

File No. 091458

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 1/27/10

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report |
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OTHER

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Completed by: Gail Johnson

Date 1/22/10

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Earthquake Safety and Emergency Response General Obligation Bond Election.]

2
3 **Ordinance calling and providing for a special election to be held in the City and County**
4 **of San Francisco on Tuesday, June 8, 2010, for the purpose of submitting to**
5 **San Francisco voters a proposition to incur the following bonded debt of the City and**
6 **County: \$652,070,000 to finance the construction, acquisition, improvement, and**
7 **retrofitting of Neighborhood Fire and Police Stations, the Auxiliary Water Supply**
8 **System, a Public Safety Building and a Forensic Sciences Center, and other critical**
9 **infrastructure and facilities for earthquake safety and related costs necessary or**
10 **convenient for the foregoing purposes; authorizing landlords to pass-through 50% of**
11 **the resulting property tax increase to residential tenants in accordance with Chapter 37**
12 **of the San Francisco Administrative Code; finding that the estimated cost of such**
13 **proposed project is and will be too great to be paid out of the ordinary annual income**
14 **and revenue of the City and County and will require expenditures greater than the**
15 **amount allowed therefor by the annual tax levy; reciting the estimated cost of such**
16 **proposed project; fixing the date of election and the manner of holding such election**
17 **and the procedure for voting for or against the proposition; fixing the maximum rate of**
18 **interest on such bonds and providing for the levy and collection of taxes to pay both**
19 **principal and interest; prescribing notice to be given of such election; finding that a**
20 **portion of the proposed bond is not a project under the California Environmental**
21 **Quality Act ("CEQA") and adopting findings under CEQA, CEQA Guidelines, and San**
22 **Francisco Administrative Code Chapter 31 for the remaining portion of the bond;**
23 **finding that the proposed bond is in conformity with the priority policies of Planning**
24 **Code Section 101.1(b) and with the General Plan consistency requirement of Charter**
25 **Section 4.105 and Administrative Code Section 2A.53; consolidating the special**

1 election with the general election; establishing the election precincts, voting places
2 and officers for the election; waiving the word limitation on ballot propositions
3 imposed by San Francisco Municipal Elections Code Section 510; complying with the
4 restrictions on the use of bond proceeds specified in Section 53410 of the California
5 Government Code; incorporating the provisions of the San Francisco Administrative
6 Code, Sections 5.30 – 5.36; and waiving the time requirements specified in Section 2.34
7 of the San Francisco Administrative Code.

8 Note: Additions are single-underline italics Times New Roman;
9 deletions are ~~strikethrough italics Times New Roman~~.
10 Board amendment additions are double underlined.
11 Board amendment deletions are ~~strikethrough normal~~.

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

13 Section 1. Findings.

14 A. This Board of Supervisors (this "Board") recognizes the need to safeguard and
15 enhance the City's earthquake and emergency response and recovery by rehabilitating critical
16 facilities that support the City's first responders.

17 B. The Earthquake Safety and Emergency Response Bond (the "Bond") will
18 provide funding to construct, improve and rehabilitate earthquake safety and emergency
19 responsiveness facilities and infrastructure (as described below in Section 3).

20 C. The Bond is recommended by the City's 10-year capital plan (the "Plan"), which
21 is approved each year by the Mayor of the City and this Board.

22 D. This Board now wishes to describe the terms of a ballot measure seeking
23 approval for the issuance of general obligation bonds to finance all or a portion of the City's
24 earthquake safety and response needs as described below.

25 Section 2. A special election is called and ordered to be held in the City on Tuesday,
the 8th day of June, 2010, for the purpose of submitting to the electors of the City a

1 proposition to incur bonded indebtedness of the City for the project described in the amount
2 and for the purposes stated:

3 "SAN FRANCISCO EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BOND,
4 2010. \$652,070,000 of bonded indebtedness to safeguard and enhance San Francisco's
5 earthquake safety and emergency responsiveness by constructing, acquiring, improving and
6 retrofitting critical San Francisco facilities and infrastructure, including the water system for
7 firefighting, neighborhood fire and police stations, police command center, Crime Lab, and
8 Medical Examiner and to pay related costs necessary or convenient for the foregoing
9 purposes, subject to independent citizen oversight and regular audits; and authorizing
10 landlords to pass-through to residential tenants in units subject to Chapter 37 of the San
11 Francisco Administrative Code (the "Residential Stabilization and Arbitration Ordinance") 50%
12 of the increase in the real property taxes attributable to the cost of the repayment of the
13 bonds."

14 The special election called and ordered shall be referred to in this ordinance as the
15 "Bond Special Election."

16 Section 3. PROPOSED PROGRAM. All contracts that are funded with the proceeds of
17 bonds authorized hereby shall be subject to the provisions of Chapter 83 of the City's
18 Administrative Code (the "First Source Hiring Program"), which fosters construction and
19 permanent employment opportunities for qualified economically disadvantaged individuals. In
20 addition, all contracts that are funded with the proceeds of bonds authorized hereby also shall
21 be subject to the provisions of Chapter 14B of the City's Administrative Code (the "Local
22 Business Enterprise and Non-Discrimination in Contracting Ordinance"), which assists small
23 and micro local businesses to increase their ability to compete effectively for the award of City
24 contracts. The proposed program can be summarized as follows:

1 A. AUXILIARY WATER SUPPLY SYSTEM. A portion of the Bond shall be
2 allocated to the renovation and seismic upgrading of Auxiliary Water Supply System (the
3 "AWSS") core facilities consisting of a reservoir, two storage tanks and two pump stations
4 (collectively, the "AWSS Project").

5 B. CRITICAL FIREFIGHTING FACILITIES AND INFRASTRUCTURE. A portion of
6 the Bond shall be allocated to the construction, acquisition, improvement, retrofitting and
7 completion of critical firefighting facilities and infrastructure for earthquake safety and
8 emergency response not otherwise specifically enumerated in this ordinance, including
9 without limitation, neighborhood fire stations, and such facilities as cisterns, pipes and tunnels
10 for the water system for firefighting (collectively, the "Critical Firefighting Facilities and
11 Infrastructure").

12 C. PUBLIC SAFETY BUILDING AND FORENSIC SCIENCES CENTER. A portion
13 of the Bond shall be allocated to construct in Mission Bay (1) a Public Safety Building
14 consisting of a new police department command center, a southern district police station, and
15 a neighborhood fire station in a seismically secure facility to serve Mission Bay to
16 accommodate safety needs in a growing community and (2) a new seismically secure
17 Forensic Sciences Center to consolidate the Office of the Chief Medical Examiner and the
18 Police Department's Forensic Services Division (collectively, the "Public Safety Building and
19 Forensic Sciences Center").

20 D. CITIZEN'S OVERSIGHT COMMITTEE. A portion of the Bond shall be used to
21 perform audits of the Bond, as further described in Section 15.

22 The proposed uses and amounts described in this Section 3 are estimates only and,
23 with the exception of Section 3D above, are subject, without limitation, to review and revision
24 by the Mayor and the Board.

