the real property (the  
22 "Site") at 301 and 401 Van Ness Avenue, respectively, and a Project Lease (the "Project  
23 Lease"), pursuant to which the Trustee will lease the Leased Property back to the City; and

24 WHEREAS, this Board has been presented with the form of certain documents  
25 and agreements referred to herein relating to the Certificates, and the Board has examined

1 and is approving each such document and agreement and desires to authorize and direct the  
2 execution of such documents and agreements and the consummation of such financing; and

3 WHEREAS, the adoption of this Ordinance shall constitute authorization of the  
4 Certificates within the meaning of Section 864 of the California Code of Civil Procedure and  
5 any Validation Act that is effective after this Ordinance takes effect; and

6 WHEREAS, the Certificates may be sold by competitive sale pursuant to an  
7 official notice of sale and a notice of intention to sell or by negotiated sale; and

8 WHEREAS, the War Memorial Board of Trustees is the governing body of the  
9 War Memorial and Performing Arts Center, which consists of four City-owned buildings: the  
10 War Memorial Veterans Building, the War Memorial Opera House, Louise M. Davies  
11 Symphony Hall, and Zellerbach Rehearsal Hall (collectively, the "War Memorial"); and

12 WHEREAS, the War Memorial is a charitable trust department under Article V of  
13 the City Charter and as such, the War Memorial Board of Trustees has exclusive charge of  
14 the trusts and all other assets under its jurisdiction, which may be acquired by loan, purchase,  
15 gift, devise, bequest or otherwise, including any land or buildings set aside for their use; and

16 WHEREAS, the War Memorial Board of Trustees has authority to maintain,  
17 operate, manage, repair or reconstruct existing buildings and construct new buildings, and to  
18 make and enter into contracts relating thereto; and

19 WHEREAS, the execution and delivery of the Certificates and the pledge of the  
20 Leased Property were approved by the War Memorial Board of Trustees by its Resolution No.  
21 11-26 on June 9, 2011, and

22 Be it ordained by the People of the City and County of San Francisco, as  
23 follows:

24 Section 1. Recitals. All of the recitals herein are true and correct.

25

1           Section 2. Conditions Precedent. All conditions, things and acts required by law  
2 to exist, to happen and to be performed precedent to and in the execution and delivery of  
3 Property Lease, the Project Lease and the Certificates exist, have happened and have been  
4 performed in due time, form and manner in accordance with applicable law, and the City is  
5 now authorized pursuant to its Charter and applicable law to execute and deliver the Property  
6 Lease and the Project Lease and to issue and cause the issuance of the Certificates in the  
7 manner and form provided in this Ordinance.

8           Section 3. File Documents. The documents presented to this Board and on file  
9 with the Clerk of the Board or her designee (collectively, the "Clerk") are contained in File No.  
10 110750.

11           Section 4. Authorization of the Certificates; Credit Enhancement. The Board  
12 hereby authorizes and approves the execution and delivery of the Certificates, which shall be  
13 executed and delivered in accordance with the Project Lease and the Trust Agreement, as the  
14 same are finally executed and delivered. The proceeds of the Certificates will be used to (i)  
15 fund the Project, including repayment of commercial paper or other interim financing issued by  
16 the City for such purpose, including interest thereon; (ii) fund a reserve fund, reserve surety or  
17 other reserve fund instrument, as appropriate; (iii) fund any capitalized interest; and (iv) pay  
18 costs of issuance of the Certificates. The Certificates shall be designated as "Certificates of  
19 Participation (War Memorial Veterans Building Seismic Upgrade and Improvements)," or with  
20 such other designation, including the year of execution and delivery, as deemed appropriate  
21 by the Director of Public Finance of the City or her designee (collectively, the "Director of  
22 Public Finance").

23           The Certificates shall evidence an aggregate principal amount not to exceed  
24 One Hundred Seventy Million Dollars (\$170,000,000), and shall evidence interest at true  
5 interest cost of not to exceed twelve percent (12%) per annum. The Certificates shall be

1 subject to prepayment as set forth in the Project Lease and Trust Agreement. This Board  
2 authorizes the Director of Public Finance, to the extent such officer deems it necessary or  
3 advisable and in the interests of the City, to procure credit enhancement for the Certificates,  
4 including, but not limited to, municipal bond insurance or a debt service reserve fund surety  
5 bond or other reserve fund instrument.

6 The Board hereby authorizes the Director of Public Finance, to the extent such  
7 officer deems it necessary or advisable and in the interests of the City, to cause the execution  
8 and delivery of the Certificates (i) with tax-exempt or taxable rates or (ii) under federal tax law  
9 provisions, if any, which provide for federal grants or credits to or for the benefit of the City in  
10 lieu of tax-exemption of interest or (iii) as "qualified private activity bonds" and to publish any  
11 notices and conduct any public hearings in connection therewith.

12 Section 5. Approval of the Trust Agreement; Authorization of Selection of  
13 Trustee. The form of the Trust Agreement between the City and the Trustee, as presented to  
14 this Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City  
15 or his designee (collectively, the "Mayor") is hereby authorized to execute the Trust  
16 Agreement, and the Clerk, is hereby authorized to attest to and affix the seal of the City on the  
17 Trust Agreement, with such changes, additions and modifications as the Mayor may make or  
18 approve in accordance with Section 18 hereof.

19 The Director of Public Finance is hereby authorized to select the Trustee in  
20 accordance with City policies and procedures, including but not limited to the City's policy to  
21 provide locally disadvantaged business enterprises an equal opportunity to participate in the  
22 performance of all City contracts.

23 Section 6. Approval of the Property Lease. The form of the Property Lease  
24 between the City and the Trustee, as presented to this Board, a copy of which is on file with  
25 the Clerk, is hereby approved. The Mayor is hereby authorized to execute the Property Lease,

1 and the Clerk, is hereby authorized to attest to and affix the seal of the City on the Property  
2 Lease, with such changes, additions and modifications as the Mayor may make or approve in  
3 accordance with Section 18 hereof.

4 Section 7. Approval of the Project Lease; Approval of Base Rental. The form of  
5 the Project Lease between the City and the Trustee, as presented to this Board, a copy of  
6 which is on file with the Clerk, is hereby approved. The Mayor is hereby authorized to execute  
7 the Project Lease, and the Clerk is hereby authorized to attest and to affix the seal of the City  
8 on the Project Lease with such changes, additions and modifications as the Mayor may make  
9 or approve in accordance with Section 18 hereof; provided, however, that the maximum Base  
10 Rental (as defined in the Project Lease) scheduled to be paid under the Project Lease in any  
11 fiscal year shall not exceed Eighteen Million Five Hundred Thousand Dollars (\$18,500,000)  
12 and the stated term of the Project Lease shall not have an initial term that extends beyond the  
13 35th year following its date of execution, as such initial term may be extended in accordance  
14 with the Project Lease.

15 Section 8. Approval of the Leased Property. The Board hereby approves of the  
16 leasing, pursuant to the Property Lease and the Project Lease, of all or a portion of the  
17 following Leased Property: (i) the War Memorial Veterans Building located at 401 Van Ness  
18 Avenue in the City, and (ii) the War Memorial Opera House located at 301 Van Ness Avenue  
19 in the City. The Board also hereby approves the payment by the City of the Base Rental with  
20 respect thereto.

21 Section 9. Sale and Award of Certificates by Competitive Sale. In the event the  
22 Director of Public Finance determines to sell the Certificates by competitive sale, the Director  
23 of Public Finance, on behalf of the Controller, is hereby authorized to receive bids for the  
24 purchase of the Certificates, and the Controller is hereby authorized and directed to award the

1 Certificates to the bidder whose bid represents the lowest true interest cost to the City, all in  
2 accordance with the procedures described in the Official Notice of Sale (as defined below).

3 Section 10. Approval of Form of Official Notice of Sale. The form of an official  
4 notice of sale relating to the Certificates (the "Official Notice of Sale"), as presented to this  
5 Board, a copy of which is on file with the Clerk, is hereby approved. The Director of Public  
6 Finance is hereby authorized to approve the distribution of an Official Notice of Sale for the  
7 Certificates, with such changes, additions and modifications as the Director of Public Finance  
8 may make or approve upon consultation with the City Attorney.

9 Section 11. Approval of Notice of Intention to Sell relating to the Certificates. The  
10 form of a notice of intention to sell relating to the Certificates (the "Notice of Intention to Sell"),  
11 as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The  
12 Director of Public Finance is hereby authorized to approve the publication of the Notice of  
13 Intention to Sell relating to the Certificates, with such changes, additions and modifications as  
14 the Director of Public Finance may make or approve upon consultation with the City Attorney.

15 Section 12. Sale of Certificates by Negotiated Sale; Approval of Purchase  
16 Contract; Selection of Underwriters. In the event the Director of Public Finance determines to  
17 sell the Certificates by negotiated sale, the Director of Public Finance is hereby authorized to  
18 sell the Certificates by negotiated sale pursuant to one or more purchase contracts (each, a  
19 "Purchase Contract") by and between the City and the underwriter named therein. The form  
20 of such Purchase Contract as presented to this Board, a copy of which is on file with the  
21 Clerk, is hereby approved. The Controller is hereby authorized to execute the Purchase  
22 Contract with such charges, additions and modifications as the Controller may make or  
23 approve in accordance with Section 18 hereof; provided, however, that the underwriters'  
24 discount under any such Purchase Contract shall not exceed one percent (1%) of the principal  
25 amount of the Certificates.



1 In order to accomplish the sale of the Certificates by negotiated sale, the  
2 Director of Public Finance is hereby authorized to appoint one or more financial institutions to  
3 act as underwriter for the Certificates in accordance with City policies and procedures,  
4 including but not limited to the City's policy to provide locally disadvantaged business  
5 enterprises an equal opportunity to participate in the performance of all City contracts.

6 Section 13. Approval of the Official Statement in Preliminary and Final Form.

7 The form of an official statement relating to the Certificates (the "Official Statement"), as  
8 presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The  
9 Director of Public Finance is hereby authorized to prepare and cause the preparation of the  
10 Preliminary and final Official Statements, for distribution to prospective investors, in  
11 substantially said form, with such changes, additions and modifications as the Director of  
12 Public Finance may make or approve upon consultation with the City Attorney and the City's  
13 Disclosure Counsel, such that the Preliminary and final Official Statements are accurate and  
14 complete in all material respects for the purposes for which they are provided. The Director of  
15 Public Finance is hereby authorized to cause to be printed and mailed, and distributed  
16 electronically, to prospective purchasers, copies of the Preliminary Official Statement and the  
17 final Official Statement.

18 The Controller of the City or his designee (the "Controller") is hereby authorized  
19 to cause the distribution of the Preliminary Official Statement, deemed final for purposes of  
20 Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a  
21 certificate to that effect. The Controller is hereby further authorized to sign the Official  
22 Statement in final form.

23 Section 14. Approval of the Continuing Disclosure Certificate. The form of a  
24 Continuing Disclosure Certificate of the City, as presented to this Board, a copy of which is on  
5 file with the Clerk, is hereby approved. The Controller is hereby authorized to execute the

1 Continuing Disclosure Certificate, with such changes, additions and modifications as the  
2 Controller may make or approve upon consultation with the City Attorney.

3 Section 15. CEQA. The Board, having reviewed the proposed legislation, finds  
4 and declares for the reasons set forth in the documentation from the City Planning  
5 Department on file with the Clerk of the Board in File No. 110750 and incorporated by  
6 reference, that the Project is categorically exempt from the California Environmental Quality  
7 Act.

8 Section 16. General Plan. The Board finds and declares that the Project is (i) in  
9 conformity with the priority policies of Section 101.1(b) of the City Planning Code, (ii) in  
10 accordance with Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the City  
11 Administrative Code, and (iii) consistent with the City's General Plan, and hereby adopts the  
12 findings of the City Planning Department, as set forth in the General Plan Referral Report,  
13 dated June \_\_, 2011, and incorporates said findings by reference.

14 Section 17. General Authority. The Mayor, the City Attorney, the Controller, the  
15 City Administrator, the Director of Public Finance, the Clerk and other officers of the City and  
16 their duly authorized deputies, designees and agents are hereby authorized and directed,  
17 jointly and severally, to take such actions and to execute and deliver such certificates,  
18 agreements, requests or other documents as they may deem necessary or desirable to  
19 accomplish the purposes of this Ordinance, including but not limited to the execution and  
20 delivery of the Certificates, the Trust Agreement, the Property Lease, the Project Lease, the  
21 Purchase Contract, to obtain bond insurance or other credit enhancements with respect to the  
22 Certificates, to obtain title insurance, to clear any encumbrances to title, to survey property  
23 and to carry out other title work.

24 Section 18. Modifications, Changes and Additions. The Mayor, the Controller  
25 and the Director of Public Finance each are hereby authorized to make such modifications,

1 changes and additions to the documents and agreements approved hereby, upon consultation  
2 with the City Attorney, as may be necessary or desirable and in the interests of the City, and  
3 which changes do not materially increase the obligations of the City or reduce its rights under  
4 such documents and agreements. The respective official's approval of such modifications,  
5 changes and additions shall be conclusively evidenced by the execution and delivery,  
6 distribution or publication thereof, as appropriate, by such official.

