File No. 181218

Committee Item No. 8
Board Item No. ______

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Sub-Committee **Date** January 10, 2019

Board of Supervisors Meeting **Date** ______

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Completed by: Linda Wong **Date** January 4, 2019
Completed by: Linda Wong **Date** ______

[Issuance of General Obligation Bonds - Proposition A, 1992/Proposition C, 2016 - Not to Exceed $260,684,550]

Resolution providing for the issuance of not to exceed $260,684,550 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Proposition A, 1992/Proposition C, 2016); authorizing the issuance and sale of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines, and Administrative Code, Chapter 31; finding that the proposed project is in conformity with the priority policies of Planning Code, Section 101.1(8), and with the General Plan consistency requirement of Charter, Section 4.105, and Administrative Code, Section 2A.53; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the issuance and sale of said bonds, as defined herein.

WHEREAS, By Ordinance No. 217-92, adopted by the Board of Supervisors ("Board of Supervisors") of the City and County of San Francisco ("City") on July 13, 1992, the Board of Supervisors duly called a special election on November 3, 1992, for the purpose of submitting to the electors of the City a proposition to incur bonded indebtedness of the City in the amount of up to $350,000,000 of general obligation bonds to establish a seismic safety loan program ("Loan Program") to provide loans for the seismic strengthening of unreinforced masonry buildings; and

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WHEREAS, A special election was held in the City on November 3, 1992, for the purpose of submitting to the qualified voters of the City said proposition, denominated as Proposition A ("Proposition A"), as follows:

"EARTHQUAKE LOAN BOND PROGRAM, 1992. To incur a bonded indebtedness of $350,000,000 to provide loans for the seismic strengthening of unreinforced masonry buildings devoted to affordable housing and to market-rate residential, commercial and institutional uses and to pay necessary administrative costs incidental thereto";

and

WHEREAS, On November 23, 1992, by Resolution No. 961-92, this Board of Supervisors declared the results of the November 3, 1992, special election finding that, as certified by the Director of Elections of the City, the requisite two-thirds of all voters voting on the proposition approved such proposition; and

WHEREAS, Of the $350,000,000 of general obligation bond authorization, Proposition A allocated $150,000,000 to make loans for affordable housing buildings (the "Affordable Housing Loan Program") and $200,000,000 to make loans for market rate residential, commercial and institutional buildings (the "Market Rate Loan Program" and together with the Affordable Housing Loan Program, the "Programs"), and

WHEREAS, Proposition A provided further that no more than $35,000,000 of said general obligation bond authorization shall be sold in any fiscal year, of which no more than $15,000,000 of said authorization may be for the Affordable Housing Loan Program, and no more than $20,000,000 of said authorization may be for the Market Rate Loan Program, in each case subject to the carry-over of said authorized indebtedness to subsequent fiscal years; and

WHEREAS, To date, the City has issued $45,315,450 in general obligation bonds to provide funds to make loans to private parties under the Affordable Housing Loan Program and $44,000,000 in general obligation bonds to provide funds to make loans to private parties under the Market Rate Loan Program, leaving $260,684,550 of authorized but unissued bonding authority under the Programs; and

WHEREAS, By Resolution No. 311-16, adopted by the Board of Supervisors (the "Board of Supervisors") of the City and County of San Francisco (the "City") on July 19, 2016, it was determined and declared that it was in the public interest to access the remaining bonding authority under the Programs and expand the permitted uses for which funds could be loaned to finance the costs to acquire, improve and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing by amending Proposition A; and

WHEREAS, By Ordinance No. 136-16 (the "2016 Bond Ordinance"), adopted by the Board of Supervisors on July 26, 2016, the Board of Supervisors duly called a special election to be held on November 8, 2016, for the purpose of submitting to the electors of the City a proposition to amend Proposition A to authorize the City to incur general obligation indebtedness for the purposes of providing loans to finance the costs to acquire, improve and rehabilitate and convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; and

WHEREAS, A special election was held in the City on November 8, 2016, for the purpose of submitting to the qualified voters of the City said proposition, denominated as Proposition C ("Proposition C"), as follows:

> "SAN FRANCISCO EARTHQUAKE LOAN AND HOUSING PRESERVATION BONDS, 1992. To amend 1992 voter approved measure Proposition A, to allow as an additional purpose the incurrence of bonded indebtedness to finance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert

such structures to permanent affordable housing; shall the City and County of San Francisco issue up to $260,700,000 in general obligation bonds, subject to independent citizen oversight and regular audits?";

and

WHEREAS, On December 13, 2016, by Resolution No. 526-16, this Board of Supervisors declared the results of the November 8, 2016, special election finding that, as certified by the Director of Elections of the City, the requisite two-thirds of all voters voting on the proposition approved such proposition; and

WHEREAS, Proposition C did not amend the $35,000,000 annual fiscal year limit for general obligation bonds provided by Proposition A, nor did it amend the carry-over authorization provided for by Proposition A, each of which provisions remains in effect; and

WHEREAS, Pursuant to Proposition C and the 2016 Bond Ordinance, the entire $35,000,000 annual fiscal year limit for general obligation bonds, commencing in the 2016-17 fiscal year (the year in which Proposition C was passed), may be used for the affordable housing purposes provided in Proposition C, subject to carry-over as provided in Proposition A; and

WHEREAS, The authorization to issue general obligation bonds for the additional affordable housing purposes provided by Proposition C shall be reduced by any general obligation bonds issued to fund new loans originated pursuant to the Programs ("New Money Bonds"), but such authorization shall not be reduced by any general obligation refunding bonds issued to refinance any such New Money Bonds (without limitation as to the number of times such New Money Bonds can be refinanced without counting against the bond authorization); and

WHEREAS, On April 6, 1994, pursuant to the general obligation bond authorization provided In Proposition A, the City issued its $35,000,000 original principal amount of City and

County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program 1992), Series 1994A; and

