

File No. 140728

Committee Item No. 7

Board Item No. 7

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date July 16, 2014

Board of Supervisors Meeting

Date July 29, 2014

Cmte Board

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Completed by: Linda Wong

Date July 11, 2014

Completed by: L.W.

Date 7/17/14

[Appropriation - Proceeds from San Francisco Taxable General Obligation Bonds - Seismic Safety Loan Program - \$24,000,000 - FY2014-2015]

Ordinance appropriating \$24,000,000 of City and County of San Francisco Taxable General Obligation Bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing in FY2014-2015.

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 *strikethrough italics Times New Roman font*.
Board amendment additions are in double underlined Arial font.
Board amendment deletions are in ~~strikethrough 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 to reflect funding available for Fiscal Year 2014-2015.

SOURCES Appropriation

Fund	Index Code /	Subobject	Description	Amount
	Project Code			
2S NDF 92C -	MYRSSL2014	80111	Market Rate Bond	\$24,000,000
2014 Seismic Safety	PBE012 MRL001	Proceeds from Sale	Proceeds	
Loan GO Bond		of Bonds-Face		
2014A		Amount		
Total SOURCES Appropriation				\$24,000,000

1 Section 2. The uses of funding outlined below are herein appropriated in Subobject
 2 03961 (Seismic Safety Loans), Subobject 07311 (Cost of Bond Issuance, Underwriter's
 3 Discount, and Reserve Pending Bond Sales), and reflect the projected uses of funding to
 4 support the Seismic Safety Loan Program in Fiscal Year 2014-2015.

5
 6 **USES Re-Appropriation**

Fund	Index Code /	Subobject	Description	Amount
	Project Code			
2S NDF 92C -	MYRSSL2014	03961	Project Fund	\$20,100,871
2014 Seismic Safety	PBE012 MRL001	Seismic Safety	Deposit	
Loan GO Bond		Loans		
2014A				
2S NDF 92C -	MYRSSL2014	07311	Reserve Pending	\$3,227,653
2014 Seismic Safety	PBE012 MRL001	Bond Issuance	Bond Sales	
Loan GO Bond		Cost		
2014A				
2S NDF 92C -	MYRSSL2014	07311	Cost of Issuance	\$502,838
2014 Seismic Safety	PBE012 MRL001	Bond Issuance		
Loan GO Bond		Cost		
2014A				

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	2S NDF 92C -	MYRSSL2014	07311	Underwriter's	\$168,638
4	2014 Seismic Safety	PBE012 MRL001	Bond Issuance	Discount	
5	Loan GO Bond		Cost		
6	2014A				
7	Total USES Appropriation				<u>\$24,000,000</u>

8

9 Section 3. The uses of funding outlined above for \$24,000,000 are herein placed on

10 Controller's Reserve pending sale of the General Obligation Bonds.

11

12 Section 4. The Controller is authorized to apply funds appropriated by this ordinance to

13 abate advanced expenditures incurred by the General Fund for projects supported by Seismic

14 Safety Loan Program bonds that are eligible to be reimbursed by bond proceeds.

15

16 Section 5. The Controller is authorized to record transfers between funds and adjust

17 the accounting treatment of sources and uses appropriated in this ordinance as necessary to

18 conform with Generally Accepted Accounting Principles.

19


20 APPROVED AS TO FORM:

21 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE

BEN ROSENFELD, Controller

22

23 By: 

24 THOMAS OWEN

25 Deputy City Attorney

By: 

BEN ROSENFELD

Controller

<p>Items 6 and 7 Files 14-0727 and 14-0728</p>	<p>Department: Mayor's Office of Housing and Community Development (MOHCD)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- **File 14-0727:** The proposed resolution authorizes and directs the sale of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable general obligation bonds (Seismic Safety Loan Program, 1992), Series 2014C in one or more series.
- **File 14-0728:** The proposed ordinance appropriates \$24,000,000 of City and County of San Francisco taxable general obligation bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing in FY 2014-2015.