7 Section 19. Ratification of Prior Actions. All actions authorized and approved by  
8 this Ordinance but heretofore taken are hereby ratified, approved and confirmed by this  
9 Board.

10 APPROVED AS TO FORM:

11 DENNIS J. HERRERA, City Attorney

12  
13 By: Kenneth David Roux  
14 KENNETH DAVID ROUX  
15 Deputy City Attorney  
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LEGISLATIVE DIGEST

[Certificates of Participation - War Memorial Veterans Building Seismic Upgrade and Improvements]

**Ordinance authorizing the execution and delivery of certificates of participation evidencing in an aggregate principal amount of not to exceed \$170,000,000 to finance the seismic upgrade of and certain improvements to the War Memorial Veterans Building; authorizing the selection of a trustee by the Director of Public Finance and approving the form of a trust agreement for the certificates of participation between the City and County of San Francisco and the trustee named therein (including certain indemnities contained therein); approving the forms of a property lease and a project lease between the City and the trustee of one or more portions of the San Francisco War Memorial Performing Arts Center; approving the form of an official notice of sale and notice of intention to sell for the certificates of participation, if sold by competitive sale; authorizing the selection of underwriters by the Director of Public Finance and approving the form of a purchase contract between the City and the underwriters relating to the certificates of participation, if sold by negotiated sale; approving the forms of a preliminary and final official statement with respect to the certificates of participation; approving the form of a continuing disclosure certificate; finding that the proposed project is categorically exempt from the California Environmental Quality Act; finding that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirements of Charter Section 4.105 and Administrative Code Section 2A.53; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the certificates of participation; approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.**

Existing Law

This is new legislation.

Amendments to Current Law

Not applicable.

Background Information

Ordinance approving the form and authorizing the execution and delivery of certificates of participation to finance certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building Project. In connection with the execution and delivery of these certificates of participation, the Ordinance provides for the approval of the following agreements and documents: a form of Trust Agreement, a form of Property Lease, a

**FILE NO. 110750**

form of Project Lease, a form of an Official Notice of Sale and Notice of Intention to Sell, a form of Bond Purchase Contract, a form of preliminary Official Statement, and other documents necessary for the execution and delivery and sale of the certificates of participation. The Ordinance also provides for findings under the California Environmental Quality Act and the General Plan. The Ordinance also approves the lease of certain real property in the City and delegates to the Director of Finance the authority to sell the certificates of participation by either a competitive or negotiated sale.

Item 8  
File 11-0750

Departments: Office of Public Finance (OPF), War Memorial

### EXECUTIVE SUMMARY

#### Legislative Objective

- The proposed ordinance would (1) authorize the execution and delivery of Certificates of Participation (COPs) in an aggregate principal amount not to exceed \$170,000,000 to finance the seismic upgrade of and certain improvements to the War Memorial Veterans Building; (2) authorize the selection of a trustee by the Director of Public Finance and approve the form of a trust agreement for the COPs between the City and the trustee; (3) approve the forms of a property lease and a project lease between the City and the trustee for the COPs; (4) approve the form for an official notice of sale and notice of intention to sell the COPs, if sold by competitive sale; authorize the selection of underwriters by the Director of Public Finance and approve the form of a purchase contract between the City and the underwriters relating to the COPs, if sold by negotiated sale; (5) approve the forms of a preliminary and final official statement and continuing disclosure certificate; (6) find that the proposed project is categorically exempt from the California Environmental Quality Act (CEQA); (7) find that the proposed project is in conformity with the City's Planning Code, General Plan, and Administrative Code; (8) grant general authority to City officials to take necessary actions in connection with the Certificates of Participation; (9) approve modification to documents and agreements; and (10) ratify previous actions taken in connection with the proposed project.

#### Key Points

- The War Memorial Veterans Building's structure and systems have not been renovated since the building was first opened in 1932. Aging and damage from the 1989 Loma Prieta earthquake have resulted in needed seismic upgrades and other select improvements to the Veterans Building totaling approximately \$132,455,590.
- Voters approved General Obligation Bond (GO Bond) funding for the Veterans Building in 1990, as part of a larger \$332,400,000 GO Bond, though that funding was utilized for other approved City projects. Voters rejected GO Bond funding specific to the Veterans Building in 2002.
- Under the proposed ordinance, the City-owned War Memorial Veterans Building and War Memorial Opera House (the Leased Property) would serve as collateral for the COPs to secure the City's covenants and obligations under the subject leases.
- Funding the proposed improvements using COPs is approximately \$87,760,000 more costly than if City voters approved a GO Bond for the same improvements. However, such voter approval is uncertain; would possibly increase Property Tax rates above the 2006 Property Tax cap established by the Capital Planning Committee; would require additional time, delaying needed improvements to the Veterans Building, and would likely increase project costs.

#### Fiscal Impact

- The Office of Public Finance reports that, based on conservative estimates, the total cost of issuing the proposed COPs would be \$316,280,000, including \$168,115,000 for project and issuance expenses and \$148,165,000 for net total interest payments. The average debt service cost of the COPs to the City's General Fund would be approximately \$12,165,000 per year, for a period of 26 years.

#### Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

## MANDATE STATEMENT & BACKGROUND

### Mandate Statement

According to San Francisco Charter Section 9.118, any agreement with a term of over ten years or expenditures of over \$10,000,000 is subject to approval by the Board of Supervisors. The proposed issuance of \$170,000,000 in Certificates of Participation requires the City to enter into an agreement which exceeds ten years and \$10,000,000.

### Background

The San Francisco War Memorial complex includes two buildings, the Veterans Building and the War Memorial Opera House, and the adjoining outdoor Memorial Court, all of which were completed in 1932. The complex is designated as both a City Landmark and State Landmark. The Veterans Building currently provides: (a) office, exhibit, and meeting space for the San Francisco Posts of the American Legion and other veteran organizations; (b) office space for the City's War Memorial staff; (c) exhibition space for the San Francisco Arts Commission; (d) office and exhibition space for various local non-profit organizations; (e) office space for the Mayor's Office of Disability; (f) the City's Law Library; and (g) meeting space for the City's Department of Environment. In addition, the Veterans Building also houses the Herbst Theatre and the Green Room performance and reception hall.

The War Memorial Veterans Building's structure and systems have not been renovated since the building was first opened in 1932. Aging, deferred maintenance, and damage from the 1989 Loma Prieta earthquake have resulted in numerous structural shortcomings. According to the City's Capital Planning Committee, the Veterans Buildings deficiencies include:

- A Seismic Hazard Rating of 3 out of 4, with 4 being partial or total collapse, indicating that in the event of a major earthquake, the building poses significant life hazards to building occupants;
- Incomplete fire alarm and sprinkler systems;
- Aged deteriorated building systems;
- 80 year old boilers that are inefficient to operate;
- Inadequate electrical power distribution and emergency power supply;
- Disabled elevators; and
- Deteriorated domestic and drinking water systems.

The War Memorial Veterans Building's current needed improvements, as identified by the City's Capital Planning Committee, include:

- Seismic upgrades and earthquake damage repair;
- Hazardous materials mitigation;
- Improvements to preserve and improve building facilities, including:
  - Roof and skylights renovation;

- Replacement or upgrade of attic catwalks and service platforms; and
- Elevator upgrades;
- Accessibility upgrades;
- Local, State, and Federal Building Code-mandated upgrades, including:
  - Energy efficiency upgrades;
  - Mechanical system upgrades; and
  - Central plant replacement; and
- Replacement of the building's water piping and drinking water system.

*Past Attempts to Secure Funding for Earthquake Retrofits and Other Improvements*

San Francisco voters originally approved \$332,400,000 General Obligation Bond (GO Bond) funding for seismic and other improvements to various City facilities including the Veterans Building and the War Memorial Opera House in June of 1990, with the passage of the Earthquake Safety Phase II (ESP II) GO Bond Program. However, GO Bond revenues originally intended for the Veterans Building were utilized for other approved GO Bond-funded improvement projects, including the seismic renovation of City Hall. On November 5, 2002, San Francisco voters rejected Proposition C, which would have issued \$122,755,000 in GO Bonds to fund improvements for the War Memorial Veterans Building. The 2002 Proposition C required 66.7 percent voter approval, but only received 55.0 percent voter approval.

## **DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would (1) authorize the execution and delivery of Certificates of Participation (COPs) in an aggregate principal amount not to exceed \$170,000,000 to finance the seismic upgrade of, and certain improvements to, the War Memorial Veterans Building; (2) authorize the selection of a trustee by the Director of Public Finance and approve the form of a trust agreement for the COPs between the City and the trustee; (3) approve the forms of a property lease and a project lease between the City and the trustee for the COPs; (4) approve the form for an official notice of sale and notice of intention to sell the COPs, if sold by competitive sale; authorize the selection of underwriters by the Director of Public Finance and approve the form of a purchase contract between the City and the underwriters relating to the COPs, if sold by negotiated sale; (5) approve the forms of a preliminary and final official statement and continuing disclosure certificate; (6) find that the proposed project is categorically exempt from the California Environmental Quality Act (CEQA); (7) find that the proposed project is in conformity with the City's Planning Code, General Plan, and Administrative Code; (8) grant general authority to City officials to take necessary actions in connection with the Certificates of Participation; (9) approve modification to documents and agreements; and (10) ratify previous actions taken in connection with the proposed project.

The proposed COPs in an amount not to exceed \$170,000,000 would be used for seismic upgrades and other improvements to the Veterans Building, and related financing and reserves. Based on current cost estimates and schedules and under current market conditions, the Office of Public Finance expects to issue \$168,115,000 of COPs, which would provide approximately \$132,455,590 of project funding directly for the seismic upgrades and building improvements,



and \$35,659,410 for related COP expenses, as shown in Table 1 below. A breakdown of the \$132,455,590 of project funding for the seismic upgrades and improvements is provided in Table 2 below.

**Table 1: Uses of Certificates of Participation Proceeds**

<b>Cost Component</b>	<b>Amount</b>
Seismic Upgrades and Improvements (Project Funding)	<u>\$132,455,590</u>
COP Project Fund	107,383,270
Commercial Paper Project Fund	23,916,730*
Commercial Paper Interest	1,155,590*
COP Expenses	<u>\$35,659,410</u>
Debt Service Reserve	12,299,400
Capitalized Interest	22,117,250
Other Costs of Issuance	402,185
Underwriter's Discount	840,575
<b>Total</b>	<b>\$168,115,000</b>

\* Total Commercial Paper of \$25,072,320  
Source: Office of Public Finance

The Office of Public Finance does not anticipate issuing the proposed COPs until December 2012 (see "Short Term Financing through Commercial Paper" section below). The proposed not-to-exceed amount of \$170,000,000, which is \$1,885,000 greater than \$168,115,000 amount shown in Table 1 above, allows for variations in potential interest rates and market conditions between now and December 2012.

**Table 2: Veterans Building Improvement Costs**

<b>Hard Costs - Construction Cost</b>	<b>\$102,052,800</b>
Includes all seismic elements, put back of historic finishes, life safety and code mandated improvements including sprinkler & fire alarm systems, Americans with Disabilities Act (ADA), central plant replacement, elevator upgrades, replacement of domestic drinking water systems, design & construction contingencies.	
<b>Soft Costs - Project Management, Design, Permits, etc.</b>	<b>\$28,247,200</b>
Basic Engineering/Architectural (E/A) Services	11,055,000
Supplemental E/A Services	3,864,200
Permits, Fees, Environmental review, surveys	2,537,600
Construction Management	6,190,800
DPW Project Manager	2,211,000
Project Management Admin. Support	884,400
Haz Mat Abatement, City Attorney fees, Program exp. Etc.	1,504,200
<b>Subtotal:</b>	<b>\$130,300,000</b>
Commercial Paper Program Interest	1,155,590
Relocation Cost	1,000,000
<b>Total Project Cost Funded by COPs</b>	<b>\$132,455,590</b>

Source: Department of Public Works

### *Lease of City Property*

Under the proposed ordinance, the City would lease City-owned property to a third-party trustee to secure the COPs financing. The lease would be in effect from the issuance of the COPs in late 2012 for approximately 29 years, or through approximately 2041, while the COPs remain outstanding. Under the proposed ordinance, the City would lease the City property back from the third-party trustee in consideration for annual base rental payments due from the City to holders of the COPs that are equal to the amounts required to amortize the repayment obligations on the COPs. During the life of the proposed lease, the City would make lease payments to the trustee two times per year. The City's General Fund secures the City's covenants and obligations for the life of the COPs. Under the proposed ordinance, the Director of Public Finance would have the authority to select the third-party trustee, to be selected based on the lowest fees and other considerations via a competitive Request for Proposal (RFP) that was released June 3, 2011.

The leased property securing the COPs is expected to have a fair market value approximately 125 percent of the COPs outstanding, or approximately \$210,143,750. Under the proposed ordinance, the City-owned War Memorial Veterans Building and War Memorial Opera House would serve as collateral for the COPs to secure the City's covenants and obligations under these leases.

