

File No. 190898

Committee Item No. 12

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date September 18, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong

Date September 13, 2019

Completed by: Linda Wong

Date _____

1 [Appropriation - Certificates of Participation to the General Services Agency to Fund Site
2 Acquisition Costs for the Hall of Justice Relocation Project - \$78,600,000 - FY2019-2020]

3 **Ordinance appropriating \$78,600,000 of Certificates of Participation to the General**
4 **Services Agency to purchase the property located at 1828 Egbert Avenue and to fund**
5 **the related demolition, site preparation, and other acquisition costs in FY2019-2020;**
6 **and placing \$78,600,000 on Controller's Reserve pending sales of Certificates of**
7 **Participation.**

8
9 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
10 **Additions to Codes** are in *single-underline italics Times New Roman font*.
11 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
12 **Board amendment additions** are in double-underlined Arial font.
13 **Board amendment deletions** are in ~~strikethrough Arial font~~.
14 **Asterisks (* * *)** indicate the omission of unchanged Code
15 subsections or parts of tables.

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

17 Section 1. The sources of funding outlined below are herein appropriated in the General
18 Services Agency for Fiscal Year 2019-2020. Commercial Paper may be used as a funding
19 source in the interim, prior to sale of the Certificates of Participation.
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25

1 **Sources**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	15381 / 228875	10035309 – 0001 /	480141	Proceeds from	\$78,600,000
5	CPXCF COP HOJ	20886	Proceeds fr	Certificates of	
6	Relo-Site Aquis /	ADRE HOJ Relo –	Certificates of	Participation	
7	ADM Real Estate	Non-CPC / ADRE	Participation		
8	Division	HOJ Relocation			
9	Total Sources				\$78,600,000

10
 11 Section 2. The uses of funding outlined below are herein appropriated in the General
 12 Services Agency to fund the purchase of the property located at 1828 Egbert Avenue and
 13 fund the related demolition, site preparation, and other acquisition costs.

14
 15 **Uses**

16	Fund /	Project & Activity /	Account	Description	Amount
17	Department ID	Authority			
18	15381 / 228875	10035309 – 0001 /	567000	Purchase of	\$67,365,000
19	CPXCF COP HOJ	20886	Bldgs, Struct&Imprv	Property	
20	Relo-Site Aquis /	ADRE HOJ Relo –	Proj-Budget		
21	ADM Real Estate	Non-CPC / ADRE			
22	Division	HOJ Relocation			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	15381 / 228875	10035309 – 0001 /	581130	CSA 0.2%	\$134,730
4	CPXCF COP HOJ	20886	GF-CON-Internal	Controller's Audit	
5	Relo-Site Aquis /	ADRE HOJ Relo –	Audit	Fund	
6	ADM Real Estate	Non-CPC / ADRE			
7	Division	HOJ Relocation			
8					
9	15381 / 228875	10035309 – 0001 /	573110	Debt Service	\$5,734,765
10	CPXCF COP HOJ	20886	Bond Issuance	Reserve Fund	
11	Relo-Site Aquis /	ADRE HOJ Relo –	Cost - Unamortized		
12	ADM Real Estate	Non-CPC / ADRE			
13	Division	HOJ Relocation			
14					
15	15381 / 228875	10035309 – 0001 /	573110	Capital Interest	\$2,524,730
16	CPXCF COP HOJ	20886	Bond Issuance	Fund / CP Interest	
17	Relo-Site Aquis /	ADRE HOJ Relo –	Cost - Unamortized	& Fees	
18	ADM Real Estate	Non-CPC / ADRE			
19	Division	HOJ Relocation			
20					
21	15381 / 228875	10035309 – 0001 /	573110	Cost of Issuance	\$800,000
22	CPXCF COP HOJ	20886	Bond Issuance		
23	Relo-Site Aquis /	ADRE HOJ Relo –	Cost - Unamortized		
24	ADM Real Estate	Non-CPC / ADRE			
25	Division	HOJ Relocation			