25 Section 4. BOND ACCOUNTABILITY MEASURES

1 The Bond shall include the following administrative rules and principles:

2 A. OVERSIGHT. The proposed bond funds shall be subjected to approval
3 processes and rules described in the San Francisco Charter and Administrative Code.
4 Pursuant to S.F. Administrative Code 5.31, the Citizen's General Obligation Bond Oversight
5 Committee shall conduct an annual review of bond spending, and shall provide an annual
6 report of the bond program to the Mayor and the Board of Supervisors.

7 B. TRANSPARENCY. The City shall create and maintain a Web page outlining and
8 describing the bond program, progress, and activity updates. The City shall also hold an
9 annual public hearing and reviews on the bond program and its implementation before the
10 Capital Planning Committee, the Police and Fire Commissions, and the Citizen's General
11 Obligation Bond Oversight Committee.

12 Section 5. The estimated cost of the bond financed portion of the project described in
13 Section 2 above was fixed by the Board by the following resolution and in the amount
14 specified below:

15 Resolution No. _____, \$652,070,000.

16 Such resolution was passed by two-thirds or more of the Board and approved by the
17 Mayor of the City (the "Mayor"). In such resolution it was recited and found by the Board that
18 the sum of money specified is too great to be paid out of the ordinary annual income and
19 revenue of the City in addition to the other annual expenses or other funds derived from taxes
20 levied for those purposes and will require expenditures greater than the amount allowed by
21 the annual tax levy.

22 The method and manner of payment of the estimated costs described in this ordinance
23 are by the issuance of bonds of the City not exceeding the principal amount specified.

24 Such estimate of costs as set forth in such resolution is adopted and determined to be
25 the estimated cost of such bond financed improvements and financing, as designed to date.

1 Section 6. The Bond Special Election shall be held and conducted and the votes
2 received and canvassed, and the returns made and the results ascertained, determined and
3 declared as provided in this ordinance and in all particulars not recited in this ordinance such
4 election shall be held according to the laws of the State of California (the "State") and the
5 Charter of the City (the "Charter") and any regulations adopted under State law or the Charter,
6 providing for and governing elections in the City, and the polls for such election shall be and
7 remain open during the time required by such laws and regulations.

8 Section 7. The Bond Special Election is consolidated with the General Election
9 scheduled to be held in the City on Tuesday, June 8, 2010. The voting precincts, polling
10 places and officers of election for the June 8, 2010 General Election are hereby adopted,
11 established, designated and named, respectively, as the voting precincts, polling places and
12 officers of election for the Bond Special Election called, and reference is made to the notice of
13 election setting forth the voting precincts, polling places and officers of election for the June 8,
14 2010 General Election by the Director of Elections to be published in the official newspaper of
15 the City on the date required under the laws of the State of California.

16 Section 8. The ballots to be used at the Bond Special Election shall be the ballots to
17 be used at the June 8, 2010 General Election. The word limit for ballot propositions imposed
18 by San Francisco Municipal Elections Code Section 510 is waived. On the ballots to be used
19 at the Bond Special Election, in addition to any other matter required by law to be printed
20 thereon, shall appear the following as a separate proposition:

21 "SAN FRANCISCO EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BOND,
22 2010. To safeguard and enhance San Francisco's earthquake safety and emergency
23 responsiveness by constructing, acquiring, improving and retrofitting critical San Francisco
24 facilities and infrastructure, including the water system for firefighting, neighborhood fire and
25 police stations, police command center, Crime Lab, and Medical Examiner and to pay related

1 costs necessary or convenient for the foregoing purposes, shall the City and County of San
2 Francisco issue \$652,070,000 in general obligation bonds subject to independent citizen
3 oversight and regular audits?"

4 Each voter to vote in favor of the issuance of the foregoing bond proposition shall mark
5 the ballot in the location corresponding to a "YES" vote for the proposition, and to vote against
6 the proposition shall mark the ballot in the location corresponding to a "NO" vote for the
7 proposition.

8 Section 9. If at the Bond Special Election it shall appear that two-thirds of all the voters
9 voting on the proposition voted in favor of and authorized the incurring of bonded
10 indebtedness for the purposes set forth in such proposition, then such proposition shall have
11 been accepted by the electors, and bonds authorized shall be issued upon the order of the
12 Board. Such bonds shall bear interest at a rate not exceeding applicable legal limits.

13 The votes cast for and against the proposition shall be counted separately and when
14 two-thirds of the qualified electors, voting on the proposition, vote in favor, the proposition
15 shall be deemed adopted.

16 Section 10. For the purpose of paying the principal and interest on the bonds, the
17 Board shall, at the time of fixing the general tax levy and in the manner for such general tax
18 levy provided, levy and collect annually each year until such bonds are paid, or until there is a
19 sum in the Treasury of said City, or other account held on behalf of the Treasurer of said City,
20 set apart for that purpose to meet all sums coming due for the principal and interest on the
21 bonds, a tax sufficient to pay the annual interest on such bonds as the same becomes due
22 and also such part of the principal thereof as shall become due before the proceeds of a tax
23 levied at the time for making the next general tax levy can be made available for the payment
24 of such principal.

1 Section 11. This ordinance shall be published in accordance with any State law
2 requirements, and such publication shall constitute notice of the Bond Special Election and no
3 other notice of the Bond Special Election hereby called need be given.

4 Section 12. The Board, having reviewed the proposed legislation, makes the following
5 findings in compliance with the California Environmental Quality Act ("CEQA"), California
6 Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative
7 Code Sections 15000 et seq., ("CEQA Guidelines"), and San Francisco Administrative Code
8 Chapter 31 ("Chapter 31"):

9 (i) Critical Firefighting Facilities and Infrastructure. For the reasons set forth in the
10 letter from the Planning Department, dated _____, a copy of which is on file
11 with the Clerk of the Board in File No. _____ and incorporated by reference, the
12 Board finds that the bond proposal as it relates to funds for Critical Firefighting Facilities and
13 Infrastructure is not subject to CEQA because as the establishment of a government financing
14 mechanism that does not identify individual specific projects to be constructed with the funds,
15 it is not a project as defined by CEQA and the CEQA Guidelines. The use of bond proceeds
16 to finance any project or portion of any project with funds for the Critical Firefighting Facilities
17 and Infrastructure portion of the Bond will be subject to approval of the Board upon completion
18 of planning and any further required environmental review under CEQA for the individual
19 Critical Firefighting Facilities and Infrastructure projects.

20 (ii) AWSS Project. On _____, 2009, the Planning Department
21 issued a Final Mitigated Negative Declaration ("FMND") for the AWSS Project, San Francisco
22 Planning Department Case No. 2009.0568E, which is on file with the Clerk of the Board in File
23 No. 091K58 and which is incorporated into this ordinance by this reference. In
24 issuing the FMND the Planning Department determined that the AWSS Project could not have
25 a significant effect on the environment.

1 (a) The Board hereby adopts as its own the CEQA findings for the AWSS Project
2 made by the Planning Department in the FMND.

3 (b) The Board has reviewed and considered the information contained in the FMND
4 and all information pertaining to the AWSS Project in the Department's case file and all
5 documents referenced in this ordinance are either on file with the Clerk of the Board in File
6 No. 091458 or may be found in the files of the Planning Department, as the
7 custodian of records, at 1660 Mission Street in San Francisco.