### *Short Term Financing through Commercial Paper*

If the proposed ordinance is approved by the Board of Supervisors, the Office of Public Finance expects that the COPs will be issued in December 2012. According to the Office of Public Finance, the City's Commercial Paper program would be used to finance any costs incurred between the approval of the proposed ordinance and the issuance of the COPs. The Office of Public Finance estimates issuing \$23,916,730 in Commercial Paper to provide short-term funding for the Veterans Building project, at an estimated interest expense and issuance cost of \$1,155,590. The total cost of Commercial Paper would be \$25,072,320 (see Table 1 above). The Commercial Paper would be repaid by revenue from the issuance of the COPs.

According to the Office of Public Finance, the planned use of Commercial Paper is in accordance with the City's Commercial Paper program, approved by the Board of Supervisors on April 6, 2010 (File 10-0269). The Office of Public Finance notes, "Commercial paper is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred."

## **FISCAL IMPACTS**

The proposed ordinance calls for the issuance of up to \$170,000,000 in Certificates of Participation (COPs). As noted above, the Office of Public Finance currently estimates that \$168,115,000 (see Table 1 above) would actually be issued, based on current project costs and market conditions.

The Office of Public Finance reports that, based on conservative estimates, the total cost of issuing the proposed COPs issuance would be \$316,280,000, including \$168,115,000 for project costs and issuing expenses as shown in Table 1 above and \$148,165,000 for total estimated interest costs. According to Mr. Anthony Ababon of the Office of Public Finance, the total annual interest costs assume an average annual interest rate of 5.36 percent on the COPs. The average cost of the COPs to the City's General Fund would be approximately \$12,165,000 per year, for a period of 26 years. According to Mr. Ababon, payments would start in FY 2015-16.

The Capital Planning Committee's policy, as adopted by the Board of Supervisors, recommends a limit on the City's debt service of 3.25 percent of General Fund discretionary revenues in any given fiscal year. According to the Office of Public Finance, should the Board of Supervisors approve the issuance of the proposed COPs, the City's debt service would remain below the 3.25 percent limit.

**POLICY CONSIDERATION****Although the Capital Planning Committee Has Recommended Funding the Veterans Building Improvements with Certificates of Participation, Debt Financing via General Obligation Bonds Would be Less Costly**

As noted above, the total cost of financing the \$132,455,590 in improvements to the Veterans Building using Certificates of Participation (COPs) is projected to be \$316,280,000, including project and issuing expenses of \$168,115,000 and estimated total interest payments of \$148,165,000. According to calculations provided by the Office of Public Finance, the cost of financing \$132,455,590 in improvements to the Veterans Building through the use of GO Bonds would cost approximately \$228,520,000, or \$87,760,000 less than the \$316,280,000 cost of funding improvements using the proposed COPs. Furthermore, because GO Bonds are financed through additional Property Taxes, GO Bond financing would have effectively no impact on the General Fund, whereas the proposed COPs do not include a new source of revenue, and will require a General Fund expenditure of approximately \$12,165,000 per year, on average, for 26 years.

The California State Constitution requires the approval by two-thirds of the City's voters for the City to issued a GO Bond. As noted in the Background section above, in 1990, San Francisco voters approved the issuance of GO Bonds for improvements for the Veterans Building and other City facilities, but such funds were utilized for other approved City projects. In 2002, San Francisco voters rejected the issuance of GO Bonds for the exclusive purpose of improving the Veterans Building. The soonest San Francisco voters could be asked to vote on a new GO Bond would be the June 2012 primary election, and based on the 2002 vote, the outcome would be uncertain.

According to Mr. Brian Strong, Director of the City's Capital Planning Program, the Capital Planning Committee has three funding options for projects: GO Bonds, COPs, or direct General Fund appropriations. For priority projects, such as those where emergency services, health, or safety may be impacted or where deferring capital improvements could result in higher costs, the Capital Planning Committee recommends either GO Bonds or COPs.

It is the opinion of the Capital Planning Committee that the City should not wait any longer to complete the improvements to the Veterans Building. Furthermore, the FY 2012-2021 Capital Plan recommended by the Capital Planning Committee and approved by the Board of Supervisors on March 29, 2011 proposes a series of capital projects to be funded with GO Bonds, subject to voter approval, through 2021. If the City proposes any GO Bonds in excess of those already listed prior to 2017, Mr. Strong notes that the City would not be able to honor its commitment to keep Property Tax rates at or below 2006 levels, a key financial constraint established by the Capital Planning Committee and approved by the Board of Supervisors in the Board of Supervisors' approval of the City's Capital Plan. Under this constraint, the Capital Planning Committee does not recommend any amount of GO Bonds that would result in San Francisco Property Taxes exceeding the 2006 Property Tax rate.

In conclusion, funding the proposed improvements using COPs is approximately \$87,760,000 more costly than if City voters approved a GO Bond for the same improvements. However, such voter approval is uncertain, would possibly increase Property Tax rates above 2006 levels, and would require additional time to obtain voter approval, thereby delaying needed improvements to the War Memorial Veterans Building.

## RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

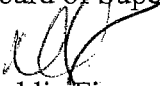
**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

**Nadia Sesay**  
**Director**  
**Office of Public Finance**

**MEMORANDUM**

**TO:** Honorable Members, Board of Supervisors

**FROM:** Nadia Sesay, Director   
Controller's Office of Public Finance

**SUBJECT:** Ordinance Authorizing the Execution and Delivery of Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements)

**DATE:** June 14, 2011

Approval of the Ordinance would authorize the City to issue not to exceed par amount of \$170,000,000 in City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2012A (the "Certificates") to finance capital improvements to the War Memorial Veterans Building described below. The City anticipates issuing the Certificates in December 2012.

**The Project:**

The proceeds of the Certificates will be used to finance or refinance the costs of the construction and installation of improvements in connection with the renovation of the War Memorial Veterans Building located at 401 Van Ness Avenue (the "Project"); fund capitalized interest during the construction period of the Project through June 1, 2015; fund the Certificates debt service reserve account for the Certificates established under the trust agreement; and pay costs of execution and delivery of the Certificates.

In particular, the Project consists of the following seismic upgrades and earthquake safety improvements to the War Memorial Veterans Building:

- Seismic upgrades and earthquake damage repair,
- Hazardous materials mitigation,
- Facility preservation and modernization improvements,
- Accessibility upgrades,
- Code-mandated upgrades, and
- Replacement of water piping & drinking water system.

In addition, the Certificates are anticipated to finance improvements addressing the changing needs of Veterans organizations, the increased use of the Herbst Theatre and Green Room, and the increasing utilization and efficiency of the building space to meet current and evolving needs.

**The Certificates:**

Under the proposed Ordinance, the City will structure the Certificates as an abatable asset-transfer lease by and between the City and a third-party trustee pursuant to a property lease, project lease and trust agreement.

Pursuant to the property lease, the City leases a City-owned property to a third party trustee for a nominal amount while the Certificates remain outstanding. Pursuant to the project lease, the City leases the leased property from the third party trustee in consideration for annual base rental payments due from the City to holders of the Certificates that are equal to the amounts required to amortize the repayment obligations on the Certificates. The City general fund secures the City's repayment obligations for the life of the Certificates.

Pursuant to the trust agreement between the City and a third party trustee acting on behalf and for the benefit of Certificates holders, the trustee administers and disburses Certificate payments and enforces the covenants and remedies in the event of a default by the City. The trust agreement provides for the terms of the Certificates, the base rental payment schedule, redemption provisions, events of default, remedies in the event of default, and other related administrative provisions. The trustee holds proceeds derived from the sale of the Certificates and disburses payments for the costs incurred for Project, as directed by authorized City representatives. The Ordinance delegates selection of the third party trustee to the Director of Public Finance, and the trustee will be selected based on the lowest fees and other considerations via a competitive request for proposal released June 3, 2011.

*The Leased Property:* The leased property securing the Certificates is expected to have a fair market value approximately 125 percent of the Certificates outstanding. To facilitate the financing, the War Memorial Board of Trustees proposes to lease the War Memorial Opera House and the War Memorial Veterans Building. Pending the outcome of preliminary analysis by the Real Estate Department, it is anticipated that the City-owned War Memorial Veterans Building and War Memorial Opera House at 401 Van Ness Street, respectively (the "Leased Property") will serve as collateral for the Certificates to secure the City's covenants and obligations under the leases.

Based on current market conditions, OPF anticipates base rental payments by the City on each May 25 and November 25 during the life of the Certificates, commencing on March 25, 2013 and semi-annually thereafter, in an amount sufficient to pay total lease payments when due. The trust agreement between the City and a trustee requires that the rental payments be deposited in the debt service fund maintained by the trustee. On June 1 and December 1 of each year, commencing June 1, 2013 and semi-annually thereafter, the trustee will apply such amounts as is necessary to make rental payments with respect to the Certificates.

**The Current Plan of Finance:**

The proposed Ordinance authorizes the issuance of not to exceed par amount of \$170,000,000. Based on current Project cost estimates and schedules, the Office of Public Finance expects to issue \$168,115,000 under current market conditions. The additional authorized amount above the expected issuance amount allows for fluctuations in market interest rates from the date of authorization by the Board to the time of the sale of the Certificates, and the attendant increases in required deposits for capitalized interest, debt service reserve fund, and delivery date expenses in the event interest rates were to increase from current levels. The Certificates are anticipated to contribute approximately \$132,500,000 to the total component sources of funds of the Project.

*Commercial Paper:* The current plan of finance anticipates utilization of the City's commercial paper program launched by the City in June 2010 (Reso No. 85-09 and Reso No. 136-10) to finance certain interim costs of the Project, including preliminary design, planning, and permitting costs.

Commercial paper is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. Commercial paper notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. Commercial paper has a fixed maturity date from one to 270 days, compared with a final maturity of 20- to 30-years for the City's typical long-term obligation. On the maturity date, the commercial paper note may be "rolled" (or refinanced) with the re-issuance of commercial paper notes for additional periods of up to 270 days or finally retired with the issuance of long-term obligations once the project is complete and the final project cost is established.

As of June 2011, the City has issued and outstanding \$16 million in aggregate par amount of commercial paper notes providing interim financing of project costs for street improvements, Moscone Convention Center improvements, and capital equipment acquisitions. The average interest cost on the City's outstanding commercial paper is 0.31% and approximately \$35,500 in interest has accrued since the City issued its first commercial paper notes in June 2010.

*The Certificates:* The Certificates are expected to be issued in the fourth quarter of calendar 2012, with a closing before year-end 2012 in an amount sufficient to fully pay the costs of the Project, including any previously issued commercial paper and capitalized interest financing the Project. Table 1 outlines anticipated sources and uses for the Certificates.



**Table 1: Anticipated Sources and Uses from the Issuance of the Certificates.**

<b>Sources</b>		
<u>Par Amount</u>		\$ 168,115,000
Total Sources		\$ 168,115,000
<b>Uses</b>		
Project Fund		\$ 132,455,590
COPs Project Fund	107,383,270	
CP - Project Fund	23,916,730	
CP - Accrued Interest	1,155,590	
Delivery Date Expenses		35,659,410
Debt Service Reserve	12,299,400	
Capitalized Interest	22,117,250	
Other Cost of Issuance	402,185	
Other Underwriter's Discou	<u>840,575</u>	
Total Uses		\$ 168,115,000

The authorized amount above the expected issuance amount of \$168,115,000 allows for fluctuations in market conditions from the date of recommendation by the Capital Planning Committee and authorization by the Board of Supervisors to the time of the sale of the Certificates. The sale of the Certificates is tentatively scheduled for December 2012. The Office of Public Finance expects the Certificates to have a final maturity of 2041, or approximately 29 years.

Based upon conservative estimates, the Office of Public Finance estimates that fiscal year net base rental payments on the Certificates average approximately \$12,165,000. The total estimated par amount of \$168,115,000 is estimated to result in approximately \$148,166,000 in net interest payments over the life of the Certificates. The net base rental payments over the life of the Certificates total approximately \$316,280,000.

Proceeds of the Certificates may be used to reimburse the City for funds advanced from the City's general fund for the Project, and to repay any outstanding commercial paper certificates of participation issued to provide interim financing for the Project.

*Method of Sale:* In connection with the execution and delivery of the Certificates, the proposed Ordinance delegates to the Director of Public Finance the authority to sell the Certificates by either a competitive or negotiated sale, subject to the Director of Public Finance's determination that a negotiated sale will result in the lowest borrowing cost to the City. The Ordinance authorizes the sale of the Certificates by negotiated sale pursuant to a Purchase Contract, if a negotiated sale is expected to provide the lower cost of borrowing as compared to a competitive sale method. If a negotiated sale method is pursued, one or more firms from the City's underwriter pool will be selected to serve as underwriter(s) for the Certificates.

*Capital Plan:* In fiscal year 2006 with the City's inaugural Ten Year Capital Plan, the Capital Planning Committee approved a financial constraint regarding the City's planned use of certificates of participation and other general fund secured long-term obligations financing capital improvements. The Capital Planning Committee's policy limits debt service to 3.25% of general fund discretionary revenues in any given fiscal year.

