

File No. 190416

Committee Item No. A

Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date May 1, 2019

Board of Supervisors Meeting

Date May 14, 2019

Cmte Board

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Completed by: Linda Wong

Date April 26, 2019

Completed by: Linda Wong

Date May 2, 2019

[Appropriation - Certificates of Participation to the General Services Agency to Fund Hall of Justice Relocation Project - \$16,000,000 - FY2018-2019]

Ordinance appropriating \$16,000,000 of Certificates of Participation to the General Services Agency to purchase the property located at 814-820 Bryant Street and 470-6th Street; and to fund the Hall of Justice Relocation Project with related demolition, site preparation, and other acquisition costs in FY2018-2019.

Note: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~italics Times New Roman font~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~Arial font~~.
Asterisks (*)** indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated in the General Services Agency for Fiscal Year 2018-2019. Commercial Paper may be used as a funding source in the interim, prior to sale of the Certificates of Participation.

Sources

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
15381/ 228875	10001289/ 0016	80141	Proceeds from	\$16,000,000
CPXCF COP 820	20886 ADRE Capital	Proceeds fr	Certificates of	
Bryant St / ADM Real	Improvements/ADRE	Certificates of	Participation	
Estate Division	820 Bryant Acquisition	Participation		

1 **Total Sources**

\$16,000,000

2
3 Section 2. The uses of funding outlined below are herein appropriated in the General
4 Services Agency to fund the purchase of the property located at 814-820 Bryant Street and
5 470 6th Street and the related demolition, site preparation, and other acquisition costs.
6

7 **Uses**

8 Fund/ 9 Department ID	10 Project & Activity / 11 Authority	12 Account	13 Description	14 Amount
15 15381/ 228875	16 10001289 & 0016/ 17 20886	18 567000	19 Purchase of 20 Property	21 \$11,520,000
22 CPXCF COP 820	23 ADRE Capital 24 Improvements/ 25 ADRE 820 Bryant Acquisition	Bldgs, Struct & Imprv Proj-Budget		
15381/ 228875	10001289 & 0016/ 20886	506070	Demolition, Site Preparation, Other Acquisition Costs	\$480,000
CPXCF COP 820	ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	Programmatic Projects-Budget		

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Fund/ Department ID	Project & Activity / Authority	Account	Description	Amount
15381/ 228875 CPXCF COP 820 Bryant St / ADM Real Estate Division	10001289 & 0016/ 20886 ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	581130 GF-CON-Internal Audit	CSA 0.2% Controller's Audit Fund	\$24,000
15381/ 228875 CPXCF COP 820 Bryant St / ADM Real Estate Division	10001289 & 0016/ 20886 ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	573110 Bond Issuance Cost - Unamortized	Debt Service Reserve Fund	\$1,233,237
15381/ 228875 CPXCF COP 820 Bryant St / ADM Real Estate Division	10001289 & 0016/ 20886 ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	573110 Bond Issuance Cost - Unamortized	Capital Interest Fund	\$1,337,138

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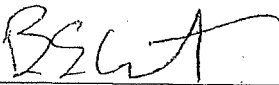
Fund/ Department ID	Project & Activity / Authority	Account	Description	Amount
15381/ 228875 CPXCF COP 820 Bryant St / ADM Real Estate Division	10001289 & 0016/ 20886 ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	573110	Cost of Issuance Bond Issuance Cost - Unamortized	\$807,525
15381/ 228875 CPXCF COP 820 Bryant St / ADM Real Estate Division	10001289 & 0016/ 20886 ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	573110	Underwriter's Bond Issuance Discount Cost - Unamortized	\$133,100
15381/ 228875 CPXCF COP 820 Bryant St / ADM Real Estate Division	10001289 & 0016/ 20886 ADRE Capital Improvements/ ADRE 820 Bryant Acquisition	573110	Reserve for Bond Issuance Market Cost - Unamortized Uncertainty	\$465,000
Total Uses				\$16,000,000

1 Section 3. The uses of funding outlined above for \$16,000,000 are herein placed on
2 Controller's Reserve pending sales of Certificates of Participation.

3
4 Section 4. The Controller is authorized to record transfers between funds and adjust the
5 accounting treatment of sources and uses appropriated in this Ordinance as necessary to
6 conform with Generally Accepted Accounting Principles and other laws.