WHEREAS, On March 1, 2007, pursuant to the general obligation bond authorization provided In Proposition A, the City issued its $30,315,450 original principal amount of City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program 1992), Series 2007A; and

WHEREAS, On March 4, 2016, pursuant to the general obligation bond authorization provided In Proposition A, the City issued its $24,000,000 original principal amount of City and County of San Francisco Taxable General Obligation Bonds (Seismic Safety Loan Program 1992), Series 2014C; and

WHEREAS, Of the original $350,000,000 of general obligation bond authorization provided by Proposition A, $260,684,550 remains unissued and available to be used in the manner provided in Proposition A, as amended by Proposition C; and

WHEREAS, This Board of Supervisors has determined, and does hereby declare, that it is necessary and desirable that all of said bonds designated generally as "City and County of San Francisco General Obligation Bonds (Proposition A, 1992/Proposition C, 2016)" (the "Bonds") in the aggregate principal amount of $260,684,550, representing the total amount of authorized but unissued allocation under the Programs, be issued and sold in one or more series from time to time, for the purposes authorized and on the conditions set forth in this Resolution; and

WHEREAS, The Bonds will be payable from proceeds of the annual tax levy, as provided herein; and

WHEREAS, The Bonds are being issued pursuant to (i) this Resolution duly adopted by the Board of Supervisors, (ii) Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the

California Government Code, (iii) the Charter of the City (the "Charter"), (iv) the 2016 Bond Ordinance, and (v) a duly held election; and

WHEREAS, Pursuant to Section 9.106 of the Charter, there shall be delivered a certificate of a duly authorized officer of the City, concurrently with the issuance of each series of Bonds, except for any series of Bonds issued to refund any bond anticipation notes issued in anticipation of the issuance of such series of Bonds, stating that the outstanding general obligation bond indebtedness of the City, including all series of the Bonds issued and to be issued and outstanding on the date of delivery of such series, will not exceed three percent of the assessed value of all taxable real and personal property located within the City; now, therefore, be it

RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as follows:

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

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to the adoption of this Resolution authorizing the issuance of the Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to the Charter and applicable law to incur indebtedness in the manner and form provided in this Resolution.

Section 3. Issuance of the Bonds. The Board of Supervisors hereby authorizes the issuance and sale of $260,684,550 aggregate principal amount of Bonds, designated generally as "City and County of San Francisco General Obligation Bonds (Proposition A, 1992/Proposition C, 2016)". The Director of the Office of Public Finance is hereby authorized to modify the general designation of the Bonds if in her sole discretion if a different designation is in the best interest of the City for administrative, marketing or descriptive purposes. The Bonds may be sold in one or more series as the Board of Supervisors shall determine, and shall be sold in accordance with law, as such law may from time to time be amended, supplemented or revised, and on the terms and conditions approved by the Board of Supervisors in this Resolution, as supplemented by such other resolution or resolutions relating to such series of Bonds and as provided in the resolution of the Board of Supervisors authorizing and directing the sale of each series of Bonds (each, a "Sale Resolution"). Each series of such Bonds may bear such additional or other designation as may be necessary or appropriate to distinguish such series from every other series and from other bonds issued by the City, or to identify the tax treatment of interest, interest rate determination methodology or other characteristics of such series, in each case as set forth in the applicable Sale Resolution or as may be determined by the Director of the Office of Public Finance in her sole discretion. The offering and sale of the Bonds may be aggregated with the offering and sale of other general obligation bonds being issued by the City, as authorized from time to time by the Board of Supervisors. Each series of Bonds may bear interest at fixed or variable rates, in each case as provided in the applicable Sale Resolution.

Section 4. Authentication and Registration. The Sale Resolution for each series of Bonds shall set forth the form of such Bond, with such necessary or appropriate variations, omissions and insertions as may be permitted by resolution. "CUSIP" identification numbers may be imprinted on Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and to pay for the Bonds. In addition, failure on the part of the City to use such CUSIP numbers in any notice to owners of the Bonds shall not constitute an event of default or any violation of the City's contract with such owners and shall not impair the effectiveness of any such notice.

The Bonds shall be signed by the Mayor of the City (the "Mayor") and countersigned by the Clerk of the Board of Supervisors. The signature of the Mayor may be facsimile or manual. The signature of the Clerk of the Board of Supervisors shall be manual. The Treasurer of the City (the "City Treasurer") shall authenticate the Bonds by facsimile or manual signature and, when so authenticated, shall deliver the Bonds to or for the account of the purchasers in exchange for the purchase price thereof.

In case such officer(s) whose signature(s) or countersignature(s) appear(s) on a Bond shall cease to be such officer(s) before the delivery of such Bond to the purchaser, such signature(s) or countersignature(s) shall nevertheless be valid and sufficient for all purposes as if the officer(s) had remained in office until the delivery of such Bond.

Section 5. Transfer or Exchange and Registration of Bonds. Any Bond may be transferred or exchanged in accordance with its terms and the applicable Sale Resolution. Each Bond shall be registered in accordance with the applicable Sale Resolution.

Section 6. General Redemption Provisions. The terms of redemption (whether optional or mandatory redemption), if any, of any series of Bonds and the manner prescribed for notice of any redemption of such series of Bonds shall be set forth in the applicable Sale Resolution.

Each Sale Resolution shall provide that the Controller of the City (the "Controller") shall establish a redemption account for such series of Bonds. The City Treasurer shall provide for the deposit and application of moneys in such redemption account.

Section 7. Tax Levy; Program Loan Repayments; Pledge of Bond Account.

(a) Tax Levy. For the purpose of paying the principal of and interest on the Bonds, the Board of Supervisors at the time of fixing the general tax levy shall fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, or until there shall be a sum set apart for that purpose in the treasury of the City sufficient to meet all sums coming due for payment of principal of and interest on the Bonds, a tax sufficient to pay the annual interest on the Bonds as the same becomes due and also such part of the principal thereof as shall become due before the proceeds of a tax levied at the time for making the next general tax levy can be made available for the payment of such interest or principal; provided, however, that in fixing such tax levy for each fiscal year, the Board of Supervisors shall take into account amounts then on deposit in the Program Revenues Subaccount pursuant to the provisions of subsection (b) of this Section 7 and amounts then on deposit in the Tax Revenues Subaccount pursuant to this subsection (a), if such amounts will be available to pay debt service on the Bonds.