Key Points

- Passed in 1992, Proposition A authorizes the issuance of up to \$350,000,000 in general obligation bonds to provide loans for the seismic strengthening of unreinforced masonry buildings; up to \$35,000,000 can be issued in any given year.
- These funds are collectively referred to as the Seismic Safety Loan Program (SSLP) and are administered by the Mayor's Office of Housing and Community Development (MOHCD).
- On May 23, 2014, the UMB Seismic Safety Loan Committee approved a loan in the amount of \$20,100,871 for the 20th Street Historic Buildings Project. The Project consists of the rehabilitation of six buildings that form the historic core of Pier 70.
- The SSLP funds will be used to rehabilitate two buildings: 113/114 (1885 Union Iron Works Machine Shop) and 104 (the 1896 Office Building), which are both located at Pier 70 and are unreinforced masonry buildings in need of rehabilitation and verified by a structural engineer to be unreinforced masonry construction.
- For the rehabilitation of the six buildings to proceed, the Board of Supervisors must approve the 66-year lease of the buildings to Orton Development, Inc. (the Developer) (Item 14-0729).

Fiscal Impact

- The proposed resolution (Item 14-0727) authorizes the issuance of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable general obligation bonds; an estimated \$20,100,871 of the funds will be used to fund loans for the seismic projects in Buildings 113/114 and 104.
- The Office of Public Finance estimates that the average fiscal year debt service on the Bonds will be approximately \$1,791,000. The total principal and interest payment over the approximate 20-year life of the Bonds is \$35,828,000; including an estimated \$13,343,000 million in interest payments over the life of the Bonds.
- The bonds are expected to be issued and delivered in September of 2014.
- The City Charter imposes a limit on the amount of general obligation bonds that the City can have outstanding at any given time. The limit is 3% of the assessed value of property in the City.
- As of June, 2014, there were \$1.94 billion in general obligation bonds outstanding or approximately 1.12% of the net assessed value of property in the City for Fiscal Year 2013-14. If the Board approves the issuance of the proposed Bonds, the debt ratio would increase by approximately .02% to 1.14%, which is within the 3% legal debt limit.

Recommendation

Approve the proposed resolution and the proposed ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of General Obligation bonds in accordance with the Constitution of the State of California. General Obligation Bonds may be issued and sold in accordance with state law or any local procedure adopted by ordinance. There shall be a limit on outstanding General Obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

Background

In 1992, the City electorate approved Proposition A, which authorized the issuance of not to exceed \$350,000,000 in General Obligation Bonds to provide loans for the seismic strengthening of unreinforced masonry buildings (UMB). These funds are collectively referred to as the Seismic Safety Loan Program.

The Seismic Safety Loan Program is administered by the Mayor’s Office of Housing and Community Development (MOHCD) under Administrative Code Sections 66 and 66A and the Seismic Safety Loan Program Regulations adopted through Ordinance No. 122-06. MOHCD administers the program and the cash proceeds from the bond sales are used to make loans to individual property owners whose applications are approved by the UMB Seismic Safety Loan Committee.

Recipients of the loans complete the necessary seismic repairs to their unreinforced masonry buildings. Repayments from seismic safety loans are used to pay the debt service on the General Obligation Bonds. Property taxes assessed on all taxable property owners in the City pay the difference between the cost of debt service and repayments by loan recipients.

Under Proposition A, funds are allocated to affordable housing and to market-rate residential, commercial and institutional buildings, as shown in Chart 1 below.

Table 1: Allocation of Bond Monies under Proposition A by Building Type

Building Type	Annual Allocation	Percentage of Total Funds
Affordable Housing	\$150,000,000	43%
Market-rate Residential, Commercial and Institutional	\$200,000,000	57%
TOTAL	\$350,000,000	100%

Source: Office of the Controller

The City has sold two series of Seismic Safety Loan Program bonds. The City sold the first series of bonds with a total principal amount of \$35,000,000 in April 1994, pursuant to Resolution 160-94. All of these bonds were redeemed in full as of October 2002. The City sold the second

series of bonds in the principal amount of \$30,315,450 in May 2007 pursuant to Resolution 65-07. With the second series of bonds, MOHCD funded and administers a Seismic Safety Loan Program portfolio with an outstanding balance of approximately \$25,193,783 and available funds to make future loans of \$5,121,667.