The Controller's Office estimates fiscal year 2010 general fund discretionary revenues (or aggregate discretionary revenues) of approximately \$2.0 billion and debt service on general fund secured long-term obligations (excluding self-supporting obligations) of \$62 million, representing approximately 3.09% of the City's general fund discretionary revenues.

Should the Board of Supervisors approve the issuance of the Certificates, the City's general fund discretionary revenues allocable to debt service on general fund secured long term obligations will remain within the Capital Planning Committee's approved financial constraint.

**Financing Timeline:**

Schedule milestones in connection with the financing may be summarized as follows:

<u>Milestone</u>	<u>Date*</u>
Consideration by the Capital Planning Committee	June 13, 2011
Introduction of financing resolution and related materials to the Board	June 14, 2011
Closing & delivery of Certificates	December 2012

\*Please note that dates are estimated unless otherwise noted.

**Additional Information:**

The Ordinance will be introduced at the Board of Supervisors meeting on Tuesday, June 14, 2011. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Preliminary Official Statement, Continuing Disclosure Certificate, Project Lease, Property Lease, Trust Agreement, Appendix A and Purchase Contract—have also been submitted.

*Official Notice of Sale and Notice of Intention to Sell:* The Notice of Intention to Sell provides legal notice to prospective bidders of the Certificates, should the City pursue a competitive sale. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notices of Sale announces the date and time of the competitive sale for the Certificates, including the terms relating to the Certificates; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Certificates. Pursuant to the Ordinance, the Controller is authorized to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

*Official Statement:* The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Certificates. The Official Statement describes the Certificates, including sources and uses of funds; security for the Certificates; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Certificates. If sold by competitive sale, a *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the

Certificates and within seven days of the public offering of the Certificates, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Certificates.

The Board of Supervisors and the Mayor, in adopting and approving the Ordinance, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Certificates. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

*Appendix A:* The City prepares the Appendix A: “City and County of San Francisco—Organization and Finances” (the “Appendix A”) for inclusion in the Official Statement. The Appendix A 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. Pursuant to the Ordinance, City staff will revise the Official Statement, including the Appendix A, to conform to the City’s most recent Comprehensive Annual Financial Report before printing of the Preliminary and final 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 Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

CC: Angela Calvillo, Clerk of the Board  
Jason Elliott, Mayor’s Liaison  
Harvey Rose, Budget Analyst  
Ben Rosenfield, Controller  
Brian Strong, Director, Capital Planning Program  
Greg Wagner, Mayor’s Budget Director  
Kenneth Roux, Deputy City Attorney  
Irene Y. Liu, Office of Public Finance Intern



# SAN FRANCISCO PLANNING DEPARTMENT

## Certificate of Determination Exemption from Environmental Review

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Reception:  
**415.558.6378**

Fax:  
**415.558.6409**

Planning  
Information:  
**415.558.6377**

Case No.: 2011.0420E  
Project Title: 401 Van Ness Avenue War Memorial Veterans Building  
Zoning: Public (P) Use District  
80-X Height and Bulk District  
Block/Lot: 0786A/001  
Lot Size: 238,682 square feet  
Project Sponsor: Tara Lamont, Department of Public Works  
(415) 557-4665  
Staff Contact: Rachel A. Schuett -- (415) 575-9030  
[Rachel.Schuett@sfgov.org](mailto:Rachel.Schuett@sfgov.org)

### PROJECT DESCRIPTION:

The project site, part of the War Memorial Complex, is located at 401 Van Ness Avenue in the Civic Center Historic District. The War Memorial Complex (City Landmark No. 84) includes the Veteran's Building, Opera House and Memorial Court, and occupies the block bounded by Franklin Street to the west, McAllister Street to the north, Van Ness Avenue to the east, and Grove Street to the south.

[Continued on the next page.]

### EXEMPT STATUS:

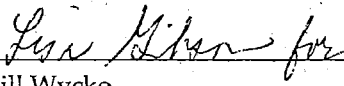
Categorical Exemption, Class 1 and 31 [State CEQA Guidelines Section 15301(a) and (d) and Section 15331]

### REMARKS:

See next page.

### DETERMINATION:

I do hereby certify that the above determination has been made pursuant to State and Local requirements.

  
Bill Wycko  
Environmental Review Officer

June 10, 2011  
Date

cc: Tara Lamont, DPW, Project Sponsor  
Richard Sucre, Current Planning Division  
Supervisor Jane Kim, District 6

Historic Preservation Distribution List  
Virna Byrd, M.D.F.

**PROJECT DESCRIPTION (continued):**

The proposed project involves the War Memorial Veteran's Building (Veteran's Building) and the northern portion of Memorial Court. The Veteran's Building was principally designed by architect Arthur Brown, Jr., who was assisted by G. Albert Lansburg, construction was completed in 1932. The Memorial Court was designed by landscape architect Thomas Church, and was completed in 1936.<sup>1</sup>

The Veteran's Building is approximately 230,000 gross square feet comprised of a full basement, four floors above grade, and a tall attic area. The building is cruciform in shape and is approximately 280 feet long in the east-west direction, and 180 feet in the north-south direction. The two cross arms (on the west side of the building) are an additional 50 feet wide, extending approximately 25 feet on each side. The structural height of the building from the basement to the roof is 115 feet. The Veteran's Building includes a parking lot on the west side of the building, with access from Franklin Street.

Memorial Court lies between the Veteran's Building and the Opera House. Since 1945, veterans' organizations have collected soil from battlefields at home and abroad, and installed it in the Memorial Court. Thus, the court is partly composed of "sacred soil" from over twenty-five battlefields on four continents. Other notable aspects of the Memorial Court include the blue and gold ornamental cast-iron fence, the cast-iron lamp-posts, and the central lawn circled by box hedges and sycamore trees.

As stated above, the Veteran's Building and Memorial Court, along with the Opera House, are individually designated as Landmark No. 84 (War Memorial Complex) in Article 10 of the San Francisco Planning Code, and are contributing resources to the Civic Center Historic District, which is designated as a National Historic Landmark District, a National Register Historic District, a California Register Historic District, and is a locally-designated historic district under Article 10 of the San Francisco Planning Code. Therefore, the Veteran's Building and Memorial Court are considered historic resources, pursuant to CEQA.

*Project History.* In 1994, the Veteran's Building Seismic Upgrade and Earthquake Damage Repair project, as defined in the Earthquake Safety Program Phase II (ESP II), was exempted from environmental review along with City Hall, the War Memorial Opera House, and Bill Graham Civic Auditorium. The War Memorial Veteran's Building project was not implemented with the ESP II Bond Program. In 2002, the Veteran's Building Seismic Upgrade and Improvements project description was developed for a bond proposal placed on the November 2002 ballot (Prop C). The project was also exempted from environmental review, at that time. Prop C did not receive the required 66 percent vote for passage, and the project did not go forward.

This Categorical Exemption reconfirms that the project is exempt from environmental review under Class 1 and 31 of the CEQA Guidelines. This Categorical Exemption does not constitute a new determination

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<sup>1</sup> *Historic Structure Report, War Memorial Veterans Building & Memorial Court*, May 31, 1995. Carey & Company, Inc. A copy of this report is available for public review at the Planning Department, 1650 Mission Street, Suite 400, San Francisco, California, as part of Case File No. 2011.0420E.

by the Planning Department. It has been issued to provide a more current and detailed Certificate of Exemption for the project file.

*Project Components.* The project sponsor proposes to rehabilitate, refurbish, and seismically upgrade the Veteran's Building and implement improvements to the northern portion of Memorial Court. The project components can be grouped into two categories: exterior work and interior work.

#### Exterior Work

Exterior work on the Veteran's Building, itself, is limited to: roof renovation, including replacement of the membrane roof, and repair or replacement in-kind of existing skylights; rehabilitation of steel window sashes and replacement of broken or missing glazing; replacement of spalled, de-bonded, and cracked terra-cotta cladding; "pinning" of structural attachments; and removal of stains to granite caused by ferrous (iron-containing) and cuprous (copper-containing) metals.

In addition, the proposed project includes re-pavement, restriping, and replacement of bollards and chains in the existing parking lot (directly behind the War Memorial Veteran's Building, with access from Franklin Street) and re-grading of the sidewalk and resurfacing of the driveway on the north side Memorial Court (south side has been completed).

The proposed exterior work does not involve any excavation beyond superficial re-grading for the sidewalk and the re-paving of the driveway. All exterior work is subject to a Certificate of Appropriateness and will be reviewed and considered for approval by the Historic Preservation Commission.

#### Interior Work

Interior work on the Veteran's Building includes: seismic upgrades; upgrades to mechanical (heating, ventilation, air conditioning, fire protection, domestic and drinking water, and computerized building management), electrical (including emergency power supply), and telecommunication cabling systems; elevator renovation, replacement, modification, and removal; replacement of attic catwalks and service platform; accessibility improvements to meet Americans with Disabilities Act (ADA) compliance (path of travel as well as drinking fountains and restrooms); hazardous materials (asbestos and lead) abatement; and new restrooms on all five floors of the building.

*Historic Interiors:* The proposed work on the historic interiors includes: refurbishment of the historic interior finishes in the publicly accessible areas of the building, including the lighting fixtures in the main lobby; upgrades to the Herbst Theatre, including refurbishment of dressing rooms, stage rigging and controls upgrades, and removal of the side seating boxes; refurbishment of the Green Room, including restoration of historic finishes, the parquet floor, and the chandeliers.

Alterations to the interior space would accommodate the transitions from existing to future tenants. Outgoing tenants include: Swords to Plowshares and Mayor's Office on Disability (administrative offices), Department of the Environment and Center for Wellness & Achievement (administrative and training offices), the Museum of Performance & Design (administrative offices/gallery), and the Law

Library (administrative offices/library). Incoming tenants include the San Francisco Arts Commission (administrative offices) and the San Francisco Opera (administrative offices and costume shop).

*New Uses:* Two new uses are proposed: a café on the first floor and a new rehearsal/event space on the fourth floor. The café would primarily serve the Herbst Theater patrons, as well as employees of/visitors to the Veteran's Building. The new rehearsal/event space would be used by the San Francisco Opera approximately half the year, and would be open as a rental space for rehearsals and events the other half of the year. This new rehearsal/event space would supplement other similar spaces within the building. This new event space would be converted from the existing Law Library, which has been identified as a historic interior.

*Seismic Upgrades:* A geotechnical investigation was undertaken for the Veteran's Building in November 1995, by Rutherford & Chekene Consulting Engineers. The geotechnical investigation concluded that, in the event of a major earthquake, the building could sustain significant damage and pose appreciable life safety hazards to building occupants. A Seismic Hazard Rating of 3 was assigned to the building because the risk of structural and non-structural damage resulting from a major earthquake presents life hazards to occupants.

The report outlined recommendations for the seismic upgrades, which has been included as part of the project as follows:

- The addition of concrete shear walls at various locations throughout the Veteran's Building, including the corridor walls surrounding the Herbst Theatre and at the four main stair wells;
- Strengthening of the existing concrete stage walls by epoxy-injecting cracks and increasing wall thickness by reinforced concrete;
- Strengthening of existing perimeter walls in northeast and southeast corners of the building by increasing wall thickness with reinforced concrete;
- Strengthening of existing diaphragm collectors<sup>2</sup> at all floor levels by adding new steel members;
- Strengthening of third and fourth floor diaphragm by addition of bracing members;
- Strengthening of roof diaphragm by addition of bracing members on all four sides of the building and reinforced concrete at local areas;
- Addition of lateral bracing to the existing plaster ceilings at the Herbst Theatre, the Main Lobby, the main corridors and the Fourth floor;
- Addition of bracing to hollow clay tile walls;
- Provision of adequate support of the stone veneer at Herbst Theatre; and
- Crack repair of walls, floors and the roof through epoxy injection.

In Article 10, the designating ordinances for Landmark No. 84 and the Civic Center Historic District, the interior of the Veteran's Building is specifically excluded as being the basis for the listing. Therefore, the interior work is not subject to a Certificate of Appropriateness and, is not subject to review and approval by the Historic Preservation Commission.

<sup>2</sup> 'Collectors' are elements of floor or roof structures that serve to transmit lateral forces from their location of origin to the seismic force-resisting-system (SFRS) of the building; here, the collector components of the building require strengthening to transmit larger seismic loads which could be carried by the shear walls.

However, given the building's historical value, the project sponsor has had the interior reviewed by preservation experts to obtain advice on how best to preserve the building's historic value. A Historic Structures Report was prepared in May 1995 by Carey & Co., Inc.<sup>3</sup> A Secretary of the Interior's Standards Analysis was prepared in July 2009 by Page & Turnbull Inc.<sup>4</sup> Based in part on the information and recommendations included in those reports, the project sponsor has proposed that all interior and exterior work be completed in compliance with the *Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings* (Secretary of the Interior's Standards.)