Said tax shall be in addition to all other taxes levied for City purposes, shall be collected at the time and in the same manner as other taxes of the City are collected, and shall be used only for the payment of the Bonds and the interest thereon.

All taxes collected pursuant to this Section 7(a) shall be deposited forthwith in a special subaccount to be designated as the "Tax Revenues Subaccount," which shall be a subaccount within a special account to be designated as the " General Obligation Bonds (Prop A, 1992/Prop C, 2016) Bond Account" (the "Bond Account"). The Bond Account and all subaccounts therein shall be administered by the City Treasurer with all disbursements of funds therefrom subject to authorization of the Controller. The Bond Account shall be kept separate and apart from all other accounts, and each subaccount therein shall be kept separate and apart from all other subaccounts. Pursuant to the applicable Sale Resolution, the Controller may establish such additional accounts and subaccounts within the Bond Account or with any agent, including but not limited to any paying agent or fiscal agent, as may be necessary or convenient in connection with the administration of any series of Bonds, to provide for the payment of principal and interest on such series of Bonds.

The City Treasurer shall deposit in the Bond Account from the proceeds of sale of the Bonds, any moneys received on account of original issue premium and interest accrued on the Bonds to the date of payment of the purchase price thereof, and such other moneys, if any, as may be specified in the applicable Sale Resolution. So long as any of the Bonds are outstanding, moneys in the Bond Account shall be used and applied by the City Treasurer solely for the purpose of paying the principal of and interest on the Bonds as such principal and interest shall become due and payable, or for purchase of Bonds if permitted by the applicable Sale Resolution; provided, however, that when all of the principal of and interest on the Bonds have been paid, any moneys then remaining in said Bond Account shall be transferred to the City for any legally permitted purpose. The Board of Supervisors shall take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor.

(b) Program Loan Repayments. For the purpose of paying the principal of and interest on the Bonds, the City shall collect, until the Bonds are paid, or until there shall be a sum set apart for that purpose in the treasury of the City sufficient to meet all sums coming due for payment of principal of and interest on the Bonds, all amounts received in repayment of all Program loans made by the City. All Program loan repayments collected pursuant to this Section 7(b) shall be deposited forthwith in a special subaccount to be designated as the "Program Revenues Subaccount," which shall be a subaccount within the Bond Account.

So long as any of the Bonds are outstanding, moneys in the Program Revenues Subaccount shall be used and applied by the City Treasurer solely for the purpose of paying the principal of and interest on the Bonds as such principal and interest shall become due and payable, or for purchase of Bonds if permitted by the applicable Sale Resolution; provided, however, that when all of the principal of and interest on the Bonds have been paid, any moneys then remaining in said Program Revenues Subaccount shall be transferred to the City for any legally permitted purpose.

The City Treasurer shall utilize available moneys on deposit in the Program Revenues Subaccount to pay principal and interest on the Bonds before using moneys on deposit in the Tax Revenues Subaccount for such purpose.

(c) Pledge. The Bond Account and all subaccounts and amounts on deposit therein are hereby pledged for the payment of the principal of and interest on the Bonds when and as the same become due, including the principal of any term Bonds required to be paid upon the mandatory sinking fund redemption thereof. In addition, the payment of such principal and interest shall be secured by the statutory lien of California Government Code, Section 53515, to the extent applicable to the amounts on deposit in the Bond Account. Each and every series of Bonds issued under this Resolution shall be equally and ratably secured by the pledge of this subsection (c), the foregoing statutory lien, and the taxes collected pursuant to this Section 7.

Section 8. Administration and Disbursements From Bond Account.

(a) Interest. On or before June 15 and December 15 in each year that any of the Bonds are outstanding (or, for any series of Bonds bearing interest at variable rates, on such other dates as may be provided by the applicable Sale Resolution), the City Treasurer shall set aside in the Bond Account and the appropriate subaccounts therein relating to each series of the Bonds an amount which, when added to the amount contained in the Bond Account and subaccounts therein on that date, if any, will be equal to the aggregate amount of the interest becoming due and payable on each series of the Bonds outstanding on such interest payment date.

(b) Principal. On or before June 15 in each year that any of the Bonds are outstanding, the City Treasurer shall set aside in the Bond Account and the appropriate subaccounts therein relating to each series of the Bonds an amount which will be equal to the principal on each series of the Bonds outstanding that will become due and payable on said

June 15, including those Bonds subject to mandatory redemption on such date pursuant to the provisions of the applicable Sale Resolution.

All moneys in the Bond Account shall be used and withdrawn by the City Treasurer solely for the purpose of paying the principal of and interest on each series of the Bonds as the same shall become due and payable. On June 15 and December 15 in each year that any Bond is outstanding, the City Treasurer shall allocate, transfer and apply to the various subaccounts in the Bond Account created pursuant to the applicable Sale Resolution, on such date on which payment of principal or interest on any series of Bonds is due, from moneys on deposit in the Bond Account, an amount equal to the amount of principal of, premium, if any, or interest due on said date with respect to each series of the Bonds then outstanding. Unless other provision shall have been made pursuant to this Resolution for the payment of any Bond, all amounts held in the various subaccounts of the Bond Account created pursuant to a Sale Resolution shall be used and applied by the City Treasurer to pay principal of, premium, if any, and interest due on the series of the Bonds to which such subaccount relates, as and when due.

Section 9. Appointment of Depositories and Other Agents. The City Treasurer is hereby authorized and directed to appoint one or more depositories as he or she may deem desirable and may authorize such depository to perform, under the supervision of the City Treasurer, any of the City Treasurer's duties and responsibilities under this Resolution, to the extent permitted by applicable law.