8 (c) The AWSS Project as reflected in this ordinance is consistent with the project
9 described in the FMND and would not result in any significant impacts not identified in the
10 FMND nor cause significant effects identified in the FMND to be substantially more severe.

11 (d) In accordance with CEQA, the Board has considered the mitigation measures
12 described in the FMND and hereby requires the mitigation measures and the mitigation
13 monitoring and reporting program ("MMRP") denoted as Exhibit A to this ordinance and on file
14 with the Clerk of the Board in File No. 091458 to be imposed as conditions on the
15 implementation of the AWSS Project approved by this ordinance.

16 (e) With the implementation of the mitigation measures required in Exhibit A to this
17 ordinance, the environmental impacts resulting from AWSS Project on cultural resources,
18 biological resources and from releases of hazardous materials or creation of hazards would
19 be reduced to a less than significant level as described in the FMND.

20 (f) Based upon the whole record for the FMND, including all written materials and
21 any oral testimony received by the Board, the Board hereby finds that the FMND reflects the
22 independent judgment and analysis of the Planning Department and the Board, is adequate
23 and complete and there is no substantial evidence that the proposed AWSS Project, given the
24 implementation of the mitigation measures as stated in the FMND and the adoption of the
25 MMRP, could have a significant effect on the environment as shown in the analysis of the

1 FMND. The Board hereby adopts the FMND and the MMRP on file with the Clerk of the
2 Board as Exhibit A to this ordinance.

3 (iii) Public Safety Building and Forensic Sciences Center. The Public Safety
4 Building and the Forensic Sciences Center are proposed to be constructed within Mission
5 Bay. On September 17, 1998, the Redevelopment Agency Commission by Resolution No.
6 190-98 and the San Francisco Planning Commission by Resolution No. 14696 certified the
7 Final Subsequent Environmental Impact Report for the Mission Bay North and South
8 Redevelopment Plans ("FSEIR"). On October 19, 1998, the Board of Supervisors, by Motion
9 No. 98-132 affirmed certification of the FSEIR and by Resolution No. 854-98, adopted CEQA
10 findings, including a statement of overriding considerations and a Mission Bay mitigation
11 monitoring and reporting program ("Mission Bay MMRP") in support of various approval
12 actions taken by the Board to implement the Mission Bay Redevelopment Plans. Resolution
13 No. 854-98 is on file with the Clerk of the Board in File No. 091458 and
14 incorporated in this ordinance by this reference.

15 (a) The Public Safety Building is proposed at Parcel 8 in the Mission Bay South
16 Redevelopment Plan Area, bounded by Mission Rock, China Basin and Third Streets. The
17 Redevelopment Agency has issued several addenda to the FSEIR to address various issues
18 and most recently issued Addendum No. 7 to address the location of the Public Safety
19 Building at Parcel 8; Addendum No. 7 concludes that the proposed Public Safety Building is
20 within the scope of the project analyzed in the FSEIR and will not result in any new significant
21 impacts or a substantial increase in the severity of previously identified significant effects that
22 alter the conclusions reached in the Mission Bay FSEIR. The Addendum No. 7 and any
23 supporting documents have been made available to the Board and the public, are on file with
24 the Clerk of the Board in File No. 091458 and Addendum No. 7 is incorporated in
25

1 this ordinance by this reference. Hereafter in this ordinance, the reference to the FSEIR
2 include any addenda to the FSEIR.

3 (b) The Forensic Sciences Center is proposed at 1600 Owens Street, also known
4 as Parcel 4 of Blocks 41-43 in the Mission Bay South Redevelopment Plan Area. The
5 Redevelopment Agency Commission by Resolution No. 199-2000 and Resolution
6 No. 163-2005, adopted CEQA Findings and approved a Major Phase and a Revised Major
7 Phase submission for Blocks 41-43, finding the proposed Major Phase development and
8 Revised Major Phase development as within the scope of impacts analyzed in the FSEIR.
9 The Redevelopment Agency Commission by Resolution No. 149-2006 approved a combined
10 basic concept and schematic design for a proposed project containing laboratory, office, retail
11 and ancillary uses, finding the basic concept and schematic design within the scope of the
12 project analyzed in the FSEIR. Redevelopment Agency Commission Resolutions
13 No. 199-2000, No. 163-2005 and No. 149-2006 are on file with the Clerk of the Board in File
14 No. 691458 and incorporated in this ordinance by this reference. The Forensic
15 Sciences Center will consist of laboratory, office and ancillary uses consistent with the uses
16 approved for the 1600 Owens Street site and the uses analyzed in the FSEIR and is therefore
17 within the scope of the project analyzed in the FSEIR.

18 (c) The Board has reviewed and considered the CEQA Findings and statement of
19 overriding considerations that it previously adopted, and reviewed and considered the above-
20 referenced CEQA Findings of the Redevelopment Agency Commission and the CEQA
21 Findings contained in Addendum No. 7 and hereby adopts these additional CEQA Findings as
22 its own. The Board additionally finds that implementation of the Public Safety Building and
23 Forensic Sciences Center in Mission Bay (1) do not require major revisions in the FSEIR due
24 to the involvement of new significant environmental effects or a substantial increase in the
25 severity of previously identified significant effects, (2) no substantial changes have occurred

1 with respect to the circumstances under which the project analyzed in the FSEIR will be
2 undertaken that would require major revisions to the FSEIR due to the involvement of new
3 significant environmental effects, or a substantial increase in the severity of effects identified
4 in the FSEIR, and (3) no new information of substantial importance to the project analyzed in
5 the FSEIR has become available which would indicate that (i) the Public Safety Building and
6 Forensic Sciences Center will have significant effects not discussed in the FSEIR; (ii)
7 significant environmental effects will be substantially more severe; (iii) mitigation measures or
8 alternatives found not feasible which would reduce one or more significant effects have
9 become feasible; or (iv) mitigation measures or alternatives which are considerably different
10 from those in the FSEIR will substantially reduce one or more significant effects on the
11 environment.

12 Section 13. The Board finds and declares that the proposed Bond is (i) in conformity
13 with the priority policies of Section 101.1(b) of the San Francisco Planning Code, (ii) in
14 accordance with Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the
15 San Francisco Administrative Code, and (iii) consistent with the City's General Plan, and
16 adopts the findings of the Planning Department, as set forth in the General Plan Referral
17 Report dated _____, 2009, a copy of which is on file with the Clerk of the Board in
18 File No. 091458 and incorporates such findings by reference.

19 Section 14. Under Section 53410 of the California Government Code, the bonds shall
20 be for the specific purpose authorized in this ordinance and the proceeds of such bonds will
21 be applied only for such specific purpose. The City will comply with the requirements of
22 Sections 53410(c) and 53410(d) of the California Government Code.

