

LEGISLATIVE DIGEST

[Ordinance Authorizing Certificates of Participation - 1500 Mission Project - Not to Exceed \$321,765,000]

Ordinance authorizing the execution and delivery of Certificates of Participation on a tax-exempt or taxable basis evidencing and representing an aggregate principal amount of not to exceed \$321,765,000 to fund a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission office building; authorizing the issuance of commercial paper notes in advance of the delivery of the Certificates; approving the form of Trust Agreement between the City and County of San Francisco and the Trustee (including certain indemnities contained therein); authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Lease Agreement, each between the City and the Trustee for the lease and lease back of certain property and facilities of the City; approving the forms of Purchase Contract, Official Notice of Sale, and Notice of Intention to Sell Certificates; directing the publication of the Notice of Intention to Sell Certificates; approving the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the Certificates; approving the form of the Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, execution, sale and delivery of the Certificates; approving modifications to documents and agreements; declaring the City's intent to reimburse certain expenditures; and ratifying previous actions taken in connection therewith.

Existing Law

This is new legislation.

Background Information

The proposed legislation authorizes the City to cause the execution and delivery of not to exceed \$321,765,000 of its Certificates of Participation ("Certificates") to fund costs (including furniture, fixtures or other equipment) associated with the 1500 Mission office building. The Bonds will be issued under the terms of a Trust Agreement. Proceeds of the Certificates will be used to fund (i) costs of the Project, including repayment of commercial paper notes and interest thereon issued for such purpose; (ii) a debt service or other similar reserve, as appropriate; (iii) capitalized interest, if any; and (iv) costs of issuance of the execution and delivery of the Certificates.

Interest on the Certificates cannot exceed 12% per annum. The Director of Public Finance is authorized to sell the Certificates by competitive or negotiated sale, but if the Director proceeds by negotiated sale the compensation to the underwriter cannot exceed 1% of the principal amount of the Certificates.

FILE NO. 170468

The Ordinance also authorizes the execution of a Property Lease and Lease Agreement. Under the Property Lease the City will lease the site of the 1500 Mission office building to the Trustee, and under the Lease Agreement the Trustee will lease the improved property back to the City. Lease payments (not to exceed \$24,000,000 per year) made by the City under the Lease Agreement will be applied to the payment of principal and interest on the Certificates.

The Ordinance also declares the City's official intent to reimburse itself with bond proceeds for project expenditures paid with cash prior to the execution and delivery of the Certificates. Declaration of the City's intention to reimburse itself is a requirement of the Internal Revenue Code of 1986, as amended.