

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 10, 2013

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: May 15, 2013 Budget and Finance Sub-Committee Meeting

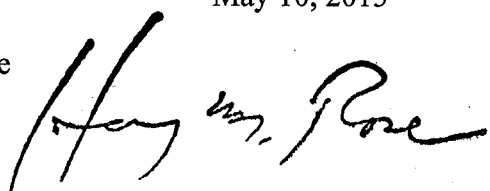


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Item 1 File 13-0335	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
Legislative Objectives The proposed resolution would amend an existing concession lease between the San Francisco Airport and Gotham Enterprises, LLC (Gotham). Key Points • The Airport entered into a 10-year concession lease with Gotham for three food and beverage locations (one in Terminal 1 and two in Terminal 3) to be used for Peet's Coffee and Tea from February 2005 through February 2015. The concession lease has one two-year option to extend, which Gotham and the Airport have exercised, extending the concession lease through 2017. • The three locations leased to Gotham in Terminal 1 and Terminal 3 total 1,037 square feet. Sales at the Terminal 1 location have decreased by 47% from 2005 through 2012 due to the Airport's demolition of the adjacent Boarding Area A, and therefore, Gotham requests removal of 310 square feet in Terminal 1 from the lease with 727 square feet remaining on the lease. Fiscal Impact • Under the existing concession lease, Gotham pays the Airport the greater of the Minimum Annual Guarantee (MAG) or percentage rent. In 2012 Gotham paid percentage rent of \$230,875 based on gross revenues of \$2,282,291. • Under the existing concession lease, the MAG is \$51.38 per square foot in 2013 or \$53,281 for 1,037 square feet for three locations in Terminal 1 and Terminal 3. Under the proposed amendment, the MAG is reduced by \$15,928 to \$37,353 (equal to \$51.38 per square foot for 727 square feet for two locations in Terminal 3). • Based on 2012 gross revenues from the two locations in Terminal 3, Gotham will continue to pay percentage rent that exceeds the MAG under the amended lease. If Gotham had paid percentage rent in 2012 based on 727 square feet in Terminal 3, Gotham would have paid the Airport percentage rent of \$183,904. Recommendation • Approve the proposed resolution.	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118 states that leases, which would result in revenues to the City in excess of \$1,000,000, are subject to Board of Supervisors approval.

Background

On June 2, 2004, the Airport entered into a ten-year concession lease, effective February 2005 through February 2015, with Gotham Enterprises, LLC (Gotham) for three retail food and beverage locations in Terminal 1 and 3, totaling 1,037 square feet. These three locations are Peet's Coffee and Tea stores. The original concession lease included an option to extend the lease by two years, which the Airport and Gotham exercised in 2009, extending the lease through February 2017.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would amend the existing lease between the Airport and Gotham Enterprises, LLC to remove the 310 square foot location adjacent to the former Terminal 1 Boarding Area A effective subsequent to Board of Supervisors' approval of the proposed resolution. Since the Airport demolished Boarding Area A in 2005, the foot traffic and sales for that location have decreased significantly. Whereas the Boarding Area A location generated \$738,253 in sales in 2005, the location generated only \$391,423 in 2012, a decrease of approximately 47%.

The Airport Commission approved the proposed lease amendment on January 30, 2013.

FISCAL IMPACT

Under the existing concession lease, Gotham pays the Airport the greater of the Minimum Annual Guarantee (MAG) or percentage rent. The Airport Commission sets the MAG for food and beverage facilities in the domestic terminals, which is \$51.38 per square foot in 2013. The MAG is adjusted annually, based on a standard Airport formula. Gotham also pays an annual infrastructure fee of \$15 per square foot and an annual promotional fee of \$1 per square foot. Table 1 below shows the MAG and fees paid by Gotham under the current lease.

Table 1: Minimum Annual Guaranteed Rent and Fees

	Square Feet	MAG Annual	Infrastructure Annual	Promotional Annual	Grand Total
Terminal 1	310	\$ 15,928	\$ 4,650	\$ 310	\$ 20,888
Terminal 3	477	24,508	7,155	477	32,140
Terminal 3	250	12,845	3,750	250	16,845
Total	1,037	\$ 53,281	\$ 15,555	\$ 1,037	\$ 69,873

Table 2 below shows the percentage rent schedule in the lease.