23 Section 15. The Bonds are subject to, and incorporate by reference, the applicable
24 provisions of San Francisco Administrative Code Sections 5.30 – 5.36 (the "Citizens' General
25 Obligation Bond Oversight Committee"). Under Section 5.31 of the Citizens' General

1 Obligation Bond Oversight Committee, to the extent permitted by law, one-tenth of one
2 percent (0.1%) of the gross proceeds of the Bonds shall be deposited in a fund established by
3 the Controller's Office and appropriated by the Board of Supervisors at the direction of the
4 Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

5 Section 16. The time requirements specified in Section 2.34 of the San Francisco
6 Administrative Code are waived.

7 Section 17. The appropriate officers, employees, representatives and agents of the
8 City are hereby authorized and directed to do everything necessary or desirable to accomplish
9 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions
10 of this ordinance.

11 Section 18. Documents referenced in this ordinance are on file with the Clerk of the
12 Board of Supervisors in File No. 091458, which is hereby declared to be a part of
13 this ordinance as if set forth fully herein.

14
15 APPROVED AS TO FORM:
16 DENNIS J. HERRERA,
City Attorney

17 By: Kenneth David Roux
18 Kenneth David Roux
19 Deputy City Attorney

LEGISLATIVE DIGEST

[Earthquake Safety and Emergency Response General Obligation Bond Election.]
Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, June 8, 2010, for the purpose of submitting to San Francisco voters a proposition to incur the following bonded debt of the City and County: \$652,070,000 to finance the construction, acquisition, improvement, and retrofitting of Neighborhood Fire and Police Stations, the Auxiliary Water Supply System, a Public Safety Building and a Forensic Sciences Center, and other critical infrastructure and facilities for earthquake safety and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants in accordance with Chapter 37 of the San Francisco Administrative Code; finding that the estimated cost of such proposed project is and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed project; fixing the date of election and the manner of holding such election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of taxes to pay both principal and interest; prescribing notice to be given of such election; finding that a portion of the proposed bond is not a project under the California Environmental Quality Act ("CEQA") and adopting findings under CEQA, CEQA Guidelines, and San Francisco Administrative Code Chapter 31 for the remaining portion of the bond; finding that the proposed bond is in conformity with the priority policies of Planning Code Section 101.1(b) and with the General Plan consistency requirement of Charter Section 4.105 and Administrative Code Section 2A.53; consolidating the special election with the general election; establishing the election precincts, voting places and officers for the election; waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510; complying with the restrictions on the use of bond proceeds specified in Section 53410 of the California Government Code; incorporating the provisions of the San Francisco Administrative Code, Sections 5.30 – 5.36; and waiving the time requirements specified in Section 2.34 of the San Francisco Administrative Code.

Existing Law

General Obligation Bonds of the City and County of San Francisco may be issued only with the assent of two-thirds of the voters voting on the proposition.

Ballot Proposition

This ordinance authorizes the following ballot proposition to be placed on the June 8, 2010 ballot:

FILE NO.

SAN FRANCISCO EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BOND, 2010. To safeguard and enhance San Francisco's earthquake safety and emergency responsiveness by constructing, acquiring, improving and retrofitting critical San Francisco facilities and infrastructure, including the water system for firefighting, neighborhood fire and police stations, police command center, Crime Lab, and Medical Examiner and to pay related costs necessary or convenient for the foregoing purposes, shall the City and County of San Francisco issue \$652,070,000 in general obligation bonds subject to independent citizen oversight and regular audits?

The ordinance fixes the maximum rate of interest on the Bonds, and provides for a levy and a collection of taxes to repay both the principal and interest on the Bonds. The ordinance also describes the manner in which the Bond Special Election will be held, and the ordinance provides for compliance with applicable state and local laws.

Background Information

The Board of Supervisors found that the amount of specified for this project is and will be too great to be paid out of the ordinary annual income and revenue of the City, and will require expenditures greater than the amount allowed therefor by the annual tax levy.

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

January 21, 2010

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: January 27, 2010 Budget and Finance Committee Meeting

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**Items # 3, 4, and 5
Files 09-1457, 09-1458,
and 09-1460**

Department(s):
Real Estate Division, Department of Public Works, Police
Department, Fire Department, Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 09-1457: Resolution declaring that public interest and necessity demand the construction, acquisition, improvement, and or retrofitting of (a) the existing Fire Protection Infrastructure including the City's Auxiliary Water Supply System, (b) a new Public Safety Building, and (c) a new Forensic Sciences Center. The proposed resolution also finds that the \$652,070,000 estimated cost of the proposed projects would be too great to be paid out of the ordinary annual City revenue and will require the issuance of bonds.
- File 09-1458: Ordinance calling for a special election on June 8, 2010 for the purpose of submitting to the voters a proposition to issue \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds to fund the construction, acquisition, improvement, and/or retrofitting of (a) the existing Fire Protection Infrastructure including the City's Auxiliary Water Supply System, (b) a new Public Safety Building, and (c) a new Forensic Sciences Center at 1600 Owens Street. The ordinance also authorizes landlords to pass-through 50% of the resulting Property Tax increase to residential tenants.
- File 09-1460: Ordinance approving an Option Agreement between the City and ARE-San Francisco No. 15, LLC, to provide the City with an option, at a cost of up to \$1,100,000, to purchase (a) vacant land at 1600 Owens Street, (b) a tenancy-in-common interest in a parking garage adjacent to 1600 Owens Street, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) rights to existing contracts to build a new Forensic Sciences Center. The proposed ordinance would also waive the competitive bidding requirements for public works projects established in Chapter 6 of the City's Administrative Code.

Fiscal Impacts

- The \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds proposed to be submitted for voter approval would be repaid through an increase in annual Property Taxes of approximately \$0.0225 per \$100 of assessed value, such that a single family residence assessed at \$500,000 would, assuming a home owners exemption of \$7,000, pay additional Property Taxes of \$110.93 per year to the City.
- The proposed \$1,100,000 Option Agreement, between the City and ARE-San Francisco No. 15, LLC, would be paid from (a) \$100,000 in General Fund monies previously appropriated by the Board of Supervisors for the Real Estate Division in the FY 2009-2010 Annual Appropriation Ordinance (File 09-0779), and (b) additional future appropriations totaling up to \$1,000,000, subject to Board of Supervisors approval, should the City elect to extend the Option Period in which the City can exercise the purchase option. All Option Agreement payments would be applied towards the purchase price of the optioned property, such that as long as the City purchases 1600 Owens Street, the effective cost of

the payments made under the Option Agreement would be zero.