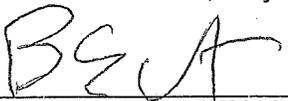
	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
3	15381 / 228875	10035309 – 0001 /	573110	Underwriter's	\$555,775
4	CPXCF COP HOJ	20886	Bond Issuance	Discount	
5	Relo-Site Aquis /	ADRE HOJ Relo –	Cost - Unamortized		
6	ADM Real Estate	Non-CPC / ADRE			
7	Division	HOJ Relocation			
9	15381 / 228875	10035309 – 0001 /	573110	Reserve for Market	\$1,485,000
10	CPXCF COP HOJ	20886	Bond Issuance	Uncertainty	
11	Relo-Site Aquis /	ADRE HOJ Relo –	Cost - Unamortized		
12	ADM Real Estate	Non-CPC / ADRE			
13	Division	HOJ Relocation			
14	Total Uses				\$78,600,000

Section 3. The uses of funding outlined above for \$78,600,000 are herein placed on Controller's Reserve pending sales of Certificates of Participation.

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

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

8 By:


9 BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

By:


BEN ROSENFELD
Controller

<p>Items 11 and 12 Files 19-0895 and 19-0898</p>	<p>Departments: Office of Public Finance Capital Planning</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-0895 is a resolution authorizing the execution and delivery of Certificates of Participation (COPs) in an amount up to \$94.6 million to (i) repay taxable commercial paper notes that the City issued to purchase 814-20 Bryant Street and 470 6th Street and related demolition, preparation and improvement costs; and (ii) finance and refinance the acquisition of 1828 Egbert Avenue and related site demolition, preparation, and improvement costs. • File 19-0898 is an ordinance appropriating \$78.6 million of the \$94.6 million in COPs proceeds to purchase 1828 Egbert Avenue. The balance of \$16 million in COPs proceeds were previously appropriated by the Board of Supervisors in May 2019 for the purchase of 814-820 Bryant Street and 470 6th Street, subject to future Board of Supervisors approval of the COPs sale and security documents (File 19-0416). 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In June 2019, the Board of Supervisors adopted the Ten-Year Capital Plan for FY 2020-21 through FY 2029-30, which calls for \$131 million in COPs to relocate City departments and functions from the Hall of Justice. Of the \$131 million in COPs to be issued in 2020, approximately \$79.5 million are allocated to the purchase of 814-820 Bryant Street, 470 6th Street, and 1828 Egbert Street, previously approved by the Board of Supervisors, and approximately \$51.6 million are allocated to constructing new holding cells and relocating existing offices with the Hall of Justice (Files 19-0895 and 19-0898 of this report). 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The \$94.6 million in COPs issuance includes \$78.6 million for the purchase and related costs for 1828 Egbert Avenue, and \$16 million for the purchase and related costs for 814-820 Bryant Street, 470 6th Streets, previously appropriated by the Board of Supervisors. • Of the \$94.6 million in COPs proceeds, \$79.5 million is directly allocated to the purchase of 1828 Egbert Avenue and 814-820 Bryant Street/470 6th Street, as provided in the Ten-Year Capital Plan. The balance is allocated to COPs financing, reserves, and related costs. • Issuance of the \$94.6 million in COPs conforms to the City's Debt Service limits and Debt Policy. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed ordinances. 	

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding indebtedness does not exceed 3.25% of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

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.

BACKGROUND

The Hall of Justice (the Hall or HOJ), located at 850 Bryant Street, was constructed in 1958 and is seismically deficient. In January 2017, given the serious concerns about the safety and working conditions in the building, the City Administrator declared that the offices and jail located at the Hall of Justice be closed as quickly as possible. As a result, the Capital Plan was updated in 2017 to target an expedited exit in 2019 from the Hall of Justice for all staff and inmates. The building currently houses the County courthouse, County jails #3 and #4, and office space for various justice-related staff.

10-Year Capital Plan

In June 2019, the Board of Supervisors adopted the Ten-Year Capital Plan for FY 2020-21 through FY 2029-30. The Capital Plan calls for \$131 million in certificates of participation (COPs) for the Hall of Justice Relocation Projects 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.¹ Staff from the District Attorney's Office, Police, and Adult Probation departments will be relocated to leased space by the end of 2020. Remaining City offices in the Hall will be consolidated on the Harriet Street side of the building and acquired properties once obtained. The Bryant Street side of the building will be demolished once all staff and inmates are vacated, and the remaining Harriet Street side will be enclosed, leaving a rectangular structure with better expected seismic performance. However, as of September 2019, there is no plan in place for relocation of inmates and staff from County Jail #4.² Demolition of the Bryant Street side of the Hall is planned for funding with FY 2024-25 COPs.