Table 2: Percentage Rent

Revenues	Rent
Up to and Including \$750,000	8%
\$750,000.01-\$1,400,000	10%
Greater than \$1,400,000.01	12%

In 2012, Gotham paid the Airport \$230,875 in percentage rent based on gross revenues of \$2,282,291, or \$179,336 more than the MAG of \$51,539¹.

As a result of removing 310 square feet in Terminal 1 from the lease under the proposed amendment, the MAG would be reduced by \$15,928, from \$53,281 to \$37,353, as shown in Table 3.

Table 3: Revised 2013 Rent Revenues

2013	Square Feet	MAG Annual
Terminal 3	477	24,508
Terminal 3	250	12,845
Total	727	\$ 37,353

If the two remaining locations in Terminal 3 generate gross revenues in 2013 through 2017 equal to or greater than gross revenues generated by these two locations in 2012, Gotham will continue to pay percentage rent to the Airport that exceeds the MAG.²

RECOMMENDATION

Approve the proposed resolution.

¹ Per the lease agreement, the MAG rate per square foot is adjusted every January to reflect inflation and customer foot traffic at the Airport. The Gotham's MAG per square foot in 2012 was \$49.70 for 1,037 square feet or a total of \$51,539. In January 2013, the Airport increased the MAG to \$51.38 per square foot for a total of \$53,281.

² If Gotham had paid percentage rent in 2012 based on 727 square feet in Terminal 3, Gotham would have paid the Airport rent of \$183,904.

Items 2 and 3
Files 13-0381 and 13-0363

Department:
 Department of Public Works
 Municipal Transportation Agency
 Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 13-0381: Resolution authorizing and directing the sale of not-to-exceed \$133,275,000 of Road Repaving and Street Safety General Obligation Bonds, 2011, Series 2013C.
- File 13-0363: Ordinance appropriating \$133,275,000 of bond proceeds to fund resurfacing, sidewalk, curb ramp and street structure improvements, redesign of streetscapes for pedestrian and bicycle safety improvements and traffic signal improvements to support transit priority, including \$122,058,097 for the Department of Public Works and \$11,216,903 for the Municipal Transportation Agency and placing these funds on Controller's Reserve pending the sale of the bonds.

Key Points

- San Francisco voters approved \$248,000,000 for Road Repaving and Street Safety General Obligation Bonds on November 8, 2011 to repave City streets and improve curbs, sidewalks, traffic signals and streetscapes. The City has sold \$74,295,000 in a prior bond sale. The proposed resolution (File 13-0381) would authorize the second sale of not-to-exceed \$133,275,000, resulting in total sale of Road Repaving and Street Safety Bonds of \$207,570,000, and an unsold balance of \$40,430,000.

Fiscal Impact

- The proposed resolution authorizing the sale of not-to-exceed \$133,275,000 of Road Repaving and Street Safety Bonds are conservatively projected to have an annual interest rate of 6.0 percent over approximately 20 years, including estimated total debt service payments of \$226,646,246, including \$96,621,246 in interest and a par amount of \$130,025,000 in principal, with estimated average annual debt service payments of \$11,332,312. Debt service would be paid from increased Property Taxes, such that an owner of a residence with an assessed value of \$500,000 would pay additional average Property Taxes of approximately \$23.25 per year.
- The requested not-to-exceed \$133,275,000 bonds are projected to be sold for a par amount of \$130,025,000, including project funds totaling \$128,510, issuance and related oversight costs of \$1,514,568 and a Reserve Pending Sale of Bond of \$3,250,000, which will allow for fluctuations in market conditions.

Policy Issues

- The proposed resolution authorizing the sale of the Series 2013C Bonds would allow the Department of Public Works and the Municipal Transportation Agency to waive the deadlines for submitting their Bond Accountability Reports. The Bond Accountability Report is anticipated to be submitted to the Clerk of the Board of Supervisors by June 1, 2013.

Recommendation

- Approve the proposed resolution and ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds is subject to approval of the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds.