Key Points

- The proposed \$652,070,000 General Obligation Bond would fund (a) \$166,400,000 in Fire Protection Infrastructure Projects, (b) \$238,600,000 to construct a new Forensic Sciences Center, (c) \$236,100,000 to construct a new Public Safety Building, and (d) \$10,970,000 for bond oversight and bond issuance costs.
- Of the \$166,400,000 provided for Fire Protection Infrastructure Projects, \$132,000,000 is for unspecified improvements to neighborhood Fire Stations, underground water cisterns, and water pipes and tunnels. The specific projects would be identified after the bonds are approved and funds are available to assess which potential projects are most cost effective for the City. Because the specific projects would not be identified prior to the proposed June 8, 2010 special election, the voters will not have clear expectations of what infrastructure projects would be completed, nor would the City be accountable to the voters for the completion of specific projects.
- The proposed \$652,070,000 General Obligation Bond includes \$238,600,000 for a new Forensic Sciences Center at 1600 Owens Street in Mission Bay. The Real Estate Division previously planned to purchase a completed Forensic Sciences Center building from a real estate developer, and the current owner of 1600 Owens Street, ARE-San Francisco No. 15, LLC (ARE). However, ARE, after acquiring the property, contracting with Studios Architecture for design services and DPR Construction for general construction contractor services, decided not to proceed with construction of the building. The Real Estate Division is now requesting that the City functionally replace ARE as the developer of the Forensic Sciences Center by purchasing the (a) vacant land, (b) design plans, and (c) ARE's rights to its existing contracts for design and general construction contractor service. However, because these contracts were not awarded according to the City's competitive bidding process required for City funded public works projects, the proposed legislation would waive those requirements only for these existing contracts which were originally awarded by ARE. Notably, these contracts would still be subject to the LBE subcontracting requirements established by Chapter 14B of the Administrative Code, and any subsequent award of contracts to subcontractors would be subject to the City's competitive bidding requirements.

Recommendations

- Because the proposed bond issuance would fund \$132,000,000 of unspecified Fire Protection Infrastructure projects, the proposed ordinance and resolution to request voter approval for the issuance of \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds is a policy matter for the Board of Supervisors (Files 09-1457 and 09-1458).
- Because the proposed ordinance would waive the City's competitive bidding requirements, approval of the proposed ordinance is a policy matter for the Board of Supervisors (File 09-1460).

MANDATE STATEMENT

Code Sections Relevant to Files 09-1457 and 09-1458

Sections 2.30 and 2.31 of the City's Administrative Code state that in order to submit a proposition to issue General Obligation Bonds to the voters of San Francisco, the Board of Supervisors must approve (a) by resolution, that a public interest or necessity demands the acquisition, construction, or completion of such municipal improvements, and (b) by ordinance, call for a special election, to submit the proposition to issue such General Obligation Bonds.

Section 2.34 of the Administrative Code requires that (a) the resolution of public necessity as described above, be adopted no less than 141 days prior to the election which includes the relevant bond proposition, and (b) the subsequent ordinance ordering a special election, as described above, be adopted no less than 99 days prior to the election.

Section 510 of the Municipal Election Code states that the general question posed to the San Francisco voters regarding the issuance of General Obligation Bonds cannot exceed 100 words.

The proposed resolution and ordinance (Files 09-1457 and 09-1458) would waive both (a) the timing requirements of Section 2.34 of the Administrative Code, and (b) the word count limit imposed by Section 510 of the Municipal Election Code.

Code Sections Relevant to File 09-1460

Chapter 6 of the City's Administrative Code established competitive bidding requirements for public works projects. The proposed ordinance (File 09-1460) would waive such competitive bidding requirements only for the design and general construction contractor contracts for the proposed new Forensic Science Center because such contracts were previously awarded by the property owner at 1600 Owens Street prior to being subject to the City's competitive bidding requirements.

DETAILS OF PROPOSED LEGISLATION

OVERVIEW

On April 7, 2009, the Board of Supervisors adopted the 2010-2019 Capital Plan (File 09-0296), which included a \$580,000,000 Earthquake Safety and Emergency Response General Obligation Bond to fund the following three capital projects: (a) repairs to the existing Fire Protection infrastructure including the Auxiliary Water Supply System, (b) the construction of a new Public Safety Building, and (c) the construction of a new Forensic Sciences Center. The proposed \$652,070,000 General Obligation Bond measure would fund these three projects, as shown in Table 1 below.

Table 1: General Allocation of Bond Proceeds

Project Costs	
Fire Protection Infrastructure Repair (see Table 2 for details)	\$166,400,000
Forensic Sciences Center (see Table 3 for details)	238,600,000
Public Safety Building (see Table 6 for details)	236,100,000
Project Subtotal	\$641,100,000
City Services Auditor and Citizens' Bond Oversight Committee	1,934,270
Costs of Bond Issuance	9,035,730
Total	\$652,070,000

A detailed description and expenditure plan for each of these three projects follows.

FIRE PROTECTION INFRASTRUCTURE REPAIR PROJECT

The proposed Earthquake Safety and Emergency Response General Obligation Bonds include \$166,400,000 to make repairs and improvements to the City's fire fighting infrastructure, as shown in Table 2 below.

Table 2: Fire Protection Infrastructure Repair Project Expenditure Plan

Project	Planning, Engineering, Project Management	Construction	Total Cost
Auxiliary Water Supply System (AWSS) Improvements			
Twin Peaks Reservoir (above ground)	\$1,200,000	\$3,100,000	\$4,300,000
Ashbury Heights Tank (above ground)	1,600,000	4,300,000	5,900,000
Jones Street Tank (above ground)	1,800,000	4,700,000	6,500,000
Pump Station No. 1 (above ground)	1,000,000	2,500,000	3,500,000
Pump Station No. 2 (above ground)	3,900,000	10,300,000	14,200,000
Subtotal of Specified Above-Ground AWSS Facilities	\$9,500,000	\$24,900,000	\$34,400,000
To Be Determined Improvements to AWSS Pipes and Tunnels	9,000,000	23,000,000	32,000,000*
AWSS Subtotal	\$18,500,000	\$47,900,000	\$66,400,000
To Be Determined Neighborhood Fire Station Improvements	18,000,000	46,000,000	64,000,000*
To Be Determined Cistern System Improvements	10,000,000	26,000,000	36,000,000*
Total	\$46,500,000	\$119,900,000	\$166,400,000

**Total of To Be Determined Projects is \$132,000,000*

Auxiliary Water Supply System Improvements

The City's Auxiliary Water Supply System (AWSS) delivers highly pressurized water for fire fighting independently of the Public Utilities Commission's domestic water system. Although this system is designed for the Fire Department's use, maintenance responsibilities for the AWSS

were transferred from the Fire Department to the PUC during the FY 2009 - 2010 budgeting process. The original 77-mile AWSS was constructed in 1913 in response to the fires ignited by the 1906 earthquake which destroyed approximately 22,000 buildings largely due to lack of a reliable water supply. The AWSS has since been expanded to 135 miles. According to the January 23, 2009 Auxiliary Water Supply System Study, conducted by the consulting firm AECOM/Metcalf & Eddy for the Capital Planning Committee, all five of the above ground AWSS facilities have exceeded their useful lives, and the original 77 miles of AWSS pipelines, approximately half of the existing pipelines, have not been upgraded since their original installation approximately 97 years ago. The study concludes that in order to maintain the reliability of the AWSS, major improvements to the entire system are required.

The estimated cost of \$34,400,000 to renovate the five above-ground AWSS facilities is shown in Table 2 above. In regard to the \$32,000,000 of improvements to the AWSS Pipes and Tunnels which have not yet been determined as shown in Table 2 above, according to the Draft Earthquake Safety and Emergency Response Bond Report provided by Mr. Charles Higuera, Project Manager at the Department of Public Works, a Firefighting Pipes and Tunnels Capital Improvements Plan will be developed by a working group comprised of the relevant Departments (the precise membership of this working group has yet to be determined), and subsequently approved by the Capital Planning Committee, to assess the condition of the City's underground assets and prioritize the most cost-effective and beneficial repair projects. Mr. Higuera estimates that such a Firefighting Pipes and Tunnels Capital Improvements Plan would be completed by June of 2012, or approximately two years after the proposed special election.