To ensure compliance with the Secretary of the Interior's Standards for Rehabilitation, the project sponsor has proposed that the project team would include a qualified historic preservation architect, who meets or exceeds the Secretary of the Interior's Professional Qualification Standards in Historic Architecture. Further, the project sponsor would re-submit the project plans to the San Francisco Planning Department Preservation staff for review and approval at the 50% Schematic Design Phase, the 100% Schematic Design Phase, and the 25% Design Development Phase. In particular, the Planning Department would review and approve the details of the seismic strengthening scheme and the details/methodology for removing, storing and replacing historic interior finishes.

#### REMARKS (continued):

California Environmental Quality Act (CEQA) State Guidelines Section 15301, or Class 1, provides an exemption from environmental review for projects that consist of "the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination." Examples of the types of projects that may be included in Class 1 include: interior or exterior alterations involving such things as interior partitions, plumbing, and electrical conveyances [CEQA Guidelines Section 15301(a)], and restoration or rehabilitation of deteriorated or damaged structures, facilities, or mechanical equipment to meet current standards of public health and safety, unless it is determined that the damage was substantial and resulted from an environmental hazard such as earthquake, landslide, or flood [CEQA Guidelines Section 15301(d)].

As stated in the project description, the proposed project consists of repairs, maintenance and minor alterations to the Veteran's Building and the building's mechanical equipment, including plumbing and electrical conveyances, heating, air conditioning and ventilation, fire protection, telecommunication, and computerized building maintenance systems. The project also includes seismic and ADA upgrades, and hazardous materials abatement to meet current standards of health and safety. Moreover, the changes of

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<sup>3</sup> *Historic Structure Report, War Memorial Veterans Building & Memorial Court*, May 31, 1995. Carey & Company, Inc. A copy of this report is available for public review at the Planning Department, 1650 Mission Street, Suite 400, San Francisco, California, as part of Case File No. 2011.0420E.

<sup>4</sup> *Secretary of the Interior's Standards Analysis, War Memorial Veterans Building*, July 30, 2009. Page & Turnbull, Inc. A copy of this report is available for public review at the Planning Department, 1650 Mission Street, Suite 400, San Francisco, California, as part of Case File No. 2011.0420E.



use resulting from the proposed project would be minor, largely to better serve existing tenants. The proposed project therefore meets the criteria of Class 1 (a) and (d).

California Environmental Quality Act (CEQA) State Guidelines Section 15331, or Class 31, provides an exemption from environmental review for "projects limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings (1995), Weeks and Grimmer" [CEQA Guidelines Section 15331].

The building is an historic resource as explained above under the Project Description. The proposed project consists of seismic upgrades to stabilize the building, upgrades to mechanical systems, maintenance and repair of the existing roof, windows, finishes, upgrades to ADA accessibility, hazardous materials abatement, and restoration of the building's historic interior. Moreover, the proposed project would comply with the Secretary of the Interior's Standards for the treatment of Historic Properties. The proposed project therefore meets the criteria of Class 31, as explained in detail below.

The Planning Department evaluated the project for compliance with the Secretary of Interior's Standards in a Historic Resource Evaluation Response memorandum (HRER) dated June 9, 2011. The June 2011 HRER serves as the source for the following historical resources discussion.<sup>5</sup>

Under the San Francisco Planning Department CEQA Review Procedures for Historic Resources,<sup>6</sup> the subject property is considered "Category A.1" (resources listed on or formally determined to be eligible for the California Register), since the property is individually designated as Landmark No. 84 in Article 10 of the San Francisco Planning Code, and is a contributing resource to the Civic Center Historic District, which is designated as a National Historic Landmark District, a National Register Historic District, a California Register Historic District, and is a locally-designated historic district under Article 10 of the San Francisco Planning Code.

As noted in the National Register documentation, the Veteran's Building and the surrounding San Francisco Civic Center Historic District are significant under National Register Criterion A (Events) and Criterion C (Design/Construction) within the areas of architecture, community planning, politic/government and recreation for its association with Panama-Pacific International Exposition of 1915. Specifically, the San Francisco Civic Center is notable for: the founding of the United Nations; the drafting and signing of the post-WWII peace treaties with Japan; municipal reform movements; post-earthquake reconstruction; early public and city planning; high artistic values as associated with architecture; and one of the finest and most complete manifestations of the "City Beautiful" architectural movement. The period of significance for the district ranges from 1913 to 1951, while the period of significance for the Veteran's Building and Memorial Court ranges from 1932 to 1951.

<sup>5</sup> Historic Resource Evaluation Response: War Memorial Veterans Building from Richard Sucre, Preservation Planner to Rachel Schuett, Environmental Planner, dated June 9, 2011. A copy of this memorandum is attached.

<sup>6</sup> San Francisco Preservation Bulletin No. 16, City and County of San Francisco Planning Department CEQA Review Procedures for Historic Resources, Draft-March 18, 2008. Available at <http://www.sfgov.org/planning>.

The evaluation of properties for potential impacts to an "historical resource" under CEQA is a two-step process. The first step is to determine whether the property is an "historical resource," and the second is to evaluate whether the action or project proposed by the sponsor would cause a "substantial adverse change" to the "historical resource." The project is determined to involve an historical resource per CEQA Guidelines Section 15064.5(a)(1) and (2) as a building that contributes to a California Register historic district and is included in a local register of historical resources. Planning Department staff reviewed the proposed modifications to the Veteran's Building to determine whether the proposed project is consistent with the *Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings* (Secretary of the Interior's Standards) or if any proposed modification would materially impair the resource.

*Character-Defining Features.* For the purposes of CEQA, the character-defining features of the Veteran's Building include the features documented as "Very Significant," "Significant," and "Contributing" within a report produced by Page & Turnbull in July 2009<sup>7</sup>.

The character-defining features of the Veteran's Building include, but are not limited to:

- *Exterior:* All exterior elements dating from the period of significance (1932 – date of construction of Veteran's Building to 1951 – end of period of significance of historic district), including granite steps, terracotta exterior, bronze and iron fixtures, and copper mansard roof, among others features.
- *Interior:* All interior elements dating from the period of significance (1932 to 1951), including the Herbst Theater (excluding the 1978 mezzanine seats), entry lobby/portico, hallway configuration and corridors (all floors), staircases, Law Library (fourth floor), and bronze and brass fixtures, among other features.

The character-defining features of the Memorial Court include, but are not limited to: the blue and gold ornamental iron fencing, the central lawn encircled by sidewalks, and the ornamental cast-iron lampposts.

#### Memorial Court

The proposed scope of work at the Memorial Court would not cause a significant adverse impact upon any historic resource or historic fabric, since the project does not impact any built resource or significant landscape features, that contribute to the San Francisco Civic Center Historic District, such as the cast-iron lampposts and ornamental lawns. Furthermore, the proposed work is limited in scope to portions of the site, that have previously been altered since its original date of construction, including the driveway and sidewalks. This work can be considered ordinary maintenance and repair, and is consistent with the Secretary of the Interior's Standards for Rehabilitation. Also, the proposed work on the Memorial Court

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<sup>7</sup> *Secretary of the Interior's Standards Analysis, War Memorial Veterans Building, July 30, 2009.* Page & Turnbull, Inc. A copy of this report is available for public review at the Planning Department, 1650 Mission Street, Suite 400, San Francisco, California, as part of Case File No. 2011.0420E.

would not affect the blue and gold ornamental iron fencing, the central lawn encircled by sidewalks, and the ornamental cast-iron lampposts, identified as character-defining features.

For these reasons, the following discussion focuses only on the proposed work on the Veteran's Building.

#### Veteran's Building

The Planning Department has determined that the proposed project including the treatment of the Herbst Theater, Main Lobby, interior corridors and overall seismic upgrade, is consistent with all aspects of the Secretary of the Interior's Standards and would not result in a substantial adverse change in the significance of a historical resource. The proposed work, which would be designed, detailed, and constructed in the most sensitive manner possible to avoid physical impacts to the building's character-defining features. In particular, the proposed exterior work would avoid impacts to the granite steps, terracotta exterior, bronze and iron fixtures, and copper mansard roof, among others features. The proposed interior work has been designed to avoid impacts to the Herbst Theater, with the exception of the 1978 mezzanine seats (which were not found to be character-defining); the entry, lobby/portico, hallway configuration and corridors (all floors), staircases, Law Library (fourth floor), and bronze and brass fixtures, among other features. The proposed project would not result in impacts to character-defining features due to the project sponsor's application of the Secretary of the Interior's Standards, discussed in detail, below. Further, the proposed project would not significantly alter the building's interior or exterior appearance or relationship to other resources in the historic district.

Specifically, the Planning Department finds that the proposed project at the Veteran's Building complies with the following treatment standards for rehabilitation:

#### *Standard 1.*

*A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.*

The proposed project will retain the subject property's use as a theater and office, and will maintain the area's civic character. The new café and event space uses are consistent with the building's historic purpose as a theater and office.

#### *Standard 2.*

*The historic character of a property will be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property will be avoided.*

In general, the proposed project maintains the historic character of the Veteran's Building and the surrounding Civic Center Historic District, since many of the alterations are planned for the interior of the Veteran's Building and since exterior work is limited to preservation, rehabilitation, and restoration of existing features, such as the steel-sash windows, skylights, and terra cotta. Within the interior, the proposed project would largely avoid removal of historic materials, as evidenced by the extensive plan to repair, rehabilitate, and reinstall many of the existing interior features, such as the electrical switches and faceplates, doors and hardware, and light fixtures. The project would impact the configuration of the west end of the first floor corridor, which would be altered to accommodate a larger dressing room for

the Herbst Theater. The corridor would be altered in such a manner to be easily reversible, and to maintain a semblance of the building's original layout and finishes. To ensure compliance with Standard 2, the project sponsor has proposed that a qualified professional with experience in historic architecture would monitor the alterations to distinctive features and spaces that characterize the subject property.

**Standard 3.**

*Each property will be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.*

The proposed project does not involve conjectural alterations to the subject property. In general, all restoration is based upon historic documentation or retained historic features, such as the restoration of the historic light fixtures in the Main Lobby of the Veteran's Building.

**Standard 4.**

*Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.*

The Veteran's Building has undergone alterations since it was constructed in 1932; however, none of the alterations have acquired significance in their own right. In the Herbst Theater, the removal of the side mezzanine seating does not constitute an alteration that has acquired significance in its own right. These seats were a later alteration to the property constructed in 1978, which is outside the period of significance. Therefore, the proposed project does not involve alterations to the Veteran's Building or Civic Center Historic District, that have acquired significance in their own right.

**Standard 5.**

*Distinctive features, finishes, and construction techniques or examples of fine craftsmanship that characterize a property will be preserved.*

The proposed project would preserve all distinctive materials, features, finishes or construction techniques that characterize the subject property, including the historic interior finishes found within the Herbst Theater, Main Lobby, and first floor corridors. As part of the seismic upgrade, the proposed project would strengthen the existing corridor walls on each of the floors either with concrete shear walls or with hollow clay tile bracing. To accommodate this seismic scheme, the proposed project would remove, catalog, clean and reinstall all significant interior features finishes found on each of the floors, including historic wainscots, base molding, wood office partitions, drinking fountains, telephone closets, doors, etc. For any historic plaster impacted by the seismic scheme, new plaster would be designed to match. In general, removal or impact to significant ornamental features would be avoided by the proposed project. Similarly, gilded features would be re-gilded in-kind to match the original color and luster. To ensure compliance with Standard 5, the project sponsor has proposed that a qualified professional with experience in historic architecture would monitor the preservation and treatment of distinctive features, finishes, construction techniques and fine craftsmanship.

**Standard 6.**

*Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacements of a distinctive feature, the new feature will match the old in design, color, texture and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.*

The proposed project adopts an ethic of repair over replace, and includes repairing many of the historic interior features and finishes, including historic trim, doors and hardware, and light fixtures. Since the original architectural drawings and specifications drafted by architect Arthur Brown Jr. in 1932 are available, any restoration work would be guided by appropriate historic documentation. To ensure compliance with Standard 6, the project sponsor has proposed that a qualified professional with experience in historic architecture would guide the repair and treatment of distinctive features.

**Standard 7.**

*Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.*

The proposed project includes an extensive cleaning program for the entire building, which would clean and preserve the historic cast stone, terracotta, and metal elements. To ensure compliance with Standard 7, the project sponsor has proposed that a qualified professional with experience in historic architecture would specify and draft the standards for cleaning as guided by the Carey & Co. Historic Structure Report<sup>8</sup> and other relevant historic preservation maintenance guidelines.

**Standard 8.**

*Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures will be undertaken.*

Based upon provided information, the proposed project would involve minimal ground disturbance limited to the superficial re-grading for the sidewalk and the re-paving of the driveway; therefore, no archaeological resources would be impacted.

**Standard 9.**

*New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.*

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<sup>8</sup> Historic Structure Report War Memorial Veterans Building and Memorial Court. Carey & Co., Inc. May 31, 1995. A copy of this report is available for public review at the Planning Department, 1650 Mission Street, Suite 400, San Francisco, California, as part of Case File No. 2011.0420E.

The proposed project does not involve any new additions. Rather, the proposed project is focused upon the preservation, rehabilitation, and restoration of the Veteran's Building through a seismic upgrade and interior alterations. The proposed project would impact the west end of the first floor corridor and the fourth floor Law Library due to the expansion of the dressing rooms and the introduction of the fourth floor event space. In general, these two alterations would be in keeping with the building's historic character, and would maintain the historic finishes and features. To ensure compliance with Standard 9, the project sponsor has proposed that a qualified professional with experience in historic architecture would guide the design of any new features within these interior spaces.