¹ Files 19-0895 and 19-0896 approved the issuance of \$94.6 million and \$62 million in COPs respectively. Of this amount, \$79.4 million of COPs proceeds are allocated to project costs for the purchase of 814-820 Bryant Street/470 6th Street and 1828 Egbert Avenue (File 19-0895), and \$51.6 million is allocated for tenant improvements to the Hall of Justice (File 19-0896), totaling \$131 million.

² County Jail #3 is currently closed.

Previously approved resolutions

In May 2019, the Board approved authorized the (a) the purchase of 814-820 Bryant Street and 470 6th Street for \$12 million for the purpose of relocating City departments and programs from the HOJ, and (b) the Controller to issuance of \$16 million in COPs to fund the purchase, subject to future Board of Supervisors approval of the COPs sale and security documents. (File 19-0420). The City issued short-term commercial paper in July 2019 to purchase these properties as interim financing pending the issuance of the COPs.

The Board authorized the purchase of 1828 Egbert Avenue in July 2019 in an amount of \$67.3 million to relocate the Police Department's evidence and property storage from the HOJ (File 19-0774). The approval of the purchase was subject to the Board of Supervisors future authorization of COPs to fund the purchase.

DETAILS OF PROPOSED LEGISLATION

File 19-0895 is an ordinance that would:

- Authorize the execution and delivery of Certificates of Participation (COPs) not-to-exceed \$94.6 million to finance and refinance the acquisition of property located at 1828 Egbert Avenue, and at
- Repay certain taxable commercial paper notes issued by the city for the acquisition of properties at 814-820 Bryant and 470 6th Street, and preparation for site demolition, preparation and improvement
- Approve the form of Supplement to the Trust Agreement between the City and County of San Francisco and U.S. Bank National Association
- Approve the respective forms of Supplements to Property Lease and Project Lease, each between the City and the Trustee for the lease and lease back of 375 Laguna Honda Boulevard City property and facilities (or other property as determined by the Director of Public Finance);
- Approve the form of an official statement in preliminary and final form;
- Approve the form of a Continuing Disclosure Certificate;
- Grant general authority to City officials to take necessary actions in connection with the authorization, sale, execution, and delivery of the Certificates of Participation;
- Approve modifications to documents;
- Ratify previous actions taken in connection to this ordinance;

Certificates of Participation

COPs are structured as a lease-lease back, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard would serve as the leased property to secure the

COPs.³ The COPs could be structured for a term up to 25 years at an interest rate not-to-exceed 12 percent. According to the proposed ordinance, maximum annual debt service (or maximum annual base rent) is \$8.25 million.

The Office of Public Finance estimates that the COPs would be paid over 20 years with annual principal and interest payments of \$7.2 million and an estimated interest rate of 4.435 percent.

Negotiated Sale

The proposed ordinance permits the COPs to be sold through a negotiated or a competitive sale. Based on current market conditions, the Office of Public Finance intends to sell the COPs competitively. However, according to Ms. Jamie Querubin, Public Finance Deputy, the Office of Public Finance may propose a negotiated sale rather than a competitive sale if one of more of the factors described in the City's Debt Policy are present, which currently include: (1) significant deterioration in the City's overall credit rating or outlook; (2) market disruptions that are outside of the City's control, including new or proposed changes in taxation or sector risks; and (3) the transaction consists of (i) variable rate debt or commercial paper, (ii) a non-traditional debt structure (e.g. forward delivery bonds, long-dated maturities or special call features), or (iii) a public/private partnership.

Commercial Paper

The Office of Public Finance issued \$10.7 million in taxable commercial paper in July 2019 to purchase 814-820 Bryant Street and 470 6th Street, as noted above.⁴ The Office of Public Finance anticipates issuing additional commercial paper to purchase 1828 Egbert Avenue, pending the sale of the COPs.

File 19-0898 is an ordinance appropriating \$78.6 million of the \$94.6 million in COPs proceeds for the purchase of purchase of 1828 Egbert Avenue. The balance of \$16 million in COPs proceeds were previously appropriated by the Board of Supervisors in May 2019 for the purchase of 814-820 Bryant Street and 470 6th Street (File 19-0416). In May 2019 when the Board of Supervisors approved the appropriation of COPs proceeds for the purchase of 814-820 Bryant Street and 470 6th Street, the Board of Supervisors also authorized \$16 million in COPs, pending additional Board action, as noted above (File 19-0420). The proposed ordinance authorizing \$94.6 million in COPs (File 19-0895) includes the \$16 million in COPs previously authorized by the Board of Supervisors.