The City Treasurer is hereby also authorized and directed to appoint one or more agents as he or she may deem necessary or desirable. To the extent permitted by applicable law and under the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent, escrow agent or registrar for the Bonds or may assist the City Treasurer in performing any or all of such functions and such other duties as the City Treasurer shall determine including such duties and responsibilities of the City Treasurer provided for in this Resolution. Such agents shall serve under such terms and conditions as the City Treasurer shall determine. The City Treasurer may remove or replace agents appointed pursuant to this paragraph at any time.

Section 10. Project Account. There is hereby established a project account to be designated as the " General Obligation Bonds (Prop A, 1992/Prop C, 2016) Project Account" (the "Project Account"). The Project Account shall be maintained by the City Treasurer, as a separate account, segregated and distinct from all other accounts. The City Treasurer may establish such accounts and subaccounts within the Project Account as may be necessary or convenient in connection with the administration of the Project or the Bonds.

All of the proceeds of the sale of the Bonds (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) shall be deposited by the City Treasurer to the credit of the Project Account and shall be applied exclusively to the objects and purposes specified in Proposition A, as amended by Proposition C. When such objects and purposes have been accomplished, any moneys remaining in such account shall be transferred to the Bond Account established pursuant to Section 7 hereof and applied to the payment of the principal of and interest on any series of Bonds. Amounts in the Project Account may be applied to the payment of costs of issuance of the Bonds, including, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, and the fees and expenses of paying agents, registrars, financial consultants, bond counsel and disclosure counsel.

Section 11. Defeasance Provisions. A Sale Resolution may provide for the defeasance of such series of Bonds authorized therein. Any Bonds which have been deemed paid in accordance with the defeasance provisions of the applicable Sale Resolution shall no longer be deemed outstanding under this Resolution.

Section 12. Tax Covenants. The Bonds may be issued as bonds the interest on which is excluded from gross income for federal or state income tax purposes or as bonds the interest on which is included in gross income for federal or state income tax purposes. With respect to any series of the Bonds the interest on which is excluded from gross income for federal or state income tax purposes, the City may make such covenants and representations as are necessary to comply with applicable laws and regulations.

Section 13. Other Terms and Provisions Relating To the Bonds. The Sale Resolution for any series of Bonds may provide for (a) the purchase of bond insurance or other credit enhancement relating to such series of Bonds and to the establishment of such additional terms and procedures as may be necessary to provide for the application of such bond insurance or other credit enhancement for the benefit of the bondholders; (b) the investment of moneys held in any fund or account relating to the Bonds in specific categories or types of investments, so long as such investments are legal investments for the City and in compliance with any policy or guideline of the City applicable thereto; and (c) the adoption of any supplemental resolutions relating solely to such series of Bonds.

Section 14. Supplemental Resolutions. For any one or more of the following purposes and at any time or from time to time, a supplemental resolution of the City may be adopted, which, without the requirement of consent of the owners of the Bonds, shall be fully effective in accordance with its terms:

(a) To add to the covenants and agreements of the City in this Resolution or any Sale Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution or any Sale Resolution as theretofore in effect;

(b) To add to the limitations and restrictions in this Resolution or any Sale Resolution, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Resolution or any Sale Resolution as theretofore in effect;

(c) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by this Resolution or any Sale Resolution as then in effect, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution or any Sale Resolution;

(d) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution or any Sale Resolution; or

(e) To make such additions, deletions or modifications as shall not be materially adverse to the owners of the Bonds.

Any modification or amendment of this Resolution or any Sale Resolution and of the rights and obligations of the City and of the owners of the Bonds, in any particular, may be made by a supplemental resolution, with the written consent of the owners of at least a majority in aggregate principal amount of the Bonds outstanding at the time such consent is given (except as provided in the preceding paragraph). No such modification or amendment shall permit a change in the terms or maturity of the principal of any outstanding Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall reduce the amount of moneys for the repayment of the Bonds, without the consent of all the owners of such affected Bonds.

Section 15. Citizens' Oversight Committee. The Bonds are subject to, and incorporate by reference, the applicable provisions of San Francisco Administrative, Code Section 5.30 – 5.36 (the "Admin. Code"). Under Section 5.31 of the Admin. Code, to the extent permitted by law, one-tenth of one percent (0.1%) of the gross proceeds of each series of the Bonds shall be deposited in the fund established by the Controller's Office and appropriated by the Board of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such Committee.

Section 16. CEQA Findings. The Board of Supervisors finds and declares that this legislation is not a project subject to CEQA because it is a funding mechanism involving no commitment to any specific projects at any specific locations, as set forth in the CEQA Guidelines, Section 15378.

Section 17. Planning Code. The Board of Supervisors hereby adopts and incorporates by reference the findings and declarations in Ordinance No. 136-16 relative to (i) the conformance of the Bonds to the priority policies of Section 101.1(b) of the San Francisco Planning Code, (ii) the conformance of the Bonds to Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the San Francisco Administrative Code, and (iii) the consistency of the Bonds with the City's General Plan, all as more fully set forth in the General Plan Referral Report dated May 11, 2015, a copy of which is on file with the Clerk of the Board of Supervisors in File No. 150490.

Section 18. Ratification. All actions heretofore taken by officials, employees and agents of the City with respect to the sale and issuance of the Bonds consistent with any documents presented and this Resolution are hereby approved, confirmed and ratified.

Section 19. General Authority. The Clerk of the Board of Supervisors, the Finance Committee of the Board of Supervisors, the Mayor, the City Treasurer, the City Administrator, the City Attorney, the Director of Public Finance of the City and the Controller are each hereby authorized and directed in the name and on behalf of the City to take any and all steps and to issue and deliver any and all certificates, requisitions, agreements, notices, consents, and other documents, including but not limited to, letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds and otherwise to give effect to this Resolution. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as final documents are available) of execution by all parties.