Background

On November 8, 2011, San Francisco voters approved \$248,000,000 of Road Repaving and Street Safety General Obligation Bonds, 2011 (Proposition B), to:

- Repair and repave City streets and remove potholes;
- Strengthen and seismically upgrade street structures;
- Redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping;
- Construct and renovate curb ramps and sidewalks to increase accessibility and safety; and
- Construct and renovate traffic signals to improve Muni service and traffic flow.

Table 1 below identifies the voter-approved total proposed \$248 million of 2011 Road Repaving and Street Safety General Obligation Bonds.

Table 1: Road Repaving and Street Safety Bond Allocation

	Department of Public Works	San Francisco Municipal Transportation Agency	Bond Issuance and Audit Costs	Total
Street Resurfacing	\$146,541,500			\$146,541,500
Street Structures	6,884,500			6,884,500
Streetscape, Bike and Pedestrian	49,175,000			49,175,000
Curb Ramps	13,769,000			13,769,000
Sidewalks	7,868,000			7,868,000
Traffic Signal and Streets		19,670,000		19,670,000
Bond Issuance and Audit Costs			4,092,000	4,092,000
Total	\$224,238,000	\$19,670,000	\$4,092,000	\$248,000,000

On January 24, 2012, the Board of Supervisors approved two resolutions (Resolution Nos. 24-12 and 25-12) to (a) authorize the overall issuance of \$248,000,000 for the 2011 Road Repaving and Street Safety General Obligation Bonds, and (b) authorize the initial sale of not-to-exceed \$76,500,000 of Road Repaving and Street Safety Bonds, Series 2012C. On March 8, 2012, the

City sold \$74,295,000 of the Road Repaving and Street Safety General Obligation Bonds, Series 2012C.

DETAILS OF PROPOSED LEGISLATION

File 13-0381: The proposed resolution would authorize and direct the sale of a not-to-exceed \$133,275,000 aggregate principal amount of Road Repaving and Street Safety General Obligation Bonds, Series 2013C.

File 13-0363: The proposed ordinance would appropriate \$133,275,000 bond proceeds to fund resurfacing, sidewalk, curb ramp and street structure improvements, redesign of streetscapes for pedestrian and bicycle safety improvements and traffic signal improvements to support transit priorities, including \$122,058,097 for the Department of Public Works and \$11,216,903 for the MTA and place these funds on Controller's Reserve pending the sale of the bonds.

The proposed resolution (File 13-0381) would:

- Authorize the execution, authentication and registration of the Series 2013C Road Repaving and Street Safety Bonds as well as transfers, exchanges and redemption of the bonds;
- Restrict use of the bond proceeds to the public purpose for which the bonds were intended;
- Authorize the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend after June 15, 2033;
- Require establishment of a Series 2013C Bond Account for payment of principal and interest; and a special Series 2013C Project Subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approve the appointment of the Depository Trust Company as the securities depository, and authorize the Treasurer to appoint fiscal and other agents;
- Provide for defeasance of the bonds, other tax covenants and other terms and provisions;
- Approve the (a) Official Notice of Sale, which announces the date, time and terms of the competitive bond sale; and the (b) Notice of Intention to Sell Bonds;
- Approve the Preliminary Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters and authorize the Controller or Director of Public Finance to revise the Preliminary Official Statement;
- Approve the Continuing Disclosure Certificate, which provides for City covenants to provide certain financial information and operating data relating to the City;
- Authorize City officials who have responsibility for executing documents related to the Series 2013C Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2013C Bond amount cannot exceed \$133,275,000; and

- Subject the Series 2013C Bonds to deposit 0.1% of gross bond proceeds into the specified fund for compliance with the reporting requirements of the Citizens' General Obligation Bond Oversight Committee; and
- Authorize the Board of Supervisors to incorporate California Environmental Quality Act (CEQA) findings and determinations for individual projects, for approval of use of bond proceeds to finance each project.

Ms. Nadia Sesay, Director of Public Finance advises that the Office of Public Finance anticipates selling the subject not-to-exceed \$133,275,000 Series 2013C Road Repaving and Street Safety General Obligation Bonds on June 5, 2013. The proposed ordinance (File 13-0363) would appropriate the entire \$133,275,000 bond sale proceeds, as shown in Table 2 below, subject to technical adjustments pending the results of the completed sale.