**Standard 10.**

*New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.*

The proposed project includes a seismic upgrade, which is not typically considered a reversible feature. However, this seismic upgrade would be undertaken in a manner that respects the building's historic character and maintains significant interior features. The seismic upgrade would ensure the longevity of the existing building and would address life safety requirements. Other aspects of the project would maintain and preserve the building's historic fabric, and would maintain the essential form and integrity of the subject property and the surrounding historic district. No new additions are planned for the subject property.

**Summary**

For the above reasons, the Planning Department has determined that the proposed project is consistent with all aspects of the Secretary of the Interior's Standards and would not result in a substantial adverse change in the significance of a historical resource.<sup>9</sup> As stated in the HRER, the Department finds that the proposed project would have a less-than-significant impact upon historic resources located on the project site, including the Veteran's Building and the Civic Center Historic District. The project would not impact the historic significance or character-defining features of the Veteran's Building and this property would maintain its eligibility for listing in the National Register of Historic Places, California Register of Historical Resources, and under Article 10 of the San Francisco Planning Code. Furthermore, the proposed project would not impact the historic significance or character-defining features of the Civic Center Historic District. Therefore, the proposed project would not result in a significant impact on a historic resource.

The exterior work is subject to a Certificate of Appropriateness and will be reviewed by the Planning Department for approval by the Historic Preservation Commission.

The proposed interior and exterior work on the Veteran's Building is not anticipated to change the status of the building as City Landmark No. 84 and as a contributing resource to the Civic Center Historic District.

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<sup>9</sup> Historic Resource Evaluation Response: War Memorial Veterans Building from Richard Sucre, Preservation Planner to Rachel Schuett, Environmental Planner, dated June 9, 2011. A copy of this memorandum is attached.

CEQA Guidelines Section 15300.2 identifies exceptions to the use of categorical exemptions. The Planning Department has determined that none of the exceptions apply to this project. The project would not make a contribution to cumulative impacts, there are no unusual circumstances that give rise to a reasonable possibility of significant effects and the project will not damage scenic resources. The site is not a hazardous waste site. For the reasons previously stated, the project will not cause a substantial adverse change in the significance of a historical resource.

**EXEMPT STATUS:**

As noted above, the proposed project meets the criteria for a categorical exemption under Class 1 as a project that will repair and cause minor alterations in an existing facility with negligible or no expansion of use beyond those existing at present. The project also meets the criteria for a categorical exemption under Class 31, as a project limited to maintenance, repair, stabilization, rehabilitation, restoration, preservation, conservation or reconstruction of historical resources in a manner consistent with the *Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings (1995)*, Weeks and Grimmer." [CEQA Guidelines Section 15331]

None of the exceptions to the use of a categorical exemption set out in CEQA State Guidelines Section 15300.2 apply. For the above reasons, the proposed project is appropriately exempt from environmental review.



# SAN FRANCISCO PLANNING DEPARTMENT

MEMO

## Historic Resource Evaluation Response

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*Project Address:* Veteran's Building, 401 Van Ness Avenue  
*Block/Lot:* 0786A/001  
*Case No.:* 2011.0420E

*Date of Review:* June 9, 2011 (Part II)

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### PART II: PROJECT EVALUATION

PROPOSED PROJECT  Demolition  Alteration  New Construction

PER DRAWINGS DATED: Submitted May 17, 2011 (by: Department of Public Works, Bureau of Architecture)

#### PROJECT DESCRIPTION

The Veteran's Building at 401 Van Ness Avenue is part of the War Memorial Complex, which is located in the Civic Center Historic District. The War Memorial Complex (Landmark No. 84) includes the Veterans Building, Opera House and Memorial Court, and occupies the block bounded by Franklin Street to the west, McAllister Street to the north, Van Ness Avenue to the east, and Grove Street to the south.

The Project Sponsor proposes to rehabilitate, refurbish, and seismically upgrade the War Memorial Veterans Building pursuant to the Secretary of the Interior's Standards for Rehabilitation (Secretary's Standards). To ensure compliance with the Secretary of the Interior's Standards for Rehabilitation, the project team would include a qualified historic preservation architect, who meets or exceeds the Secretary of the Interior's Professional Qualification Standards in Historic Architecture. The proposed project would subsequently be reviewed and approved by the San Francisco Planning Department Preservation staff at the 50% Schematic Design Phase, 100% Schematic Design Phase and 25% Design Development Phase. In particular, the Planning Department would review and approve the details of the seismic strengthening scheme and the details/methodology for removing, storing and replacing historic interior finishes.



The project components can be grouped into two categories: exterior work and interior work.

Exterior Work: All exterior work is subject to a Certificate of Appropriateness and must be reviewed and approved by the Historic Preservation Commission.

*Veteran's Building*: Exterior work is limited to: roof renovation, including replacement of the membrane roof, repair or replacement in-kind of existing skylights; rehabilitation of steel window sashes and replacement of broken or missing glazing; re-grading of the sidewalk; replacement and repair of spalled, de-bonded, and cracked terra-cotta units; "pinning" of structural attachments; removal of stains to granite caused by ferrous and cuprous metals.

*Memorial Court*: The project includes re-pavement, restriping, and replacement of bollards and chains in the existing parking lot and resurfacing of the driveway on the north side of the Memorial Court. The south side of the driveway was previously completed under a separate project.

Interior Work: The interior work is not subject to a Certificate of Appropriateness and, therefore, is not subject to review and approval by the Historic Preservation Commission. However, the interior is subject to environmental review, since this project involves a publically-accessible interior. Given the building's historical value the project sponsor has proposed that all interior and exterior work would be completed in compliance with the Secretary of the Interior's Standards.

*Veteran's Building*: Interior project components include: seismic upgrades; upgrades to mechanical (heating, ventilation, air conditioning, fire protection, domestic and drinking water, and computerized building management), electrical (including emergency power supply), and telecommunication cabling systems; elevator renovation, replacement, modification, and removal; replacement of attic catwalks and service platform; accessibility improvements to meet Americans with Disabilities Act (ADA) compliance (path of travel as well as drinking fountains and restrooms); hazardous materials (asbestos and lead) abatement; and new restrooms on all five floors of the building. The proposed project would also refurbish the subject property's historic interior finishes in the publicly accessible areas of the building, including the lighting fixtures in the main lobby. As described in further detail, specific aspects of the interior work include:

*Veteran's Building (Herbst Theater)*: The proposed project would refurbish the Herbst Theatre and the associated dressing rooms. Work within the Herbst Theater would include: stage rigging and controls upgrades; removal of the side mezzanine seating boxes (constructed in 1978); and refurbishment of the Green Room, including restoration of historic finishes, the parquet floor, and the chandeliers.

*Veteran's Building (Café)*: The proposed project would accommodate a new café on the first floor. The café would be located in an area that has been altered from its original condition and which has deemed to be non-contributing to the building's historic significance. The café would

primarily serve the Herbst Theater patrons, as well as employees of/visitors to the War Memorial Veterans Building.

*Veteran's Building (Rehearsal/Event Space):* The proposed project would accommodate a new rehearsal/event space on the fourth floor. This new event space would be converted from the existing law library, which has been identified as a historic interior. The new rehearsal/event space would be used by the San Francisco Opera approximately half the year, and would be open as a rental space for rehearsals and events the other half of the year. The new rehearsal/event space would retain all significant interior features.

*Veteran's Building (Seismic Upgrades):* A geotechnical investigation was undertaken for the War Memorial Veterans Building in November 1995, by Rutherford & Chekene Consulting Engineers. The geotechnical investigation concluded that, in the event of a major earthquake, the building could sustain significant damage and pose appreciable life safety hazards to building occupants. A Seismic Hazard Rating of "3" was assigned to the building because the risk of structural and non-structural damage resulting from a major earthquake presents life hazards to occupants. The report outlined recommendations for seismic upgrades, which have been incorporated into the proposed project including:

- The addition of concrete shear walls at various locations throughout the building, including the corridor walls surrounding the Herbst Theatre and at the four main stair wells;
- Strengthening of the existing concrete stage walls by epoxy injecting cracks and increasing wall thickness by reinforced concrete;
- Strengthening of existing perimeter walls in northeast and southeast corners of the building by increasing wall thickness with reinforced concrete;
- Strengthening of diaphragm collectors at all floor levels by adding new steel members;
- Strengthening of third and fourth floor diaphragm by addition of bracing members;
- Strengthening of roof diaphragm by addition of bracing members on all four sides of the building and reinforced concrete at local areas;
- Addition of lateral bracing to the existing plaster ceilings at the Herbst Theatre, the Main Lobby, the main corridors and the Fourth floor;
- Addition of bracing to hollow clay tile walls;
- Provision of adequate support of the stone veneer at Herbst Theatre; and
- Crack repair of walls, floors and the roof through epoxy injection.

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## PRE-EXISTING HISTORIC RATING / SURVEY

Under the San Francisco Planning Department's *CEQA Review Procedures for Historic Resources*,<sup>1</sup> the Veteran's Building and Memorial Court are considered "Category A.1" (Resources listed on or formally determined to be eligible for the California Register), since the properties are individually designated as Landmark No. 84 in Article 10 of the San Francisco Planning Code,

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<sup>1</sup> San Francisco Preservation Bulletin No. 16, City and County of San Francisco Planning Department CEQA Review Procedures for Historic Resources, Draft-March 18, 2008. Available at: <http://www.sfgov.org/planning>.

and are contributing resources to the Civic Center Historic District, which is designated as a National Historic Landmark District, a National Register Historic District, a California Register Historic District, and is a locally-designated historic district under Article 10 of the San Francisco Planning Code.

As noted in the National Register documentation, the Veteran's Building and the surrounding San Francisco Civic Center Historic District are significant under National Register Criterion A (Events) and Criterion C (Design/Construction) within the areas of architecture, community planning, politic/government and recreation for its association with Panama-Pacific International Exposition of 1915. Specifically, the San Francisco Civic Center is notable for: the founding of the United Nations; the drafting and signing of the post-WWII peace treaties with Japan; municipal reform movements; post-earthquake reconstruction; early public and city planning; high artistic values as associated with architecture; and one of the finest and most complete manifestations of the "City Beautiful" architectural movement. The period of significance for the district and the subject property ranges from 1913 to 1951.

Therefore, the Veteran's Building and the Memorial Court are considered historic resources pursuant to CEQA.

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## CHARACTER-DEFINING FEATURES

*If the subject property has been determined to have significance and retains integrity, please list the character-defining features of the building(s) and/or property. A property must retain the essential physical features that enable it to convey its historic identity in order to avoid significant adverse impacts to the resource. These essential features are those that define both why a property is significant and when it was significant, and without which a property can no longer be identified as being associated with its significance.*

For the purposes of CEQA, the character-defining features of the Veteran's Building include the features documented as "Very Significant," "Significant" and "Contributing" within the diagrams produced by Page & Turnbull in May 2009.

The character-defining features of the Veteran's Building include, but are not limited to:

- *Exterior:* All exterior elements dating from the period of significance (1932 – date of construction of Veteran's Building to 1951 – end of period of significance of historic district), including granite steps, terracotta exterior, bronze and iron fixtures, and copper mansard roof, among others features (See Page & Turnbull, *Significance Diagrams, War Memorial Veterans Building*, May 4, 2009 – On File with Planning Department).
- *Interior:* All interior elements dating from the period of significance (1932 to 1951), including the Herbst Theater (excluding the 1978 mezzanine seats), entry lobby/portico, hallway configuration and corridors (all floors), staircases, Law Library (fourth floor), and bronze and brass fixtures, among other features.

The character-defining features of the Memorial Court include, but are not limited to: blue and gold ornamental iron fencing, central lawn encircled by sidewalks and ornamental cast-iron lampposts.

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## PROJECT EVALUATION

*If the property has been determined to be a historic resource in Part I, please check whether the proposed project would materially impair the resource and identify any modifications to the proposed project that may reduce or avoid impacts.*

### Subject Property/Historic Resource:

- The project will not cause a significant adverse impact to the historic resource as proposed.
- The project will cause a significant adverse impact to the historic resource as proposed.

### California Register-Eligible Historic District or Context:

- The project will not cause a significant adverse impact to a California Register-eligible historic district as proposed.
- The project will cause a significant adverse impact to a California Register-eligible historic district as proposed.

To assist in the evaluation of the subject property at 401 Van Ness Avenue, the Project Sponsor provided the following consultant reports:

- Page & Turnbull, *Secretary of the Interior's Standards Analysis* (dated July 30, 2009)
- Carey & Co., *Historic Structure Report: Veterans Building* (dated May 31, 1995)

Although the proposed scope of work has changed since the production the publication of the Page & Turnbull report, thus making its findings outdated, the Planning Department concurs the Significance Diagrams drafted by Page & Turnbull (dated May 4, 2009), which update the diagrams provided in the 1995 Historic Structure Report.