7
8
9 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

10
11 By:



BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

12
13 By:



BEN ROSENFELD
Controller

<p>Items 4 and 5 Files 19-0416 and 19-0420</p>	<p>Department: Real Estate Division</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-0420 is a resolution authorizing (1) the Director of Real Estate Division to acquire real property located at 814-820 Bryant Street and 470 6th Street from Wen-Chiao Wayne Lin and Mei-Huei Grace Lin, and Tony Chih-Tung Lin and Jenny Chun-Hsing Lin for the purchase price of \$11,520,000; and (2) issuance of \$16,000,000 in Certificates of Participation. • File 19-0416 is an ordinance appropriating \$16,000,000 of Certificates of Participation pay for the purchase of 814-820 Bryant Street and 470-6th Street, including debt issuance costs and demolition of an existing structure. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In January 2016, the Board of Supervisors verbally urged the Real Estate Division to begin negotiating the acquisition of the four adjacent properties at: (1) 450 6th Street, (2) 444 6th Street, (3) 470 6th Street, and (4) 814-820 Bryant Street for the Hall of Justice Relocation Project. In June 2016, the Board of Supervisors approved the acquisition of one of the four lots, the property at 450 6th Street, for \$2,403,333. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • In January 2019, the Real Estate Division contracted with Runde and Partners to conduct an appraisal of the 814-820 Bryant Street and 470 6th Street properties, in accordance with Administrative Code 23.3, which determined the market value is consistent with the proposed negotiated price. The appraisal review is in process. • The costs to purchase the property, including transaction costs and demolition of an existing building, are approximately \$12,000,000. In addition, the City's estimated costs to issue the certificates of participation are \$3,535,000, including the audit fee, debt service reserve fund, capitalized interest and fees, and cost of issuance and underwriter's discount. \$465,000 would be reserved for market uncertainty. • The anticipated incremental debt service associated with the delivery and execution of the Certificates of Participation complies with the City's policy of limiting General Fund debt service payments at or below 3.25 percent of General Fund Discretionary Revenue. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • A specific plan for construction of a new facility has not yet been approved. The Real Estate Division stated that no jail is contemplated to be constructed on this property. The proposed Capital Plan, pending before the Board of Supervisors, provides for the issuance of certificates of participation for the demolition of the Bryant Street wing of the Hall of Justice slated for FY 2024-25. Planning for the replacement building has not yet begun, but is expected to consolidate criminal justice functions currently in leased spaces. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolution and proposed ordinance pending (a) the receipt of the appraisal review, and (b) the approval of the Ten-Year Capital Plan for FY 2020-20 through FY 2029-30 by the Board of Supervisors on April 30, 2019. 	

MANDATE STATEMENT

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

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

City Charter Section 9.118(e) states that the Board of Supervisors has the power to borrow money by the issuance of tax anticipation notes, temporary notes, commercial paper, or any other short-term debt instruments in the manner provided by state law or City ordinance.

BACKGROUND

The Hall of Justice, located at 850 Bryant Street, was constructed in 1958 and is seismically deficient. Due to aging infrastructure, the Hall of Justice has serious health, safety, and working condition problems, requiring significant renovation and capital investment. As a result, replacing the Hall of Justice, including County Jails No. 3 and No. 4, has been a high priority in the City's Ten-Year Capital Plan since 2006. However, in late 2015, the Board of Supervisors rejected legislation to (a) accept a State grant to construct a new jail, (b) issue \$215,000,000 Certificates of Participation and commercial paper to fund the balance of the costs, and (c) purchase four adjacent properties to locate the new jail facility.

Instead, on January 12, 2016, the Board of Supervisors approved a resolution (File 15-1286) urging the Director of the Department of Public Health and the Sheriff to convene a working group to re-envision the jail replacement project at the Hall of Justice. The resolution also stated that the Board of Supervisors verbally urged the Real Estate Division to begin negotiating the acquisition of the four adjacent properties at: (1) 450 6th Street, (2) 444 6th Street, (3) 470 6th Street, and (4) 814-820 Bryant Street, and that the Board of Supervisors would soon consider legislation approving these acquisitions.

In June 2016, the Board of Supervisors approved the acquisition of one of the four lots, the property at 450 6th Street, for \$2,403,333 (File 16-0645).