APPROVED AS TO FORM:
DENNIS J. HERRERA City Attorney

By: ______________________
Mark D. Blake
Deputy City Attorney

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Items 6, 7 and 8 Files 18-1209, 18-1218 and 18-1219	Department: Office of Public Finance (OPF) Mayor's Office of Housing and Community Development (MOHCD)

EXECUTIVE SUMMARY

Legislative Objectives

- File 18-1218: The proposed resolution would authorize the issuance of not to exceed $260,684,550 aggregate principal in General Obligation Bonds (Proposition A, 1992/Proposition C, 2016), approved by the voters in November 2016, and provide for the levy of a tax to pay the principal and interest of the general obligation bonds.
- File 18-1219: The proposed resolution would authorize the issuance and sale of not to exceed $75,000,000 aggregate principal Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016), Series 2019A.
- File 18-1209: The proposed ordinance appropriates $75,000,000 of proceeds from the Series 2019A taxable bonds to the Mayor's Office of Housing and Community Development to implement loan programs to acquire, improve and rehabilitate at-risk multi-unit residential buildings that need seismic, fire, health or safety upgrades or other major rehabilitation, and convert those buildings to permanent affordable housing and places these funds on Controller's Reserve pending sale of the bonds.

Key Points

- Voters approved Proposition A in 1992, which authorized the sale of up to $350 million in general obligation bonds for a loan program to support seismic improvements to unreinforced masonry buildings. Of the $350 million total authorized, $89,315,450 has been issued to date, and $260,684,550 remains available for future bond issuance.
- In November 2016, voters approved Proposition C, which amended the 1992 authorization to broaden the scope of the program due to low demand for seismic safety loans funded through the general obligation bond program. Proposition C allowed the bonds to also be used to finance the acquisition, improvement, and rehabilitation of (including seismic and other safety upgrades) at-risk multi-unit residential buildings and to convert those structures to permanent affordable housing.

Fiscal Impact

- The Office of Public Finance estimates the average annual debt service over 40 years on the general obligation bonds would be approximately $4,700,000. The estimated total debt service is $188,500,000, of which $113,500,000 is interest and $75,000,000 is principal.
- If the Board of Supervisors approves the issuance of the general obligation bonds, the debt ratio would increase by 0.03 percent to 0.98 percent—within the 3.00 percent legal debt limit. If all of the City's authorized and unissued general obligation bonds were issued, the total debt would be 1.40 percent of the net assessed value of property in the City.

Recommendation

- Approve the two proposed resolutions and the proposed ordinance.

MANDATE STATEMENT

Charter Section 9.105 provides that the issuance and sale of general obligation bonds are subject to approval by the Board of Supervisors.

Charter Section 9.105 also states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

1992 Seismic Safety Loan Program Bonds

Voters approved Proposition A in 1992, which authorized the sale of up to $350 million in general obligation bonds for the Seismic Safety Loan Program to support seismic improvements to unreinforced masonry buildings. The $350 million authorization was allocated to two separate loan programs, including $150 million for a below-market rate loan program for seismic improvements to affordable housing and $200 million for improvements to market rate properties. Under the below-market rate loan program, borrowers would pay back principal and one-third of the City's borrowing costs, and the remainder of the City's borrowing cost would be repaid by a property tax levy. In addition, $60 million of the $150 million allocation for below-market rate loans was permitted to be deferred for 20 or 55 years. Under the market rate loan program, borrowers would pay back principal, the City's full borrowing cost, and an additional 1 percent interest to cover administrative costs. Of the $350 million total authorized, $89,315,450[1] has been issued to date, and $260,684,550 remains available for future bond issuance, as shown in Table 1 below.

Table 1: Seismic Safety Loan Program Bond Authorization

	Authorization	Issued to date	Remaining Authorization
Below-Market Rate Loan Program	$150,000,000	$45,315,450	$104,684,550
with loan deferment	*60,000,000*	*45,315,450*	*14,684,550*
no loan deferment	*90,000,000*		*90,000,000*
Market Rate Loan Program	200,000,000	44,000,000	156,000,000
Total	**$350,000,000**	**$89,315,450**	**$260,684,550**

Source: Memorandum dated December 7, 2018 from the Office of Public Finance to the Board of Supervisors

Under Proposition A, no more than $35 million of the general obligation bond authorization could be sold in any fiscal year (including no more than $15 million for the Below-Market Rate Loan Program and no more than $20 million for the Market Rate Loan Program), but the authorized indebtedness accrued in each fiscal year could be carried over to subsequent fiscal years, if it remains unissued.

[1] Includes three bond issuances: (1) $35 million in April 1994, pursuant to Resolution 160-94; (2) $30,315,450 in March 2007, pursuant to Resolution 65-07; and (3) $24 million in March 2016, pursuant to Resolution 284-14.

Seismic Safety and Affordable Housing Loan Program (PASS Program)

In November 2016, voters approved Proposition C, which amended the 1992 authorization to broaden the scope of the Seismic Safety Loan Program due to low demand for seismic safety loans funded through the general obligation bond program. Proposition C allowed the bonds to also be used to finance the acquisition, improvement, and rehabilitation of (including seismic and other safety upgrades) at-risk multi-unit residential buildings and to convert those structures to permanent affordable housing. In October 2018, the Board of Supervisors approved Ordinance No. 270-18, which amended the Administrative Code to authorize and implement a seismic safety and affordable housing loan program—now called Preservation and Seismic Safety (PASS Program)—to be funded by the sale of the authorized general obligation bonds.