³ The City leases the City-owned property to the Trustee and leases back the property. The City makes annual base rental payments to the Trustee in an amount required to repay the COPs. When the COPs are fully paid, the property lease is terminated. Annual base rental payments (in effect, debt service) are paid from the City's General Fund. The City entered into the Original Trust Agreement, Original Project Lease, and Original Property Lease in 2009 and entered into two supplemental agreements/leases to the Original Trust Agreement, Original Project Lease, and Original Property Lease for the subsequent series of COPs issued in 2009 and 2012. The City also intends to enter into a third supplemental agreement/lease in 2019 for refunding previously issued COPs.

⁴ Commercial paper is short term (30 to 90 days) low-interest debt.

FISCAL IMPACT

Of the \$94,600,000 authorization, the City would pay approximately \$79,523,730 in total project costs, \$2,295,400 in financing costs, and \$10,829,871 in reserves and capitalized interest, totaling \$92,650,000. The balance of \$1,950,000 is for market uncertainty pending the sale of the COPs.

Table 1: Estimated Project Costs for 814-820 Bryant & 470 6th St. and 1828 Egbert Ave.

	814-820 Bryant Street/ 470 6th Street (File 19-0416)	1828 Egbert Avenue (File 19-0898)	Total
Total Estimated Sources:			
COPs Proceeds	\$16,000,000	\$78,600,000	\$94,600,000
Total Estimated Sources:	\$16,000,000	\$78,600,000	\$94,600,000
Estimated Uses:			
Purchase Price	\$11,520,000	\$67,300,000	\$78,820,000
Title Fees, Escrow Fees, Misc. Fees	18,766	65,000	83,766
Estimated Demolition/Site Preparation Costs	461,234		461,234
CSA Audit Fee (0.2% of project amount)	24,000	134,730	158,730
Total Project Fund Deposits	12,024,000	67,499,730	79,523,730
Cost of Issuance	807,525	800,000	1,607,525
Underwriter's Discount	133,100	555,775	688,875
Total Delivery Expenses	940,625	1,355,775	2,296,400
Reserve Fund	1,233,238	5,734,765	6,968,003
Capitalized Interest Fund/CP Interest & Fees	1,337,138	2,524,730	3,861,868
Total Reserves and Capitalized Interest	2,570,376	8,259,495	10,829,871
Total Estimated Uses	15,535,000	77,115,000	92,650,000
<i>Reserve for Market Uncertainty</i>	465,000	1,485,000	1,950,000
Maximum Not-to-Exceed Par Amount	\$16,000,000	\$78,600,000	\$94,600,000

Source: Office of Public Finance

Debt Service

Average annual debt service on the \$94.6 million in COPs is \$7.2 million. Total debt service over the anticipated 20-year term is \$144.5 million, which includes \$94.6 million in principal and \$49.9 million in interest. In addition, File 19-0896, included in this report, authorizes issuance of \$62.0 million in COPs, with annual debt service of \$4.7 million. Therefore, if the Board of Supervisors approves the proposed ordinances (Files 19-0895 and 19-0896), total annual debt service would be \$11.4 million. Debt service is paid from the City's General Fund.

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 project costs pending issuance of the COPs. Of the City's total commercial paper program of \$250 million re-authorized by the Board of Supervisors in May 2016 (File 16-0427); \$105.25 million is unencumbered as of September 1, 2019.

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 COPs 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.

RECOMMENDATION

Approve the proposed ordinances.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

2019 SEP 03 PM 4:24

JSB

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Appropriation of \$78,600,000 of Certificates of Participation to the General Services Agency to fund site acquisition costs for the Hall of Justice (HOJ) Relocation Project – FY 2019-20
DATE: Tuesday, September 3, 2019

Ordinance appropriating \$78,600,000 of Certificates of Participation to the General Services Agency to purchase the property located at 1828 Egbert Avenue and to fund the related demolition, site preparation, and other acquisition costs in Fiscal Year 2019-20 and placing \$78,600,000 on Controller's Reserve pending sales of Certificates of Participation.

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

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