Table 2: Road Repaving and Street Safety Bond Appropriation Sources and Uses

	Department of Public Works	San Francisco Municipal Transportation Agency	Total
Sources			
Bond Proceeds	\$122,058,097	\$11,216,903	\$133,275,000
Uses			
<u>Department of Public Works(DPW)</u>			
Curb Ramps	4,933,673		
Sidewalks	2,831,596		
Street Resurfacing	73,645,231		
Street Improvement-Hope SF	4,916,500		
Street Structures	1,684,500		
Street, Bike & Pedestrian	29,683,033		
<u>Municipal Transportation Agency</u>			
Signal & Street Improvements		10,815,900	10,815,900
Subtotal Project Costs	\$117,694,533	\$10,815,900	\$128,510,433
<u>Related Issuance Costs</u>			
Bond Issuance	4,009,095	368,428	4,377,523
City Services Auditor (0.2%)	235,388	21,632	257,020
Oversight Committee (0.1%)	119,081	10,943	130,024
Subtotal Issuance Costs	4,363,564	401,003	4,764,567
Total	\$122,058,097	\$ 11,216,903	\$133,275,000

Source: File 13-0363

Table 3 below summarizes the total \$248,000,000 Road Repaving and Street Safety General Obligation Bonds authorization, the \$74,295,000 initial Road Repaving and Street Safety General Obligation Bonds sold to date, the proposed not-to-exceed \$133,275,000 second issuance and the remaining \$40,430,000 authorized and unsold bonds.

Table 3: Road Repaving and Street Safety Bond Allocation

	Department of Public Works	Municipal Transportation Agency	Bond Issuance and Oversight Costs	Total Bond Sale
Total Bond Authorization	\$224,228,000	\$19,670,000	\$4,092,000	\$248,000,000
Total Bond Sales To Date	68,780,556	4,720,000	794,444	74,295,000
Proposed Bond Sale June 2013	117,694,532	10,815,900	4,764,568	133,275,000
Total Bond Sales To Date and Proposed Bond Sale	186,475,088	15,535,900	5,559,012	207,570,000
Remaining Authorized and Unsold Bonds	\$37,752,912	\$4,134,100	(\$1,467,012)	\$40,430,000

Although the Bond Issuance and Audit Costs in Table 3 above reflect a negative estimated balance of \$1,467,012, Ms. Sesay advises that the total estimated \$4,764,568 bond issuance and related oversight costs for the proposed bond sale includes \$3,250,000 for a Reserve Pending Bond Sale, in order to allow sufficient flexibility for the Office of Public Finance depending on market conditions.

According to Mr. John Thomas, Project Manager at DPW the entire \$248 million of 2011 Road Repaving and Street Safety General Obligation Bond funds are anticipated to be expended between April 2012 and the summer of 2017, with the subject requested not-to-exceed \$133,275,000 to be expended between June 2013 and June 2016. According to the most recent Status Report presented by DPW to the Citizens General Obligation Bond Oversight Committee, as of March 21, 2013, \$50,022,968 or 68% of the initial available \$73,500,556 of project funds have already been expended or encumbered.

Mr. Thomas advises that of the 28 total street resurfacing projects, 3 are substantially completed, 13 are under construction and 12 projects are in various stages of contract bid and award. These 12 projects will be funded with the proceeds from the upcoming bond sale. Mr. Thomas notes that all construction contracts are based on a formal lowest responsive bid award process. Under the Curb Ramp Program, (a) over 500 curb ramps of the planned 1,500 curb ramps have been completed, (b) an additional 330 curb ramps are currently in design, and (c) over 800 additional curb ramps are currently being evaluated for upcoming design and construction. The Sidewalk Inspection & Repair Program has exceeded its goal of inspecting 200 square blocks per year. Under the Structures Program, DPW has completed five smaller projects, currently has two other projects under construction and DPW has begun repair on three bridges. Mr. Thomas advises that the Streetscape Program, which includes pedestrian and bicycle safety projects, has initiated

10 projects and plans to initiate an additional 14 Streetscape projects with the subject funding. In addition, Mr. Thomas reports that the SFMTA has replaced 57 of the planned 110 traffic signals and is more than 15% completed with the design of new traffic signals at various locations.