In April 2017, the Board of Supervisors adopted the FY 2018-27 Ten-Year Capital Plan. The Capital Plan calls for \$308 million in certificates of participation for the Hall of Justice Relocation Project to relocate the District Attorney's Office, Adult Probation Department, Police Department Investigations Unit, Medical Examiner, and other administrative offices from the Hall of Justice.

DETAILS OF PROPOSED LEGISLATION

File 19-0420: the proposed resolution would authorize the Director of Real Estate Division to acquire real property located at 814-820 Bryant Street and 470 6th Street from Wen-Chiao

Wayne Lin and Mei-Huei Grace Lin, as to an undivided 60 percent interest, and Tony Chih-Tung Lin and Jenny Chun-Hsing Lin, as to an undivided 40 percent interest, to facilitate the replacement of the Hall of Justice known as the Justice Facilities Improvement Program, for the purchase price of \$11,520,000. These are two of the four properties recommended for purchase by the Board of Supervisors, as noted in File 15-1286.

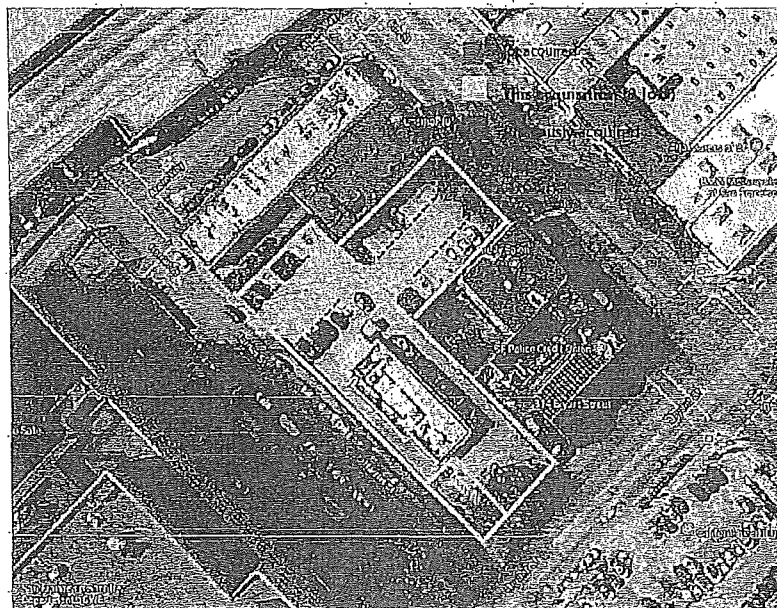
In addition, the proposed resolution would authorize the Controller to cause the execution and delivery of taxable or tax-exempt certificates of participation representing an aggregate principal amount not to exceed \$16,000,000 to finance the costs of the acquisition of the property, including demolition and related site preparation costs. The proposed resolution would authorize the Controller to issue the City's commercial paper notes in anticipation of the execution and delivery of the Certificates of Participation.

Finally, the proposed resolution would adopt findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1, and authorize the Controller and the Director of Property to execute such documents and take necessary actions in furtherance of this resolution.

File 19-0416: the proposed ordinance would appropriate \$16,000,000 of Certificates of Participation to the General Services Agency to purchase the property located at 814-820 Bryant Street and 470-6th Street and to fund the Hall of Justice Relocation Project with related demolition, site preparation and other acquisition costs in FY 2018-2019.

Existing and Proposed Use of Property

The proposed properties at 814-820 Bryant Street and 470 6th Street are two of the four properties listed above in the planned acquisition, located adjacent to the Hall of Justice as shown in the map below.



The properties are approximately 24,000 square feet and include a vacant single story wood frame quick-service restaurant facility of approximately 2,899 feet.

The Real Estate Division continues to negotiate for the fourth of the four parcels identified in File 15-1286, but a project adjacent to the existing Hall of Justice could move forward without purchasing the final parcel.

Environmental and Planning Code Provisions

On July 21, 2015, the Board of Supervisors approved the Final Mitigated Negative Declaration for the jail replacement project (File 15-0701). On April 11, 2019, the Planning Department verified that the proposed acquisition of 814-820 Bryant Street and 470 6th Street is consistent with the City's General Plan and the eight priority policies in Section 101.1 of the Planning Code. The proposed resolution would incorporate the Planning Department's findings regarding consistency with the City's General Plan and the Planning Code.