On May 23, 2014, the UMB Seismic Safety Loan Committee approved a loan in the amount of \$20,100,871 for the 20th Street Historic Buildings Project on Pier 70. Building 113/114 (1885 Union Iron Works Machine Shop) and Building 104 (the 1896 Office Building) are both located at Pier 70 and are unreinforced masonry buildings in need of rehabilitation and verified by a structural engineer to be unreinforced masonry construction. Approval of the ground lease agreement between the Port and Orton Development, Inc. (the developer) for the rehabilitation of the 20th Street Historic Buildings is calendared for the July 16, 2014 Budget and Finance Subcommittee (File 14-0729).

DETAILS OF PROPOSED LEGISLATION

File 14-0727: The proposed resolution authorizes and directs the sale of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable General Obligation Bonds (Seismic Safety Loan Program, 1992), Series 2014C in one or more series; prescribing the form and terms of said bonds; authorizing the execution, authentication, and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related to said bonds; providing for the manner of sale of said bonds by competitive sale or negotiated sale; approving the forms of official notice of sale, a notice of intention to sell bonds, and a bond purchase contract; directing the publication of the notice of intention to sell bonds in the event of a competitive sale; authorizing the selection of underwriters in the event of a negotiated sale; approving the form of the preliminary official statement and authorizing the execution of the official statement relating to the sale of said bonds; approving the form of the continuing disclosure certificate; authorizing and approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds.

File 14-0728: The proposed ordinance appropriates \$24,000,000 of City and County of San Francisco taxable General Obligation Bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing in FY 2014-2015 as one source of funds for the 20th Street Historic Buildings Project (see file 14-0729).

FISCAL IMPACT

The proposed resolution (Item 14-0727) authorizes the issuance of not to exceed \$24,000,000 aggregate principal amount of City and County of San Francisco taxable General Obligation bonds as part of the Seismic Safety Loan Program. According to Ms. Nadia Sesay, the sale of the proposed Seismic Safety Loan Program bonds is expected to result in \$22,485,000 in bond

proceeds,¹ of which \$20,100,871 are available to the Seismic Safety Loan Program to fund loans for the seismic projects in Buildings 113/114 and 104, as shown in Table 2 below.

Table 2: Sources and Uses of the General Obligation Bonds, Series 2014

Sources	
Bond Proceeds	\$24,000,000
Uses	
Funds Available for Loans	\$20,100,871
Reserve Pending Bond Sale ¹	3,227,653
Cost of Issuance ²	502,838
Underwriter's Discount ³	168,638
Total	\$24,000,000

Source: Controller's Office of Public Finance

¹ The reserve pending bond sale accounts for fluctuations in interest rates.

² The costs of issuance include bond counsel, financial advisors, bond trustees, rating agencies, and other fees and miscellaneous expenses for issuing bonds.

³ The underwriter's discount is the difference between the price an underwriter pays an issuer and the price at which it sells the offering to the public.

Principal and Interest Payments

The Office of Public Finance estimates that the average annual debt service, including principal and interest, on the bonds is approximately \$1,791,400. The total interest payments are approximately \$13,343,000 over the 20 year term of the bonds based on an interest rate of 5.1 percent. The combined total debt service of principal and interest payment over the 20 year term of the bonds is \$35,828,000.

The bonds are expected to be issued and delivered in September of 2014. Timing milestones in connection with the financing are summarized in Chart 3 below.

Table 3: Bond Issuance Time Lines

Milestone	Estimated Date
Consideration by the Capital Planning Committee	June 23, 2014
Introduction of authorizing resolution	July, 2014
Issuance and delivery of Bonds	September, 2014
Closing of SSLP Loan, Lease and Construction Loan	September, 2014

Source: Controller's Office of Public Finance

¹ The difference between the resolution to issue bonds up to \$24,000,000 and the expected bond proceeds of \$22,485,000 is due to the reserve pending bond sale, which accounts for interest rate fluctuations, the cost of issuance, and the underwriter's discount.