DETAILS OF PROPOSED LEGISLATION

The two proposed resolutions and one proposed ordinance would authorize (a) the issuance of the entire not-to-exceed $260,684,550 aggregate principal in general obligation bonds, (b) the sale of the first series of the taxable general obligation bonds for up to $75,000,000, and (c) the appropriation of those funds for seismic safety and affordable housing loans:

- File 18-1218: The proposed resolution would authorize the issuance of not to exceed $260,684,550 aggregate principal in General Obligation Bonds (Proposition A, 1992/Proposition C, 2016), approved by the voters in November 2016, and provide for the levy of a tax to pay the principal and interest of the general obligation bonds.
- File 18-1219: The proposed resolution would authorize the issuance and sale of not to exceed $75,000,000 aggregate principal Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016), Series 2019A.[2]
- File 18-1209: The proposed ordinance appropriates $75,000,000 of proceeds from the Series 2019A taxable bonds to the Mayor's Office of Housing and Community Development (MOHCD) to implement loan programs to acquire, improve and rehabilitate at-risk multi-unit residential buildings that need seismic, fire, health or safety upgrades or other major rehabilitation, and convert those buildings to permanent affordable housing and places these funds on Controller's Reserve pending sale of the bonds.

Authorization to issue $260,684,550 in General Obligation Bonds and Sale of $75 million Series 2019A Bonds (Files 18-1218 and 18-1219)

The proposed resolutions would authorize (a) the issuance of $260,684,550 in general obligation bonds, to be issued in multiple series with no more than $35 million sold in each

[2] A resolution pending before the Board of Supervisors (File 18-1227) amends the City's debt policy to allow the Controller's Office of Public Finance to consider designating bonds as social bonds, green bonds, or sustainable bonds (for projects designated as both "social" and "green"). Appendix B states that "in considering the designation of such bonds, the Office of Public Finance shall evaluate costs and benefits...around such designation".

fiscal year (unless authorized indebtedness is carried over from previous fiscal years), and (b) the sale of up to $75 million[3] Series 2019A taxable bonds, which would be the first series to be issued from the total $260,684,550 authorized by the 2016 Proposition C, as described above. The sale of the $75 million Series 2019A taxable bonds would occur in approximately February 2019 if approved. The sale of the remaining $185,684,550 of the $260,684,550 total authorized would be subject to future Board of Supervisors approval.

Financing Parameters

Of the first series of not to exceed $75 million of the total $260,684,550, the Office of Public Finance expects to sell $72.5 million under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount of $2.5 million above the expected issuance amount of $72.5 million allows for fluctuations in interest rate market conditions from the date of authorization by the Board of Supervisors to the time of the sale of the bonds. Table 2 below outlines anticipated sources and uses for the bonds.

Table 2: MOHCD Allocation for Series 2019A General Obligation Bonds

Sources	
Par Amount	$72,500,000
Reserve Proceeds for Interest Rate Fluctuations	2,500,000
Total Not-to-Exceed Amount	**$75,000,000**
Uses	
MOHCD Project	
Below-Market Rate Loan Program	$30,626,096
with loan deferment	*4,296,243*
no loan deferment	*26,329,853*
Market Rate Loan Program	40,835,032
Amount Available for Loans Subtotal	*71,461,128*
CSA Audit fund	142,922
MOHCD Projects Subtotal	*71,604,050*
Citizens' GO Bond Oversight Committee	75,000
Costs of Bond Issuance	600,000
Underwriter's Discount	220,950
Costs of Issuance Subtotal	*895,950*
Reserve for Market Uncertainty	2,500,000
Total Uses with Reserve	**$75,000,000**

Source: Memorandum dated December 7, 2018 from the Office of Public Finance to the Board of Supervisors

[3] The proposed $75 million issuance is within the $105 million maximum that could be issued in FY 2018-19 based on the $35 million annual issuance limit that has carried over since FY 2016-17, as stipulated in 1992 Proposition A and maintained under 2016 Proposition C.

Appropriation of $75,000,000 in Bond Proceeds (File 18-1209)

As shown in Table 2 above, the proposed ordinance would appropriate $75,000,000 in Series 2019A taxable general obligation bond proceeds for seismic safety and affordable housing projects to the Mayor's Office of Housing and Community Development.

According to Mr. Vishal Trivedi, a Financial Analyst in the Office of Public Finance, the below-market rate loans and market rate loans would be issued in combination to non-profit developers[4] for affordable housing to achieve a low-cost blended interest rate, and the terms of repayment of those loans to the City would depend on the share that is below-market rate and the share that is market rate. Seismic safety loans under the 1992 Proposition A authorization would still be available for seismic improvements to unreinforced masonry buildings, but as noted above, demand for these loans has been low historically.

FISCAL IMPACT

Annual Debt Service

Based on a conservative estimate of 5.53 percent total borrowing cost (which assumes the issuance of the Bonds on a federally taxable basis), the Office of Public Finance estimates the average annual debt service over 40 years on the general obligation bonds would be approximately $4,700,000. A par value of $75,000,000 is estimated to result in approximately $113,500,000 in interest payments over the 40-year life of the Series 2019A bonds.[5] The estimated total principal and interest payment over the approximate 40-year life of the general obligation bonds is $188,500,000, of which $113,500,000 is interest and $75,000,000 is principal.

The Office of Public Finance intends to sell the general obligation bonds through a negotiated sale with three underwriters selected competitively based on their responses to a Request for Proposals that was distributed to the City's Underwriter Pool. Citigroup would serve as Senior Underwriter, and Raymond James and Loop Capital Markets would serve as Co-underwriters. The Bonds would be structured as taxable[6] bonds with a final maturity of 35 to 40 years to meet the needs of an affordable housing loan program. The Bonds would mature on or before June 15, 2059.

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[4] Affordable housing general obligation bonds are somewhat different than typical City general obligation bonds. Under typical City general obligation bonds, the City hires private contractors to undertake improvements on specific City-owned properties, such that the improvements are also owned by the City. However, under these affordable housing general obligation bonds, the City will not directly engage contractors nor generally own the properties or improvements. Rather, the City will primarily provide the general obligation bond proceeds as loans to developers who will hire contractors and own the improvements through limited liability corporations, which enables leveraging of additional revenues for the projects through federal tax credits.

[5] A resolution pending before the Board of Supervisors (File 18-1227) amends the City's debt policy to allow the issuance of bonds up to a maximum of 40 years (rather than the current maximum of 30 years).