FISCAL IMPACT

Appraisal and Purchase Price

In January 2019, the Real Estate Division contracted with Runde and Partners to conduct an appraisal of the 814-820 Bryant Street and 470 6th Street properties, which determined the market value is consistent with the proposed negotiated price, in accordance with Administrative Code 23.3. The appraisal defines market value as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale.

According to Mr. Penick, the appraisal review is in process and is not available in time for this report. The Real Estate Division expects the report in time for the Budget and Finance Committee hearing on May 1, 2019.

Uses of certificates of participation

The City would pay approximately \$12,000,000 for the total project cost, including \$11,520,000 for site acquisition, as shown in Table 1 below. In addition, the City's estimated costs to issue the certificates of participation are \$3,535,000, including the audit fee, debt service reserve fund, capitalized interest and fees, and cost of issuance and underwriter's discount. \$465,000 would be reserved for market uncertainty.

Table 2: Uses of \$16 million in Certificates of Participation

Site Acquisition	\$11,520,000
Title Insurance	10,605
Title Endorsement, Escrow Fees and Other Fees	8,161
Demolition and Site Preparation	461,234
Subtotal Estimated Project Cost (rounded)	12,000,000
Audit Fee	24,000
Debt Service Reserve Fund	1,233,237
Capitalized Interest and Fees	1,337,138
Cost of Issuance and Underwriter's Discount	940,625
Subtotal Costs of Issuance (rounded)	3,535,000
Total Estimated Costs (rounded)	15,535,000
Reserve for Market Uncertainty	465,000
Total Not to Exceed (rounded)	\$16,000,000

The project is expected to be completed in the summer of 2020.

City's Debt Policy

The current plan of finance anticipates utilizing the City's commercial paper program, which was approved by the Board of Supervisors in March 2009 (File 09-0197) and March 2010 (File 10-0269) to finance certain project costs, including preliminary design, planning, and permitting. Of the City's total commercial paper program of \$250 million authorized by the Board of Supervisors in May 2016 (File 16-0427), \$141.5 million is currently unencumbered.

The City's policy is to limit General Fund debt service at or below 3.25 percent of discretionary General Fund revenues. The anticipated incremental debt service associated with the delivery and execution of the Certificates of Participation complies with the City's policy of limiting General Fund debt service payments at or below 3.25 percent of General Fund Discretionary Revenue, as set forth and maintained in the City's Capital Plan.

POLICY CONSIDERATION

A specific plan for construction of a new facility on 814-820 Bryant Street and 470 6th Street has not yet been approved. The Real Estate Division stated that no jail is contemplated to be constructed on this property. The property is to be developed as an administrative building as part of the future Hall of Justice complex; and the Real Estate Division anticipates that the departments that were in the old Hall of Justice, including but not limited to the Police Investigations Unit and the Adult Probation Department, will be moved into the new facility on these two parcels and the previously-purchased parcel. According to Ms. Heather Green, Capital Planning Director, the proposed Capital Plan, pending before the Board of Supervisors, provides for the issuance of certificates of participation for the demolition of the Bryant Street wing of the Hall of Justice slated for FY 2024-25. According to Ms. Green, planning for the

replacement building has not yet begun, but is expected to consolidate criminal justice functions currently in leased spaces.

RECOMMENDATION

Approve the proposed resolution and proposed ordinance pending (a) the receipt of the appraisal review, and (b) the approval of the Ten-Year Capital Plan for FY 2020-20 through FY 2029-30 by the Board of Supervisors on April 30, 2019.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

A handwritten signature in black ink, appearing to be "L. Breed".

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Appropriation of \$16,000,000 of Certificates of Participation to the General Services Agency to fund Hall of Justice (HOJ) Relocation Project – FY 2018-19
DATE: 4/16/2019