Although under the proposed resolution, the Board of Supervisors authorizes the competitive sale of the Seismic Safety Loan Program bonds, the resolution also authorizes the Controller and the Director of Public Finance to negotiate rather than competitively sell the bonds. According to Ms. Sesay, the default option is to competitively bid the sale; however, the resolution allows for a negotiated sale to occur if market conditions make a competitive sale not feasible.

Debt Limit

The City Charter imposes a limit on the amount of General Obligation bonds the City can have outstanding at any given time. The limit is 3 percent of the assessed value of property in the City. As of June 16, 2014, there were \$1.94 billion in General Obligation bonds outstanding or approximately 1.12 percent of the net assessed value of property in the City for FY 2013-14. If the entire City's authorized and unissued bonds were issued, the total outstanding bonds would be 1.44 percent of the net assessed value of property in the City. If the Board approves the issuance of the proposed bonds, the total outstanding bonds would increase by approximately .02 percent to 1.14 percent of net assessed value of property in the City, which is within the 3 percent 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 are estimated not to increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property rate for the General Obligation bond fund was \$.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, it is estimated that the property tax rate for General Obligation bonds for FY 2014-15 would be maintained below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

POLICY CONSIDERATION

\$20.1 million of \$24 million appropriated in funds from the Seismic Safety Loan Program (SSLP) are anticipated to comprise approximately 26 percent of total costs of \$76,500,000 to serve as one source of funds for the 20th Street Historic Buildings Project (File 14- 0729) rehabilitation of the six historic buildings at 20th Street and are an integral part of Project funding.

The Project will deliver a number of public benefits, both during construction and upon completion, including:

- The rehabilitation and reuse of historic structures of nationwide importance;
- The creation of new public spaces;
- The elimination of \$110 million of unfunded costs from Port's Capital Plan;
- \$50 to \$60 Million of new assessed value that can be bonded to provide IFD funding for public infrastructure;
- Participation by Local Business Enterprises (LBE), with an LBE Goal of 17% for project work;

- Construction of the project will employ an estimated 250 people over a 10-year period;
- Between 400-500 permanent jobs when the project is complete and leased; and
- Improves the Port's operating cash flow, reduces the Port's security and repair costs due to ongoing vandalism and deterioration of these historic buildings, and provides the Port a new, long-term revenue source that can be used to fund other capital improvement needs and public benefits such as parks and open space.

The proceeds of the \$20,100,000 for the Seismic Safety Loan Program General Obligation bonds will be issued to the developer as a loan and will be repaid by the developer over a term of 20 years. The loan terms are highlighted in the table below.

Table 4: Basic Seismic Safety Loan Program Market Rate Terms

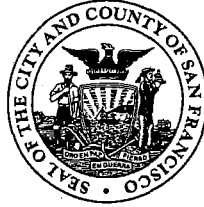
Loan Term	20 years fully amortizing
Interest Rate	City's cost of funds plus 1%
Loan to Value	90% to 95% LTV
Debt Service Coverage Ratio	1.05x to 1.10x

Source: Keyser Marston Associates; the Port

RECOMMENDATION

Approve the proposed resolution and the proposed ordinance.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee *EWL*
RE: Appropriation - Proceeds from San Francisco Taxable General Obligation Bonds of \$24,000,000 for the Seismic Safety Loan Program - FY 2014-2015
DATE: June 24, 2014

Attached for introduction to the Board of Supervisors is the ordinance appropriating \$24,000,000 of City and County of San Francisco Taxable General Obligation Bonds, Series 2014, for the Seismic Safety Loan Program in the Mayor's Office of Housing in Fiscal Year 2014-2015.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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2014 JUN 24 PM 3:27

President, District 3
BOARD of SUPERVISORS



*Orig: B+F clerk, C.COB
BOS-11, Aides, Leg Dep
(Electronically)
City Hall*
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7450
Fax No. 554-7454
TDD/TTY No. 544-5227

DAVID CHIU
邱信福
市參事會主席

RECEIVED
BOARD OF SUPERVISORS
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PRESIDENTIAL ACTION

Date: 7/10/2014

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 140728 Mayor
(Primary Sponsor)

Title. GO Bonds - Seismic Safety Loan Program

Transferring (Board Rule No. 3.3)

File No. _____
(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

David Chiu

David Chiu, President