Fire Station Improvements

According to the Draft Earthquake Safety and Emergency Response Bond Report, existing Fire Stations throughout the City are in need of over \$400,000,000 in seismic repairs and health and safety improvements. As shown in Table 2 above, the proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would fund \$64,000,000 of improvements to neighborhood fire stations. Specifically the stations which would be improved would be determined after a Fire Stations Capital Improvements Plan is developed by a working group comprised of the relevant Departments (the precise membership of this working group has yet to be determined), and subsequently approved by the Capital Planning Committee, to identify the most cost-effective and beneficial repair projects. Mr. Higuera estimates that such a Fire Stations Capital Improvements Plan would be completed by June of 2012, or approximately two years after the proposed special election.

Cistern System Improvements

The Fire Department maintains 177 underground cisterns throughout the City, which store water available for fire fighting in case the domestic water supply system and the AWSS are not available. As shown in Table 2 above, the proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would fund \$36,000,000 in improvements to the Fire Department's cistern system. According to the Draft Earthquake Safety and Emergency Response Bond Report, a Firefighting Cisterns Capital Improvements Plan will be developed by

a working group comprised of the relevant Departments (the precise membership of this working group has yet to be determined), and subsequently approved by the Capital Planning Committee, to identify the most cost-effective and beneficial repair projects. Mr. Higuera estimates that such a Firefighting Cisterns Capital Improvements Plan would be completed by June of 2012, or approximately two years after the proposed special election.

FORENSIC SCIENCES CENTER PROJECT

The proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would provide \$238,600,000 for the construction of a new Forensic Sciences Center at 1600 Owens Street in Mission Bay. The new Center, which would be a total of 250,000 square feet and ten stories, would serve as the new location for both (a) the Forensic Services Division of the San Francisco Police Department (the Forensics Division) and (b) the Office of the Chief Medical Examiner.

Currently, the Forensic Division is divided into two locations: (a) the City-owned Hall of Justice at 850 Bryant Street, which, according to Mr. John Updike, Assistant Director of Real Estate at RED, is seismically unsound, and (b) a leased facility at Hunter's Point Naval Shipyard (Building 606), which must be vacated when the Hunter's Point Shipyard is redeveloped.

According to a report by Crime Lab Design, a consultant retained by the Department of Public Works, a new Forensics Sciences Center would benefit the City by consolidating forensic services provided by the Chief Medical Examiner and the Police Department's Forensics Division in the aging and overcrowded Hall of Justice. According to the report, the Hall of Justice and Building 606 at Hunter's Point Naval Shipyard cannot support the ongoing needs of the Police Department's Forensics Division and the Chief Medical Examiner because (a) space constraints limit the ability to install new laboratory equipment as new technologies in forensics emerge, and (b) the age of the Hall of Justice facilities threaten the ability for the Police Department's Forensics Division and the Chief Medical Examiner to maintain the national accreditations of their respective laboratories.

The Real Estate Division previously planned to purchase a completed Forensic Sciences Center building from a real estate developer, and the current owner of 1600 Owens Street, ARE-San Francisco No. 15, LLC (ARE). However, ARE, after acquiring the property, contracting with Studios Architecture for design services and DPR Construction for general construction contractor services, decided not to proceed with construction of the building. The Real Estate Division is now requesting that the City functionally replace ARE as the developer of the Forensic Sciences Center by purchasing the (a) vacant land, (b) design plans, and (c) ARE's rights to its existing contracts for design and general construction contractor services.

The proposed new Forensic Sciences Center Project, a ten-story, 250,000 square foot building to be located at 1600 Owens Street in the Mission Bay neighborhood, is currently estimated to cost \$238,600,000, as shown below in Table 3.

Table 3: Estimated Costs for the Forensic Sciences Center Project

“Development Package” Cost	\$40,845,000
Closing Costs Related to the Purchase of the Vacant Land at 1600 Owens Street	1,845,000
Architecture and Engineering	14,430,000
Construction Management Services	14,900,000
Geotechnical Surveys and Other Environmental Work	630,000
City Staff Costs and Regulatory Agency Approvals	9,150,000
Construction	156,800,000
Total	\$238,600,000

As part of the overall \$238,600,000 General Obligation Bond funds provided for the new Forensic Sciences Center, the City would purchase a “development package”, at a cost of \$40,845,000, from ARE-San Francisco No. 15, LLC (ARE), the current owner of 1600 Owens Street, which includes the following: (a) 72,199 square feet of vacant land at 1600 Owens Street, (b) a 20.17 percent tenancy-in-common interest¹ in an adjacent parking garage, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) rights to execute existing contracts to build a new Forensic Sciences Center which were previously awarded and negotiated by ARE.

The attached memorandum from Mr. Updike, states that purchasing the proposed construction-ready “development package” represents the most cost-effective option for the City to create a consolidated modern forensic laboratory because (a) the subject land currently has many of the permits necessary for constructing the proposed building and (b) the project has already completed the environmental review required by the California Environmental Quality Act, such that purchasing the proposed “development package” would allow the City to avoid the costs of delays associated with permitting and environmental review at a different location. Mr. Updike advised that a cost-benefit analysis to estimate potential savings, by comparing the proposed approach to both (a) leasing laboratory space and (b) designing and constructing a new laboratory building through the typical City public works construction processes (City awarded contracts for building design and construction using competitive bidding processes), has not been completed.

Table 4 below, based on data provided by Mr. Updike, compares the total area currently occupied by the Chief Medical Examiner and the Police Department’s Forensic Services Division (in both the Hall of Justice and Building 606 at Hunter’s Point Naval Shipyard) with the area proposed in the new Forensic Sciences Center.

¹ A tenancy-in-common interest is a method of owning a portion of real property without legally subdividing such real property into independent parcels.

Table 4: Gross² Square Feet of Space Provided in Current Location Compared to Proposed Forensic Sciences Center

Function	Current Location	Forensic Sciences Center at 1600 Owens Street	Proposed Increase
Forensic Services Division	25,000	100,500	75,500
Chief Medical Examiner	20,126	59,100	38,974
Total Gross Square Feet	45,126	159,600	114,474

According to the attached memorandum from Mr. Updike, this increase of 114,474 square feet, or 254 percent, from 45,126 square feet to 159,600 square feet, is justified in order to (a) meet accreditation standards, and (b) accommodate expected staffing growth in both the Chief Medical Officer and the Police Department's Forensics Division through 2020.

The proposed Forensic Sciences Center would also include 7,600 gross square feet of leasable ground floor retail space, as required by the Mission Bay Redevelopment Plan and (b) 82,800 gross square feet of unimproved office space, which could accommodate other City agencies in the future. According to Mr. Updike, the Mission Bay Redevelopment Plan established the overall size and shape of the building, such that, according to Mr. Updike, it is not possible to simply exclude the construction of the 82,800 gross square feet of unimproved office space. Mr. Updike advised that efforts are underway to secure additional City tenants for this space.