[6] The Series 2019A bonds would be sold as taxable due to IRS restrictions on financing projects that involve private use, such as housing, with tax-exempt bonds.

Debt Limit

Section 9.106 of the City Charter limits the amount of general obligation bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for FY 2018-19 is approximately $7.78 billion, based on a net assessed valuation of approximately $259.3 billion. This net assessed valuation is dated as of August 1, 2018, which is the date of the Controller's Certificate of Assessed Valuation for the fiscal year. As of December 1, 2018, the City had outstanding approximately $2.46 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.95 percent of the net assessed valuation for FY 2018-19. If the Board of Supervisors approves the issuance of the general obligation bonds, the debt ratio would increase by 0.03 percent to 0.98 percent—within the 3.00 percent legal debt limit. If all of the City's authorized and unissued general obligation bonds were issued, the total debt would be 1.40 percent of the net assessed value of property in the City.

Property Tax Rates

For the Series 2019A bonds, repayment of the annual debt service would be recovered through increases in the annual property tax rate, which, according to the Controller's Office, would range from $0.03 up to $1.72 per $100,000 of assessed valuation over the anticipated 40-year term of the bonds based on current assumptions. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay additional property taxes to the City ranging from $0.19 up to $10.19 per year if the $75,000,000 Series 2019A bonds are sold. As noted above, under the below-market rate loan program, borrowers would pay back principal and one-third of the City's borrowing costs, and the remainder of the City's borrowing cost would be repaid by a property tax levy.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued general obligation bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the general obligation bond fund was $120.10 per $100,000 of assessed value. If the Board of Supervisors approves the issuance of the general obligation bonds, the property tax rate for general obligation bonds for FY 2018-19 would be maintained below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATION

Approve the proposed resolutions (Files 18-1218 and 18-1219) and the proposed ordinance (File 18-1209).

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

December 21, 2018

File No. 181218

Lisa Gibson
Environmental Review Officer
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Ms. Gibson:

On December 11, 2018, Mayor London Breed introduced the following Resolution:

File No. 181218

Resolution providing for the issuance of not to exceed $260,684,550 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Proposition A, 1992/Proposition C, 2016); authorizing the issuance and sale of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines, and Administrative Code, Chapter 31; finding that the proposed project is in conformity with the priority policies of Planning Code, Section 101.1(8), and with the General Plan consistency requirement of Charter, Section 4.105, and Administrative Code, Section 2A.53; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the issuance and sale of said bonds, as defined herein.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

By: Linda Wong, Assistant Clerk
Budget and Finance Committee

Attachment

c: Joy Navarrete, Environmental Planning
Laura Lynch, Environmental Planning

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance
Bridget Katz, Office of Public Finance
Vishal Trivedi, Office of Public Finance

DATE: Friday, December 7, 2018

SUBJECT: **Master Resolution Authorizing the Issuance of General Obligation Bonds (Proposition A, 1992/Proposition C, 2016) – Not to Exceed $260,684,550;**

Resolution Authorizing the Sale of Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016) Series 2019A – Not to Exceed $75,000,000;

Ordinance Appropriating Proceeds of General Obligation Bonds, Series 2019A

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance of General Obligation Bonds for the Preservation and Seismic Safety ("PASS") Program in an aggregate amount of $260,684,550 and the sale of a not-to-exceed par amount of $75,000,000 in City and County of San Francisco Taxable General Obligation Bonds (Social Bonds - Affordable Housing, 2016), Series 2019A (the "Bonds"), which will be used to finance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to affordable housing; and the ordinance appropriating the proceeds.

In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinances to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, December 11, 2018. We respectfully request that the items be heard at the scheduled January 10, 2019 meeting of the Budget and Finance Committee.

<u>Background:</u>

Proposition A, 1992: As adopted in 1992, the Seismic Safety Loan Program ("SSLP") authorized the sale of up to $350,000,000 of general obligation bonds intended to support the seismic strengthening of unreinforced masonry buildings (UMBs). Currently, $260,684,550 of the original SSLP financing authorization remains available for future bond issuances.

Per the SSLP, the $350,000,000 total authorization was allocated across two separate loan programs: (i) a $150,000,000 below-market rate (BMR) loan program for seismic improvements to affordable housing UMBs, and (ii) a $200,000,000 market rate (MR) loan program intended for commercial or other UMBs.

1) <u>Below Market Rate Program (BMR):</u> The BMR program was structured such that borrowers would pay back principal and 1/3 of the City's borrowing costs, leaving a net impact to the property tax levy of 2/3 of interest cost generated by the loan amount. Additionally, $60,000,000 of the BMR program allocation was permitted to be deferred for 20 or 55 years, which resulted in an additional short-term impact to the property tax rolls.

   Of the $150,000,000 originally authorized for the BMR loan program, $45,315,450 of bonds have been issued to date, all of which have been deferred loans. This leaves $104,684,550 in available funding authority for BMR loans, of which $14,684,550 is eligible to be deferred.

2) <u>Market Rate Program (MR):</u> The MR program was structured as a pass-through, with borrowers paying the full borrowing cost to the City, plus an additional 1% interest to cover administration costs.

   Of the $200,000,000 originally authorized for the MR program, $44,000,000 of bonds have been issued to date, leaving $156,000,000 in available funding authority for MR loans.

BMR and MR loans may be combined within the same bond financing to achieve a low-cost blended interest rate.

Proposition C, 2016: Due to low historical demand for SSLP loans funded through this general obligation bond program, in November 2016 the City's voters approved Proposition C, which amended the 1992 authorization to broaden the scope of the original program. Proposition C added the eligibility to finance the cost to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to affordable housing, to perform needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. On October 30, 2018, the Board of Supervisors approved Ordinance No. 270-18, amending the Administrative Code to authorize and implement a Seismic Safety Retrofit and Affordable Housing Loan Program (SSRAHLP) to be funded by the sale of the authorized general obligation bonds.