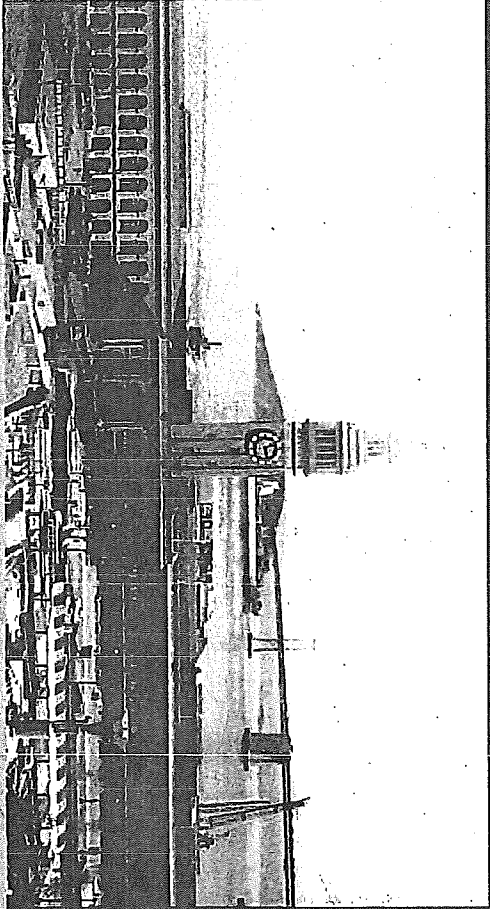
Ordinance appropriating \$16,000,000 of Certificates of Participation to the General Services Agency to purchase the property located at 814-820 Bryant Street and 470 6th Street and fund the related demolition, site preparation and other acquisition costs in Fiscal Year 2018-19.

Please note that Supervisors Haney and Peskin are co-sponsors of this legislation.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

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BOARD OF SUPERVISORS
SAN FRANCISCO
2019 APR 16 PM 4:22
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File # 190416 Received
190420 in Comm Dec 5/1/19
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There's only one San Francisco. Let's make yours a part of it.



ONESF
Building Our Future
onesf@sanfrancisco.org

**Approval of the Certificates of Participation
for the HOJ Exit Project: McDonalds Site Acquisition**

May 1, 2019



AGENDA

1

Review today's action:

- Appropriation - Certificates of Participation to the General Services Agency to Fund Hall of Justice Relocation Project - \$16,000,000 - FY2018-2019
- Acquisition of Real Property - \$11,520,000 and Related Site Demolition and Preparation - 814-820 Bryant Street and 470-6th Street

Background

Review exit plan

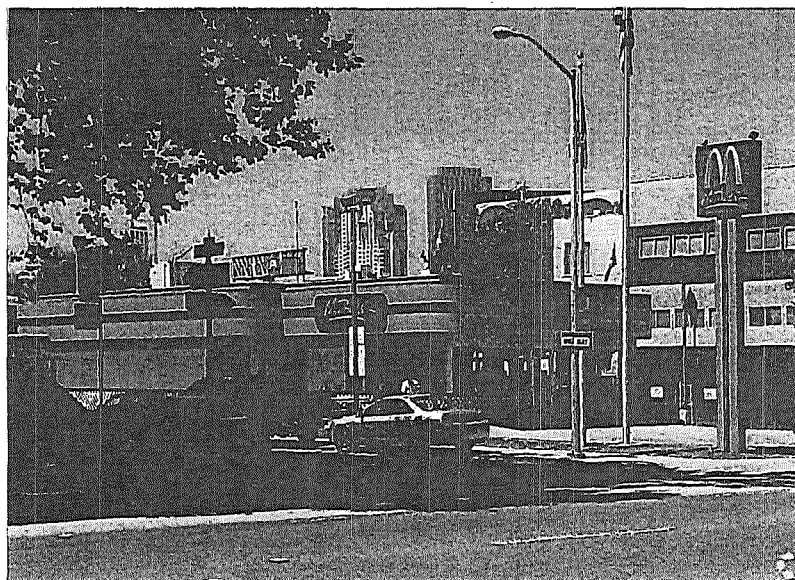
Next steps

Approval of the Certificates of Participation for the HOJ Exit Project: McDonalds Site Acquisition

2

Seeking approval for authorization of not to exceed \$16,000,000 (12,000,000 for acquisition, transfer cost and site preparation for demolition) in COP to assist in the acquisition of 814-820 Bryant Street and 470 6th Street.

Site acquisition for future reconsolidation of justice functions downtown.