Staff finds that the proposed project would have a less-than-significant impact upon historic resources located on the project site, including the Veteran's Building and the Civic Center Historic District. The project would not impact the historic significance or character-defining features of the Veteran's Building and this property would maintain its eligibility for listing in the National Register of Historic Places, California Register of Historical Resources, and under Article 10 of the San Francisco Planning Code. Furthermore, the proposed project would not impact the historic significance or character-defining features of the Civic Center Historic District.

*Memorial Court*

The proposed scope of work at the Memorial Court is considered ordinary maintenance and repair and would not cause a significant adverse impact upon any historic resources or historic fabric, since the project does not impact any built resource or significant landscape features, which contribute to the San Francisco Civic Center Historic District, such as the cast-iron lampposts and ornamental lawns. Furthermore, the proposed work is limited in scope to portions of the site, which have previously been altered since its original date of construction, including the driveway and sidewalks.

*Veteran's Building*

The Department finds that the project at the Veteran's Building is consistent with all aspects of the *Secretary of the Interior Standards for Rehabilitation (Standards)*. The following is an analysis of the proposed project per the Secretary's Standards:

***Standard 1.***

*A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.*

The proposed project would retain the subject property's use as a theater and office, and would maintain the area's civic character. The new café and event space uses are consistent with the building's historic purpose as a theater and office.

Therefore, the proposed project does comply with Rehabilitation Standard 1.

***Standard 2.***

*The historic character of a property will be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property will be avoided.*

In general, the proposed project maintains the historic character of the Veteran's Building and the surrounding Civic Center Historic District, since many of the alterations are planned for the interior of the Veteran's Building and since exterior work is limited to preservation, rehabilitation, and restoration of existing features, such as the steel-sash windows, skylights, and terra cotta. Within the interior, the proposed project would largely avoid removal of historic materials, as evidenced by the extensive plan to repair, rehabilitate, and reinstall many of the existing interior features, such as the electrical switches and faceplates, doors and hardware, and light fixtures. The project would impact the configuration of the west end of the first floor corridor, which would be altered to accommodate a larger dressing room for the Herbst Theater. The corridor would be altered in such a manner to be easily reversible, and to maintain a semblance of the building's original layout and finishes. To ensure compliance with Standard 2, the project sponsor has proposed that a qualified professional with experience in historic architecture would monitor the alterations to distinctive features and spaces that characterize the subject property.

Therefore, the proposed project does comply with Rehabilitation Standard 2.

**Standard 3.**

*Each property will be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.*

The proposed project does not involve conjectural alterations to the subject property. In general, all restoration is based upon historic documentation or retained historic features, such as the restoration of the historic light fixtures in the Main Lobby of the Veteran's Building.

Therefore, the proposed project does comply with Rehabilitation Standard 3.

**Standard 4.**

*Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.*

The Veteran's Building has undergone alterations since it was constructed in 1932, however, none of the alterations have acquired significance in their own right. In the Herbst Theater, the removal of the side mezzanine seating does not constitute an alteration that has acquired significance in its own right. These seats were a later alteration to the property constructed in 1978, which is outside the period of significance. Therefore, the proposed project does not involve alterations to the Veteran's Building or Civic Center Historic District, which have acquired significance in their own right.

Therefore, the proposed project does comply with Rehabilitation Standard 4.

**Standard 5.**

*Distinctive features, finishes, and construction techniques or examples of fine craftsmanship that characterize a property will be preserved.*

The proposed project would preserve all distinctive materials, features, finishes or construction techniques that characterize the subject property, including the historic interior finishes found within the Herbst Theater, Main Lobby, and first floor corridors. As part of the seismic upgrade, the proposed project would strengthen the existing corridor walls on each of the floors either with concrete shear walls or with hollow clay tile bracing. To accommodate this seismic scheme, the proposed project would remove, catalog, clean and reinstall all significant interior features finishes found on each of the floors, including historic wainscots, base molding, wood office partitions, drinking fountains, telephone closets, doors, etc. For any historic plaster impacted by the seismic scheme, new plaster would be designed to match. In general, removal or impact to significant ornamental features would be avoided by the proposed project. Similarly, gilded features would be re-gilded in-kind to match the original color and luster. To ensure compliance with Standard 5, the project sponsor has proposed that a qualified professional with experience

in historic architecture would monitor the preservation and treatment of distinctive features, finishes, construction techniques and fine craftsmanship.

Therefore, the proposed project does comply with Rehabilitation Standard 5.

**Standard 6.**

*Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacements of a distinctive feature, the new feature will match the old in design, color, texture and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.*

The proposed project adopts an ethic of repair over replace, and includes repairing many of the historic interior features and finishes, including historic trim, doors and hardware, and light fixtures. Since the original architectural drawings and specifications drafted by architect Arthur Brown Jr. in 1932 are available, any restoration work would be guided by appropriate historic documentation. To ensure compliance with Standard 6, the project sponsor has proposed that a qualified professional with experience in historic architecture would guide the repair and treatment of distinctive features.

Therefore, the proposed project does comply with Rehabilitation Standard 6.

**Standard 7.**

*Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.*

The proposed project includes an extensive cleaning program for the entire building, which would clean and preserve the historic cast stone, terracotta, and metal elements. To ensure compliance with Standard 7, the project sponsor has proposed that a qualified professional with experience in historic architecture would specify and draft the standards for cleaning as guided by the Carey & Co. Historic Structure Report<sup>2</sup> and other relevant historic preservation maintenance guidelines.

Therefore, the proposed project does comply with Rehabilitation Standard 7.

**Standard 8.**

*Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures will be undertaken.*

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<sup>2</sup>Historic Structure Report War Memorial Veterans Building and Memorial Court. Carey & Co., Inc. May 31, 1995.

Based upon provided information, the proposed project would involve minimal ground disturbance limited to the superficial re-grading for the sidewalk and the re-paving of the driveway; therefore, no archaeological resources would be impacted.

Therefore, the proposed project does comply with Rehabilitation Standard 8.

**Standard 9.**

*New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.*

The proposed project does not involve any new additions. Rather, the proposed project is focused upon the preservation, rehabilitation, and restoration of the Veteran's Building through a seismic upgrade and interior alterations. The proposed project would impact the west end of the first floor corridor and the fourth floor Law Library due to the expansion of the dressing rooms and the introduction of the fourth floor event space. In general, these two alterations would be in keeping with the building's historic character, and would maintain the historic finishes and features. To ensure compliance with Standard 9, the project sponsor has proposed that a qualified professional with experience in historic architecture would guide the design of any new features within these interior spaces.

Therefore, the proposed project does comply with Rehabilitation Standard 9.

**Standard 10.**

*New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.*

The proposed project includes a seismic upgrade, which is not typically considered a reversible feature. However, this seismic upgrade would be undertaken in a manner that respects the building's historic character and maintains significant interior features. The seismic upgrade would ensure the longevity of the existing building and would address life safety requirements. Other aspects of the project would maintain and preserve the building's historic fabric, and would maintain the essential form and integrity of the subject property and the surrounding historic district. No new additions are planned for the subject property.

Therefore, the proposed project does comply with Rehabilitation Standard 10.



*Summary*

The proposed project complies with the Secretary of the Interior's Standards for Rehabilitation. To ensure compliance with the Secretary's Standards, the proposed project would be reviewed by the Planning Department Preservation staff as additional details are developed by the Project team.

Therefore, as currently proposed, the project would not have a significant adverse impact upon a historic resource, as defined by CEQA.

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**PART II: SENIOR PRESERVATION PLANNER REVIEW**

Signature: \_\_\_\_\_



Tina Tam, *Senior Preservation Planner*

Date: 6-10-2011

cc: Linda Avery, *Recording Secretary*, Historic Preservation Commission  
Vimaliza Byrd / Historic Resource Impact Review File  
Beth Skrondal / Historic Resource Survey Team  
I:\DECISION DOCUMENTS\HRER

SC: G:\Documents\Veterans Building, 401 Van Ness Ave\HRER\_401 Van Ness Ave\_2011-06-09.doc

IMAGES



401 Van Ness Avenue (View looking southwest)



# SAN FRANCISCO PLANNING DEPARTMENT

## General Plan Referral

*Date:* June 9, 2011  
*Case No.* Case No. 2011.0420R  
War Memorial Veterans Building Seismic Upgrade

*Block/Lot No.:* 0786A/001  
*Project Sponsor:* Tara Lamont, Project Manager  
Department of Public Works  
San Francisco, CA 94102

*Applicant:* Same as Above

*Staff Contact:* Sarah Dennis Phillips – (415) 558-6314  
*sarah.dennis-phillips@sfgov.org*

*Recommendation:* Finding the project, on balance, is **in conformity** with  
the General Plan

*Recommended*  
*By:*   
John Rahaim, Director of Planning

1650 Mission St.  
Suite 400  
San Francisco,  
CA 94103-2479

Reception:  
**415.558.6378**

Fax:  
**415.558.6409**

Planning  
Information:  
**415.558.6377**

### PROJECT DESCRIPTION

The project performs the seismic upgrade to the War Memorial Veterans Building at 401 Van Ness Avenue, as well as related improvements to support the functions of the building.

The proposed seismic upgrades of the project fulfill the mandate of the City's 1990 Earthquake Safety Phase II (ESP II) Bond Program, which provides funds for earthquake damage repair life safety & code mandates, facility preservation and seismic strengthening for various City buildings including the Veterans Building.

The project also includes building modernization and improvements, and will in part restore the building's original intent as a provider of arts and education to the community. Improvements include back-of-house support space for the Herbst Theater; office and meeting room space for American Legion Posts and American Legion Department of California; offices and meeting rooms for the War Memorial and Performing Arts Center and the San Francisco Arts Commission; and performance space, education/media room, costume shop and offices for the San Francisco Opera.

The submittal is for a General Plan Referral to recommend whether the Project is in conformity with the General Plan, pursuant to Section 4.105 of the Charter, and Section 2A.53 of the Administrative Code.

### **SITE DESCRIPTION AND PRESENT USE**

The War Memorial Building and Performing Arts Center is located in the San Francisco Civic Center, and occupies the northern half of the block bounded by McAllister St, Grove St, Franklin St and Van Ness Avenue. Its original intended use was as a home to the War Memorial Trust beneficiaries, the San Francisco Post of the American Legion, and the San Francisco Museum of Modern Art (SFMOMA); and as a provider of museum and educational programming. Currently it houses Herbst Theater, and is used on a temporary basis as City offices, but since the departure of SFMOMA in 1994, much of its space has been underutilized.

The Loma Prieta earthquake of 1989 caused damage to all levels of the building. While funds from the ESP II have been used to repair some of the most visible cracks, it is at significant risk of structural and non-structural damage from a major earthquake, presenting life hazards to its occupants.

The structure is an example of the City Beautiful movement, and is a contributing structure to the Civic Center Historic District. The building is designated as City Landmark No. 84 pursuant to Article 10 of the Planning Code.

### **ENVIRONMENTAL REVIEW**

On March 8, 2011, the Major Environmental Analysis of the Department determined that the proposed project is Categorical Exempt from Environmental Review under CEQA Guidelines Section 15301 – Existing Facilities.

### **GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION**

As described below, the Project is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in-conformity with the following Objectives and Policies of the General Plan:

#### **Eight Priority Policies Findings**

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

*The proposed project will not affect existing neighborhood-serving retail uses or opportunities for employment in or ownership of such businesses.*

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

*The proposed project will not affect housing, and may enhance neighborhood character through improvements to community facilities and a potentially historic building.*

3. That the City's supply of affordable housing be preserved and enhanced.

*The proposed project would have no adverse effect on the City's supply of affordable housing.*

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

*The proposed project would not increase demand in such a way as to result in commuter traffic impeding MUNI's transit service, overburdening the streets or altering current neighborhood parking.*

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

*The proposed project would not affect the existing economic base in this area, and would in fact support its development by bringing more vitality through new galleries, performance, rehearsal and administration space.*

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

*The proposed project would positively enhance the City's preparedness to protect against injury and loss of life in an earthquake.*

7. That landmarks and historic buildings be preserved.

*This proposed project would rehabilitate a historic landmark building, adhering to the Secretary of Interior's Standards for the Treatment of Historic Properties, and as such would positively benefit the preservation of this building.*

8. That our parks and open space and their access to sunlight and vistas be protected from development.

*The proposed project would not affect parks and open space and their access to sunlight and vistas.*

## GENERAL PLAN FINDINGS

### URBAN DESIGN ELEMENT

#### POLICY 2.4

**Preserve notable landmarks and areas of historic, architectural or aesthetic value, and promote the preservation of other buildings and features that provide continuity with past development.**

Older buildings that have significant historical associations, distinctive design or characteristics exemplifying the best in past styles of development should be permanently preserved. The efforts of the Landmarks Preservation Advisory Board should be supported and strengthened, and a continuing search should be made for new means to make landmarks preservation practical both physically and financially.