<u>Financing Parameters</u>

The proposed legislation will authorize the issuance of bonds for the purposes allowed under the November 2016 Proposition C, approve the sale of the first tranche of bonds under the program, and approve the appropriation of bond proceeds from that sale.

Table 1 below outlines the not-to-exceed sources and uses for the Bonds, based on an estimate provided by Sperry Capital Inc., a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board of Supervisors regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources and Uses from the Bonds

Maximum Not to Exceed Amount:	**$75,000,000**
Estimated Sources:	
Par Amount	$75,000,000
Total Estimated Sources:	**$75,000,000**
Estimated Uses:	
Project Fund Deposits:	
Project Fund	$71,461,128
CSA Audit Fee	$142,922
Total Project Fund Deposits:	$71,604,050
Cost of Issuance	$600,000
Underwriter's Discount	$220,950
CGOBOC Fee	$75,000
Total Delivery Expense:	$895,950
Reserve for Market Uncertainty	$2,500,000
Total Estimated Uses:	**$75,000,000**

Source: Sperry Capital

Based upon an assumed current market interest rate of 5.53%, which assumes the issuance of the Bonds on a federally taxable basis, the Office of Public Finance estimates a not-to-exceed average annual debt service of approximately $4,700,000. The not-to-exceed par amount of $75,000,000 is estimated to generate approximately $113,500,000 in interest payments and approximately $188,500,000 in total debt service over the life of the Bonds. The debt service estimates assume a 40-year term, which the Office of Public Finance and the Mayor's Office of Housing Community Development, in consultation with the City's municipal advisers, determined most closely aligns with the underlying loan repayment term. The Bonds will mature on or before June 15, 2059.

<u>Property Tax Impact</u>

Repayment of annual debt service on the Bonds will be recovered through increases in the annual property tax rate. As previously discussed, borrowers of BMR loans are expected to repay principal and 1/3 of the City's borrowing cost, and borrowers of MR loans are expected to repay the full borrowing cost to the City, plus an additional 1% interest to cover administrative costs. Therefore, we anticipate a portion of the City's borrowing cost and, subsequently, a portion of the impact on property taxes, may be reduced due to these loan repayments.

The increase in the property tax rate associated with the Bonds is estimated to range from 0.00003% up to 0.00172% per $100 of assessed value or $0.03 up to $1.72 per $100,000 of assessed value over the anticipated 40-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay additional property taxes to the City estimated to range from $0.19 up to $10.19 per year if the not-to-exceed $75,000,000 Bonds are sold.

Method of Sale & Bond Purchase Agreement: The Office of Public Finance is proposing a negotiated sale in connection with this transaction. The Bonds will be structured as taxable bonds with a final maturity of 35 to 40 years in order to benefit the needs of an affordable housing loan program. Citigroup has been selected to serve as Senior Underwriter, and Raymond James and Loop Capital Markets have been selected to serve as Co-underwriters. All three firms were selected through a competitive process, based on their responses to a Request for Proposal that was distributed to the City's Underwriter Pool, and in consultation with the City's municipal advisors on the transaction. The proposed Resolution approves the form of the Bond Purchase Agreement, which provides the terms of sale of the bonds by the City to the selected underwriters.

"Social Bond" Designation:

The City intends to designate the Bonds as "Social Bonds" since the proceeds will be used to finance socially beneficial projects ("Social Projects"), particularly the acquisition and conversion of at-risk buildings to affordable housing through MR and BMR loans.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2018-19 is approximately $7.78 billion, based on a net assessed valuation of approximately $259.3 billion. As of December 1, 2018, the City had outstanding approximately $2.46 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.95% of the net assessed valuation for fiscal year 2018-19. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.40% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.03% to 0.98%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was $0.1201 per $100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2018-19 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, December 11, 2018. The forms of the related financing documents—including the Bond Purchase Agreement, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and related documents—will also be submitted.

Bond Purchase Agreement: The City intends to pursue a negotiated sale of the Bonds; the Purchase Contract details the terms, covenants, and conditions for the sale of the Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

Official Notice of Sale: Should the bonds be sold competitively, the Official Notice of Sale would announce the date and time for a competitive bond sale, including the terms relating to sale of the Bonds; 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 Bonds. Pursuant to the Resolutions, in a competitive sale the Controller is authorized to award the Bonds 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.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the 2019A Bonds. Such Notice of Intention to Sell would be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; 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 Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering, 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 Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolutions, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. 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 Resolution, City staff will revise the Official Statement, including the Appendix A.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist initial purchasers of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline:

Milestones:	Dates*:
Capital Planning Committee	December 3
Board of Supervisors Introduction	December 11
Budget & Finance Committee Hearing	January 10
Board Approval of Resolution and 1st Reading of Appropriation Ordinance	January 22
Final Board Approval of Appropriation Ordinance (2nd Reading)	January 29
Estimated Sale & Closing	February 2019

*Please note that dates are preliminary and may change.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 (anna.vandegna@sfgov.org), Vishal Trivedi at 415-554-4862 (vishal.trivedi@sfgov.org) or Bridget Katz at 415-554-6240 (bridget.katz@sfgov.org) if you have any questions.

OFFICE OF THE MAYOR
SAN FRANCISCO

LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Kanishka Karunaratne Cheng KKC
RE: Issuance of General Obligation Bonds (Proposition A, 1992/Proposition C, 2016) - Not to Exceed $260,684,550
DATE: December 11, 2018

Resolution providing for the issuance of not to exceed $260,684,550 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Proposition A, 1992/Proposition C, 2016); authorizing the issuance and sale of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines and San Francisco Administrative Code Chapter 31; finding that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(8) and with the general plan consistency requirement of Charter Section 4.105 and Administrative Code Section 2A.53; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the issuance and sale of said bonds.

Please note that Supervisor Peskin is a co-sponsor of this legislation.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-554-6696.

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1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141