Acquisition of 814-820 Bryant and 470 6th Street for future reconsolidation of justice functions downtown



- Longstanding priority of the Capital Plan
- City has identified five separate lots: (Lot Nos. 009, 012, 014, 043 and 045); all within Assessor's Block No. 3759 (Program Site) as necessary to acquire in order to facilitate the replacement of the Hall of Justice through relocation of certain as-yet identified elements of existing occupancy
- December 15, 2015 – Verbal Direction from BOS given to Real Estate Division to begin negotiations with property owners to acquire sites
- City acquired 450 6th Street, Assessor's Lot No. 43 on Block 3759 in 2016 for \$2.4 million

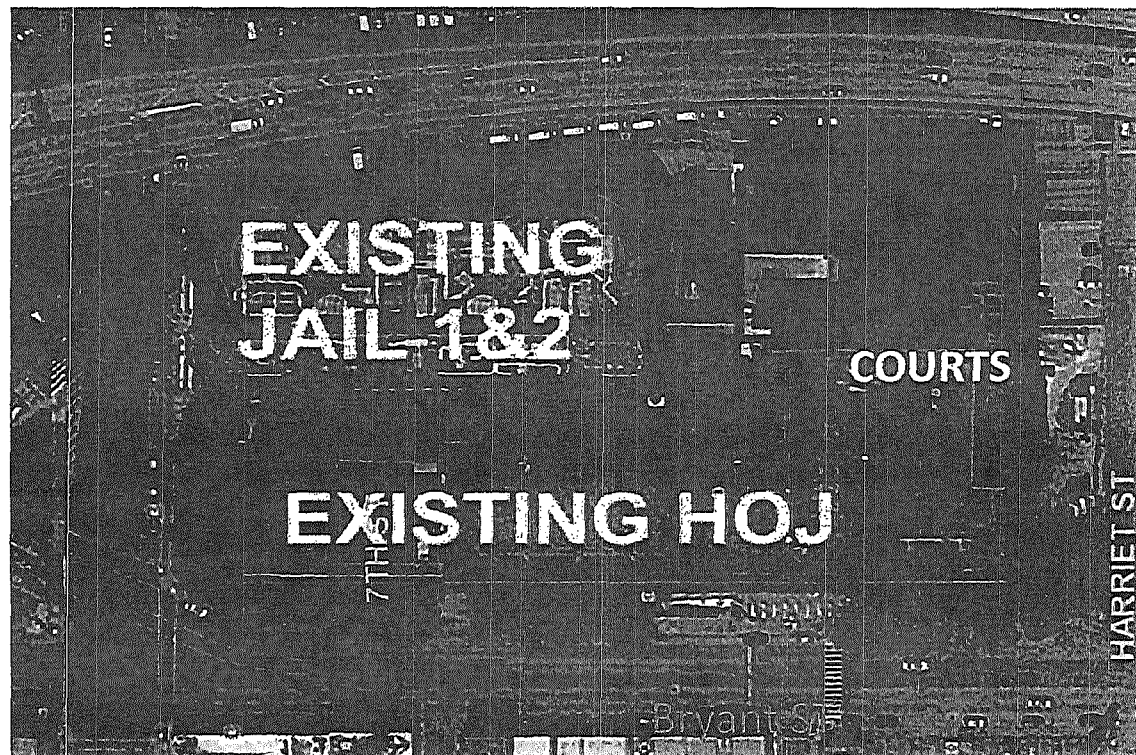


HOJ ADMIN EXIT APPROACH



4

Fits with the Proposed FY2020-29 Capital Plan,
part of the COPs in FY20 for HOJ Exit Projects



Certificates of Participation (COPs) Not-to-Exceed \$16 million



Estimated Sources:

Par Amount	\$15,535,000
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Estimated Uses:

Project Fund	\$12,000,000
CSA Audit Fee (0.2% of project fund)	\$24,000
Total Project Fund Deposits:	\$12,024,000
Debt Service Reserve Fund	\$1,233,238
Capitalized Interest/CP Interest & Fees	\$1,337,138
Costs of Issuance	\$807,525
Underwriter's Discount	\$133,100
Total Delivery Expenses	\$940,625

Total Estimated Uses	\$15,535,000
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<i>Reserve for Market Uncertainty</i>	<i>\$465,000</i>
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Maximum Not-to-Exceed Par Amount	\$16,000,000
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TIMING OF ACQUISITION IS CRITICAL



6

Negotiations have been off and on for 18 months

Sellers are at a decision point of selling to City or pursuing other options

- Mayor Breed, along with co-sponsors, Supervisors Haney and Peskin introduced legislation (4/16/19)
- Annual debt payments to be appropriated as part of the budget process

Target purchase date May 2019