*The proposed project would rehabilitate and seismically upgrade City Landmark No. 84. This rehabilitation would be undertaken in keeping with the Secretary of the Interior's Standards, thereby supporting the preservation of this building.*

### COMMUNITY SAFETY ELEMENT

#### POLICY 2.7

**Abate structural and non-structural hazards in City-owned structures.**

Both technical and financial resources are needed to repair and retrofit City-owned structures. The City shall utilize its capabilities to assess hazards and to create and implement bond and other funding opportunity and to carry out retrofit projects. A number of City buildings have already been structurally upgraded utilizing bond financing.

*The proposed project would abate structural hazards in a City-owned structure through the utilization of public bonds.*

#### POLICY 2.8

**Preserve, consistent with life safety considerations, the architectural character of buildings and structures important to the unique visual image of San Francisco, and increase the**

**likelihood that architecturally and historically valuable structures will survive future earthquakes.**

Older buildings are among those most vulnerable to destruction or heavy damage from a large earthquake. They may not have the more recent engineering features that make buildings more resistant to ground shaking, and many of them are located in areas near the Bay and the historic Bay inlets that were among the earliest parts of the City to be settled, and have the softest soil. The part of the City most vulnerable to fire, the dense downtown area, also contains many historic structures. A major earthquake could result in an irreplaceable loss of the historic fabric of San Francisco. The City needs to achieve the related goals of increasing life safety and preserving these buildings for future generations by increasing their ability to withstand earthquake forces.

When new programs are being considered to abate hazards posed by existing buildings and structures, the likely impacts of those programs on historic buildings must be thoroughly investigated. The resulting programs should encourage the retrofit of historic buildings in ways that preserve their architectural design character while increasing life safety.

*The proposed project would preserve the architectural character of the War Memorial Building, restoring historically significant materials, replacing seismic elements in kind and restoring missing features.*

## ARTS ELEMENT

### POLICY VI-1.4

**Preserve existing performing spaces in San Francisco.**

From both the perspectives of preservation of cultural history and the current need for performance facilities in San Francisco, existing performing spaces should be preserved. Many old theaters have been destroyed over the years and have not been replaced. As one of many examples, the Fox Theater was destroyed when the Fox Plaza was developed and no new theater was built to take its place.

Outdoor performing spaces are vital elements within the city's mix of arts facilities and provide the residents of and visitors to San Francisco with the opportunity to enjoy both the natural beauty of the city and the arts. They also promote the use of San Francisco's public parks and public spaces. Maintaining existing outdoor facilities, such as Stern Grove and the Bandshell, will enhance their usefulness and attractiveness to the city. Those activities, and others, are important to the continuing ability of San Francisco to offer its community a broad diversity of cultural offerings. New outdoor arts spaces should also be encouraged through private and public developments.

*The proposed project would preserve existing performance spaces in San Francisco by providing improvements to upgrade the Herbst Theater to current day theatrical standards, including acoustical improvements, backstage production, dressing room and rehearsal space, and further expand the War memorial to include a new Performance Hall and galleries on the 4<sup>th</sup> floor.*

**POLICY VI-1.5**

**Develop and maintain a mid-sized downtown performing arts facility available to community-based, culturally diverse arts groups easily accessible to visitors.**

Many arts organizations do not have access to "downtown" audiences and arts facilities. Community arts groups would gain access to visitor/tourist audiences in a downtown facility, since those audiences often do not venture into outlying neighborhoods. The neighborhoods themselves are not always designed to handle the increased congestion and parking demands resulting from popular theatrical/dance performances.

*The proposed project would maintain the War Memorial as a performing arts facility available to arts groups and easily accessible to visitors through its Civic Center location.*

<b>RECOMMENDATION:</b>	<b>Finding the Project, on balance, in-conformity with the General Plan</b>
------------------------	---

cc: Sarah Dennis Phillips, Planning

*I:\Citywide\General Plan\General Plan Referrals\2011\2011.420R War Memorial Seismic Upgrade.doc*



\*Complete copy of document  
located in File N. 110750

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**TRUST AGREEMENT**

by and between the

**CITY AND COUNTY OF SAN FRANCISCO**

and

**[TRUSTEE],**  
as Trustee

Dated as of [Dated Date]

Relating to:

**[\$Amount]  
CERTIFICATES OF PARTICIPATION  
(WAR MEMORIAL VETERANS BUILDING  
SEISMIC UPGRADE AND IMPROVEMENTS),  
SERIES 201**

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PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 201\_\_

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: \_\_\_\_\_  
S&P: \_\_\_\_\_  
Fitch: \_\_\_\_\_  
(See "RATINGS" herein)

*In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California and Lofton & Jennings, San Francisco, California, Co-Special Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, (among other matters), the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment paid by the City designated as and evidencing interest and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the opinion of Co-Special Counsel, such interest is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Special Counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Co-Special Counsel express no opinion regarding any other tax consequences relating to the accrual or receipt of the interest portion of the Base Rental Payments or the ownership or disposition of the Certificates. See "TAX MATTERS" herein.*



\$190,000,000\*  
CITY AND COUNTY OF SAN FRANCISCO  
CERTIFICATES OF PARTICIPATION  
(WAR MEMORIAL VETERANS BUILDING  
SEISMIC UPGRADE AND IMPROVEMENTS), SERIES 201\_\_

evidencing proportionate interests of the Owners thereof in a Project Lease,  
including the right to receive Base Rental payments to be made by the  
CITY AND COUNTY OF SAN FRANCISCO

Dated: Date of Delivery

Due: \_\_\_\_\_ 1, as shown on the inside cover

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

The Certificates captioned above (the "Certificates") will be sold to provide funds to: (i) finance or refinance the costs of the seismic retrofit, construction, reconstruction, installation, equipping, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and County of San Francisco (the "City") and located at 401 Van Ness Avenue (the "Project"); (ii) fund capitalized interest payable with respect to the Certificates on each date due through [June 1, 2015]; (iii) fund the 201\_\_ Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (iv) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of \_\_\_\_\_ 1, 201\_\_ (the "Trust Agreement"), between the City and \_\_\_\_\_, as the Certificates Trustee and Project Trustee (as defined herein), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease dated as of \_\_\_\_\_ 1, 201\_\_ (the "Project Lease"), by and between the Project Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement."

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Certificates will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Principal and interest evidenced by the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced by the Certificates is payable on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year, commencing \_\_\_\_\_ 1, 201\_\_. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates are subject to prepayment prior to their respective payment dates as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

**THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION TO LEVY OR PLEDGE, OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE PROJECT LEASE AND NEITHER THE CITY NOR ANY OF ITS OFFICERS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE "CERTAIN RISK FACTORS."**

qualification under the securities laws of such jurisdiction. In order to buy, nor shall there be any sale of these securities, in any jurisdiction, in which such offer, solicitation, or sale would be unlawful prior to registration or

\* Preliminary, subject to change.

RECORDING REQUESTED BY:

\*Complete Copy located in File No. 110750

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: Kenneth Roux

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PROPERTY LEASE

By and Between the

THE CITY AND COUNTY OF SAN FRANCISCO,  
as Lessor

and

[TRUSTEE],  
as Lessee

Dated as of [Dated Date]

---

NO DOCUMENTARY TRANSFER TAX

This Property Lease is exempt pursuant to Section 6103 of the California Government Code.

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO  
Office of the City Attorney  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 234  
San Francisco, California 94102  
Attention: Kenneth Roux

---

PROJECT LEASE

By and Between

[TRUSTEE], as Trustee,  
as Lessor

and

THE CITY AND COUNTY OF SAN FRANCISCO,  
as Lessee

Dated as of [Dated Date]

---

NO DOCUMENTARY TRANSFER TAX DUE

This Project Lease is exempt pursuant to Section 27383  
of the California Government Code.

**OFFICIAL NOTICE OF SALE**

**[\$Amount]\*  
CERTIFICATES OF PARTICIPATION  
(WAR MEMORIAL VETERANS BUILDING  
SEISMIC UPGRADE AND IMPROVEMENTS),  
SERIES 201\_\_**

**Evidencing Proportionate Interests of the Owners Thereof in a Project Lease,  
Including the Right to Receive Base Rental Payments to be Made by the  
CITY AND COUNTY OF SAN FRANCISCO**

NOTICE IS HEREBY GIVEN that electronic bids and sealed bids will be received in the manner described below, and in the case of electronic bids, solely through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") for bid submission, by the City and County of San Francisco (the "City") for the purchase of \$[Amount]\* aggregate principal amount of Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 201\_\_ (the "Certificates") more particularly described hereinafter, at 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 on:

\_\_\_\_\_, at \_\_\_ a.m. (California time)  
(subject to postponement in accordance with this Official Notice of Sale)

See "TERMS OF SALE-Form of Bids; Delivery of Bids" hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

The Preliminary Official Statement for this offering will be posted electronically at Ipreo's i-prospectus at [www.i-dealprospectus.com](http://www.i-dealprospectus.com).

**THE RECEIPT OF BIDS ON \_\_\_\_\_, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. If the sale is postponed, bids will be received at the place set forth above on any weekday during the period from \_\_\_\_\_ through \_\_\_\_\_, as the City may determine. Notice of the new date and time for receipt of bids shall be given through Parity as soon as practicable following a postponement and no later than [1:00] p.m. (California time) on the date preceding the original or new date for receiving bids.**

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from: Kitahata & Company, 137 Joost Avenue, San Francisco, California 94131, Telephone: (415) 710 1251, Fax: (415) 276 3777, Attention: Gary Kitahata; email: [gkitahata@aol.com](mailto:gkitahata@aol.com) and First Southwest Company, 1620 26th Street, Suite 230 South, Santa Monica, California 90404, Telephone: (310) 401-8052, Fax: (310) 401-8055, Attention: Michael Kremer, email [michael.kremer@firstsw.com](mailto:michael.kremer@firstsw.com) (collectively, the "Co-Financial Advisors"), provided however that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any required notice or the legality of the sale. See "TERMS OF SALE - Postponement or Cancellation of Sale."

\* Preliminary, subject to change.

NOTICE OF INTENTION TO SELL

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

**CERTIFICATES OF PARTICIPATION  
(WAR MEMORIAL VETERANS BUILDING  
SEISMIC UPGRADE AND IMPROVEMENTS),  
SERIES 201\_\_**

**Evidencing Proportionate Interests of the Owners Thereof In a Project Lease,  
Including the Right to Receive Base Rental Payments to be Made by the  
CITY AND COUNTY OF SAN FRANCISCO**

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "City") intends to offer for public sale on

\_\_\_\_\_, at \_\_\_\_\_ a.m. (California time)\*

by sealed bids at the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102, and by electronic bids through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity"), \$ \_\_\_\_\_\* aggregate principal amount of Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 201\_ (the "Certificates").

The City reserves the right to postpone or cancel the sale of the Certificates or change the terms thereof upon notice given through Parity. If the sale is postponed, bids will be received at the hour and place set forth above on any weekday during the period from \_\_\_\_\_ through \_\_\_\_\_, as the City may determine. In the event of a postponement of the sale of the Certificates, notice of the new date and time for receipt of bids (and any change in the terms of the sale of the Certificates) shall be given through Parity, as soon as practicable but no later than [1:00] p.m. California time on the date preceding the original or new date for receiving bids.

Further information regarding the proposed sale of the Certificates, including copies of the Preliminary Official Statement and the Official Notice of Sale relating to the Certificates are available electronically at the News Services or may be obtained from either of the City's Co-Financial Advisors: Kitahata & Company, 137 Joost Avenue, San Francisco, California 94131, Telephone: (415) 710 1251, Fax: (415) 276 3777, Attention: Gary Kitahata; email: gkitahata@aol.com and First Southwest Company, 1620 26th Street, Suite 230 South, Santa Monica, California 90404, Telephone: (310) 401-8052, Fax: (310) 401-8055, Attention: Michael Kremer, email michael.kremer@firstsw.com. On or about \_\_\_\_\_, the Preliminary Official Statement and Official Notice of Sale will be posted electronically at Ipreo Prospectus www.i-dealprospectus.com. Failure of any bidder to receive such notice shall not affect the legality of the sale.

Dated: \_\_\_\_\_, 201\_\_

\* Preliminary, subject to change.

\$ \_\_\_\_\_

CERTIFICATES OF PARTICIPATION  
(WAR MEMORIAL VETERANS BUILDING SEISMIC UPGRADE AND IMPROVEMENTS),  
SERIES 20\_\_

PURCHASE CONTRACT

\_\_\_\_\_, 20\_\_

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

Ladies and Gentlemen:

The undersigned \_\_\_\_\_, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into this agreement (the "Purchase Contract") with the City and County of San Francisco (the "City"). Upon the acceptance of this offer by the execution and delivery of this Purchase Contract by the City to the Representative, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Certificates (as hereinafter defined) is otherwise terminated pursuant to Section 8(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(b) hereof, and the City shall be free to sell the Certificates to any other party. Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement and the Leases (as hereinafter defined).

Inasmuch as this purchase and sale represents a negotiated transaction, the City understands, and hereby confirms, that the Underwriters are not acting as a fiduciary of the City, but rather are acting solely in their capacity as Underwriters for their own account. The Representative represents and warrants to the City that it has been duly authorized to enter into this Purchase Contract on behalf of the Underwriters and to act hereunder by and on behalf of the other Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