Construction of the proposed new Forensic Sciences Center is estimated to begin in April of 2011 and be completed in approximately two years, or by June of 2013.

Proposed Option Agreement and Waiver of Competitive Bidding Requirements

The Real Estate Division is requesting approval of the proposed ordinance (File 09-1460) which would (a) authorize the purchase, at a price of up to \$1,100,000, of an Option Agreement with ARE to provide the City with the exclusive option to purchase the "development package" no later than May 31, 2011, and (b) waive the competitive bidding requirements for contracts for public works projects established in Chapter 6 of the Administrative Code, because the "development package" includes the right to execute contracts which were previously awarded by ARE, which were not subject to the City's competitive bidding requirements.

The proposed Option Agreement initially provides for the City's exclusive option to purchase the "development package" until July 31, 2010, with up to two extensions at the option of the City, as shown in Table 5 below.

² "Gross" square feet includes common areas such as elevators, lobbies, restrooms, and hallways.

Table 5: Option Periods and Cost

	<u>Option Period End Date</u>	<u>Cost</u>
Base Option Period	July 31, 2010	\$100,000
First Extension of Option Period	December 31, 2010	500,000
Second Extension of Option Period	May 31, 2011	500,000
Total of Up To:		\$1,100,000

According to Mr. Updike, the initial \$100,000 cost of the Option Agreement would come from General Fund monies previously appropriated by the Board of Supervisors for the Real Estate Division on July 28, 2009 (File 09-0997). Mr. Updike advised that the remaining up to \$1,000,000 total cost for the First and Second Option Periods would be funded from future General Fund appropriations, to be requested by the Real Estate Division in separate future supplemental appropriation requests, subject to Board of Supervisors appropriation approval. According to the terms of the proposed Option Agreement, all Option Agreement payments made by the City to ARE would be applied as a credit towards the purchase of the \$40,845,000 "development package" (as shown in Table 3 above), such that the cost of the proposed Option Agreement would be effectively eliminated, unless the voters of San Francisco reject the proposed issuance of General Obligation Bonds, to pay for such costs.

According to Mr. Updike, such an Option Agreement is necessary because (a) the Real Estate Division considers the "development package" approach to construct a new Forensics Sciences Center as the most cost-effective option for the City, and (b) the owner could otherwise sell the 1600 Owens Street property prior to the proposed June 8, 2010 special election. Therefore, the Real Estate Division is now requesting approval of the proposed ordinance (09-1460) which would provide the City with the exclusive option to purchase the "development package".

PUBLIC SAFETY BUILDING

The proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds would provide \$236,100,000 for the construction of a new Public Safety Building on San Francisco Redevelopment Agency-owned land at the intersection of Third Street and Mission Rock Street, in Mission Bay. The proposed new Public Safety Building would provide (a) a new Police Headquarters, including a new Southern District Police Station, which are both currently located in the Hall of Justice at 850 Bryant Street, and (b) a new neighborhood Fire Station.

The estimated cost of the proposed Public Safety Building is shown in Table 6 below.

Table 6: Estimated Costs for the Public Safety Building Project

Architecture and Engineering	\$23,395,000
Construction Management Services	17,640,000
Geotechnical Surveys and Other Environmental Work	711,000
City Staff Costs and Regulatory Agency Approvals	10,754,000
Construction	187,500,000
Subtotal	\$240,000,000
<i>Less: Contribution from Mission Bay Master Developer</i>	<i>3,900,000</i>
Total	\$236,100,000

According to Mr. Updike, the estimated costs shown in Table 6 above include a contribution of \$3,900,000 from the master developer for the Mission Bay neighborhood towards the costs of the proposed Public Safety Building. Mr. Updike advised that the master developer contract awarded to Mission Bay Development Group, LLC by the San Francisco Redevelopment Agency required a contribution of \$3,900,000 in order to help defray the City's cost to provide increased Police and Fire protection in the area.

Table 7 below, based on data provided by Mr. Updike, compares the square footage currently occupied by the Police Headquarters and the Southern District Police Station in the Hall of Justice to the proposed square footage for these functions in the new Public Safety Building.

Table 7: Gross Square Feet of Space Provided in Current Location Compared to Proposed Public Safety Building

Function	Current Location	Public Safety Building	Proposed Increase (Decrease)
Police Headquarters	92,245	130,500	38,255
Southern District Police Station	33,134	27,000	(6,134)
Total Gross Square Feet	125,379	157,500	32,121

According to the attached memorandum from Mr. Updike, this net increase of 32,121 square feet of area is necessary because (a) the 38,255 square foot increase in space for Police Headquarters is a result of previous staffing increases at Police Headquarters without concurrent increases in space, and (b) the more efficient design of the replacement Police Station, combined with changes in the methods of delivering police services to the community, results in an expected 6,134 square foot decrease in space at the new Southern District Police Station within the Public Safety Building.

The proposed new Public Safety Building would also include (a) 22,000 square feet for a new Fire Station to serve the Mission Bay neighborhood, and (b) incorporate the existing 6,200 square foot historic Fire House #30, to provide conference rooms for the community, Fire Department and the Police Department.

Construction of the proposed new Public Safety Building would begin in January 2012 and be completed approximately 27 months later, by April of 2014.

FISCAL IMPACTS

According to Ms. Nadia Sesay, Director of the Controller's Office of Public Finance, if the proposed \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds are approved by the voters, the Office of Public Finance would provide five bond issuances, beginning in August of 2010 and ending in January of 2015, as shown in Table 6 below:

Table 6: Uses of Bond Proceeds by Bond Issuance Date

Issuance	Project Funds	City Auditor and Citizens' Oversight Committee	Costs of Bond Issuance	Total
August 2010	\$249,130,000	\$751,175	\$3,033,825	\$252,915,000
January 2011	204,370,000	616,305	2,578,695	207,565,000
July 2011	103,300,000	311,765	1,553,235	105,165,000
July 2013	47,300,000	143,030	986,970	48,430,000
January 2015	37,000,000	111,995	883,005	37,995,000
Total	\$641,100,000	\$1,934,270	\$9,035,730	\$652,070,000

Ms. Sesay anticipates issuing bonds with a 20-year term at an interest rate of approximately 6.0 percent, with total debt service payments of \$1,129,771,572, including \$477,701,572 in interest and \$652,070,000 in principal, with average annual debt service payments of \$47,073,815³.

The debt service of the proposed bonds would be paid from an average annual increase in the Property Tax rate of \$0.0225 per \$100 of assessed value over the life of the bonds, such that a single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$110.93 per year ($\$500,000 - \$7,000 \div \$100 \times \0.0225).

The proposed ordinance (File 09-1458) would authorize landlords to pass-through 50 percent of the resulting Property Tax increase to residential tenants.

³ The average annual debt service payment of \$47,073,815 reflects the average over the 24 years which debt service would be paid on some portion of the bonds.

POLICY CONSIDERATIONS**The proposed issuance of \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds exceeds the \$580,000,000 cost included in the 2010-2017 Capital Plan.**

According to Mr. Higuera, the cost of the proposed General Obligation Bond has increased by \$72,070,000, from \$580,000,000 to \$652,070,000, since the 2010-2019 Capital Plan was adopted by the Board of Supervisors on April 7, 2009 primarily because (a) conceptual designs for the Public Safety Building were completed after the Capital Plan was adopted, such that the estimated cost increased by approximately⁴ \$40,000,000 and (b) increases of approximately \$30,000,000 to reflect the cost of the City constructing a new Forensic Sciences Center rather than purchasing a finished building from a private developer as originally planned.

Currently, there is not a specific expenditure plan for \$132,000,000, or 20%, of the \$652,070,000 proposed General Obligation Bond

As shown in Table 2 above, a total of \$132,000,000 of Fire Protection Infrastructure projects have yet to be identified. According to Mr. Updike, these projects will be specified once the General Obligation Bond measure is approved by the voters and funds are available to assess the conditions of the relevant infrastructure, to determine which potential projects are the most cost effective for the City.

The Budget Analyst notes that regarding the \$132,000,000 in unidentified projects, without a list of specific projects available to the public prior to the proposed June 8, 2010 special election, the voters of San Francisco will not have clear expectations of what infrastructure projects would be completed for this \$132,000,000 amount, nor would the City be accountable to the voters for the completion of those specific projects. However, the Budget Analyst was unable to identify any guidelines or policies which establish the amount of expenditure information which is required to be available to the voters prior to a special election. Therefore, approval of the proposed resolution and ordinance (Files 09-1457 and 09-1458) is a policy matter for the Board of Supervisors.

The proposed legislation would waive the City's competitive bidding requirements for the existing design and general construction contractor services included in the "development package" for the proposed new Forensics Sciences Center.

As discussed above, the proposed "development package" to be purchased from ARE includes (a) 78,199 square feet of vacant land at 1600 Owens Street, (b) a tenancy-in-common interest in an adjacent parking garage, (c) existing building plans for the construction of a new Forensic Sciences Center at 1600 Owens Street, and (d) the right to execute existing contracts between (a) ARE and Studios Architecture for design services, and (b) ARE and DPR Construction for general construction contractor services.

⁴ The Budget Analyst was unable to determine the exact amount of the project increases due to the re-categorization of bond issuance and oversight costs over time.

However, because these existing contracts were not awarded according to the City's competitive bidding process required for City funded public works projects, the proposed ordinance (File 09-1460) would waive those requirements only for these existing contracts which were originally awarded by ARE. Notably, these contracts would still be subject to the Local Business Enterprise subcontracting requirements established by Chapter 14B of the Administrative Code, and any subsequent award of contracts to subcontractors would be subject to the City's competitive bidding requirements.

Mr. Updike advised that, as of the writing of this report, an estimate of the costs to be incurred under the existing design and general contractor services contracts was not available. Mr. Updike stated that such costs would represent only a minor portion of the overall project budget of \$238,600,000. Mr. Updike also stated an estimate would be available at the Budget and Finance Committee Hearing of January 27, 2010.

The Budget Analyst notes that the City would not be obligated to use ARE's existing contract with DPR Construction for general construction contractor services, and could award a new general construction contractor contract, including special consideration for those contractors with experience in building laboratory space or other relevant qualifications, subsequent to the competitive bidding process required by Chapter 6 of the Administrative Code. However, according to Mr. Updike, use of competitive bidding would result in increased construction costs due to delays caused by the bid and award period.

The seismic concerns regarding the Hall of Justice remain unaddressed by the proposed bond issuance.

Due to the seismic unreliability of the Hall of Justice Building, the FY 2010-2019 Capital Improvement Plan anticipates the following additional projects which would not be funded by the proposed General Obligation Bond (a) the construction of new facilities to house County Jails 1 and 2, which are currently located in the Hall of Justice, at an estimated cost of \$435,000,000, (b), interim seismic improvements to the Hall of Justice to allow temporary continued occupancy by the Superior Court, District Attorney, and Adult Probation at an estimated cost of \$2,000,000, and (c) the ultimate replacement of the Hall of Justice (this project is described as a deferred project in the Capital Plan such that there is no estimated cost available).

RECOMMENDATIONS

1. Because the proposed bond issuance would fund \$132,000,000 of unspecified Fire Protection Infrastructure projects, the proposed ordinance and resolution to request voter approval for the issuance of \$652,070,000 in Earthquake Safety and Emergency Response General Obligation Bonds is a policy matter for the Board of Supervisors (Files 09-1457 and 09-1458).
2. Because the proposed ordinance would waive the City's competitive bidding requirements, approval of the proposed ordinance is a policy matter for the Board of Supervisors (09-1460) for the contracts previously awarded by ARE for design and general construction contractor services.



Amy L. Brown
Director of Real Estate

MEMORANDUM

DATE: January 21, 2010

TO: Nathan Cruz, Budget Analyst
Office of the Budget & Legislative Analyst

FROM: John Updike
Assistant Director, Real Estate

SUBJECT: **1600 Owens Street Development & ESER G. O. Bond Initiative**

You requested additional information to supplement your report to the Budget and Finance Committee on the subject topics. Two areas required additional detail.

1. 1600 Owens Project Delivery Advantages

There are many advantages of a consolidated agreement for the purchase of not only developable land, but also entitlements, design & construction documents, and securing the use of the design team and the general contractor in one agreement. Entitled land, ready for construction, adds value to the buyer (the City) in reduced processing time for any remaining permits (some permits have already been secured, some infrastructure work on site has already been completed), and in the savings of having CEQA clearance. With this proposal, the time for the team to complete construction drawings is substantially reduced.

The subcontractor selection process remains subject not only to standard City Public Works bidding requirements, but also to those of the Mission Bay South Redevelopment Plan, insuring significant San Francisco resident subcontracting and job production.

2. Changes in Square Footage from Existing Locations

The Forensic Services Division and Office of the Chief Medical Examiner will see substantial increases in net and gross square footage from existing locations, by occupying the proposed facility at 1600 Owens. The drivers for this increase are:

- Office and lab space in existing locations are sub-standard in terms of size, and will not meet anticipated accreditation standards.
- Forecasted staff growth through at least 2020 must be met, requiring additional space.
- The workload in these two fields is surging, due to demands of the criminal justice system, legislative initiatives at local, state and federal levels, and increased jury expectations.

The functions relocating to the new Police Headquarters at 3rd and Mission Rock from Hall of Justice reflect a modest increase in space from existing. This is mainly due to the fact that prior staff growth at the Hall of Justice hasn't been met by an increase in the footprint of the Police Department at the Hall of Justice, so a pent-up demand is being met through this design. Additionally, forecasted staff growth is being accommodated. The Southern District Station footprint is actually lighter in the new facility than exists at the Hall of Justice. That is a reflection of a more efficient design, as well as changes over time in how police services are delivered to the community.

It should be noted that two nationally recognized firms were selected by the City to perform programming studies for the uses to be located at either 1600 Owens or 3rd and Mission Rock, and the program presented here reflects their recommendations, based on national standards and accreditation requirements where applicable.

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