FISCAL IMPACTS

Not-to-Exceed versus Par Amount of Bonds

According to Ms. Nadia Sesay, Director of Public Finance in the Controller's Office, the requested not-to-exceed \$133,275,000 bonds are projected to be sold for a par amount of \$130,025,000, which would result in project funds totaling \$128,510,432 as shown in Table 2 above and issuance and related oversight costs totaling \$1,514,568 and Reserve Pending Sale of Bond amount of \$3,250,000. The par amount of \$130,025,000 is \$3,250,000 less than the requested authorized not-to-exceed \$133,275,000 in both the proposed resolution (File 13-0377) and ordinance (File 13-0371). Ms. Sesay advises that the additional \$3,250,000 is to allow for fluctuations in market conditions from the time of approval until the actual time of the sale of the bonds. If the additional funds are not required, the Controller's Office will make the necessary technical adjustments based on the actual sale results.

Estimated Debt Service Payments

Ms. Sesay advises that the estimated \$130,025,000 Road Repaving and Street Safety Bonds are conservatively projected to have an annual interest rate of 6.0 percent over 20 years, resulting in estimated total debt service payments of \$226,646,246, including \$96,621,246 in interest and a par amount of \$130,025,000 in principal, with estimated average annual debt service payments of \$11,332,312.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate, which, according to the Controller's Office, would average \$0.047 per \$1,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$23.25 per year if the anticipated par amount of \$130,025,000 of Road Repaving and Street Safety Bonds are sold.

Three General Obligation Bond Issuances on June 5, 2013

The requested not-to-exceed \$133,275,000 of Road Repaving and Street Safety Bonds would be on Controller's Reserve pending the sale of the bonds, which as noted above is anticipated to occur on June 5, 2013. As shown in Table 2 below, the subject \$133,275,000 Road Repaving and Street Safety Bonds Series 2013C would also be sold with the \$74,030,000 Clean and Safe Neighborhood Parks General Obligation Bonds Series 2013A, and the \$31,905,000 Earthquake Safety and Emergency Response General Obligation Bonds Series 2013B for a total not-to-exceed authorization of \$239,210,000. As shown in Table 4 below, together, the anticipated par amount for these three General Obligation Bonds would be \$233,385,000, which together are

anticipated to result in increased average annual Property Taxes of \$41.74 for a \$500,000 assessed value home.

Table 4: Summary of Three General Obligation Bonds to be Sold on June 5, 2013

General Obligation Bonds	Requested Not to exceed Amount	Anticipated Par Amount	Anticipated Average Annual Property Tax Impact on \$500,000 Home
Clean and Safe Neighborhood Parks (Series 2013A)	\$74,030,000	\$72,230,000	\$12.92
Earthquake Safety and Emergency Response (Series 2013B)	31,905,000	31,130,000	5.57
Road Repaving and Street Safety (Series 2013C)	133,275,000	130,025,000	23.25
Total	\$239,210,000	\$233,385,000	\$41.74

POLICY ISSUES

The proposed resolution authorizing the sale of the Series 2013C Bonds would waive the deadline for submitting the Bond Accountability Report

Administrative Code Section 2.71 requires that a Bond Accountability Report be submitted by City departments to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds. In accordance with Administrative Code Section 2.72, the Bond Accountability Report includes: (a) certification from an authorized representative that the information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; (c) brief description of each project line item for which bond proceeds have been expended; (d) the amount of bond proceeds expended on each project line item; (e) identification of completed and uncompleted project line items; (f) identification of any project line item not included in a proposed expenditure report; (g) certification that each project identified is in conformity with the voter authorization; and (h) identification of any project line time.

To date, neither DPW nor SFMTA has submitted a Bond Accountability Report. Mr. Thomas advises that the Bond Accountability Report is currently being prepared and is anticipated to be completed by June 1, 2013. Therefore, Section 24 of the proposed resolution requests that these provisions be waived, and instead, the proposed resolution states that these Bond Accountability

Reports for the subject Series 2013C bonds will “be submitted within 60 days (or as soon thereafter as possible) of any supplemental budgetary appropriation approval”.

CEQA Findings

The proposed resolution (File 13-0381) states that the Board of Supervisors affirms and incorporates the California Environmental Quality Act (CEQA) findings and determinations, such that the use of the subject bond proceeds to finance the individual projects are subject to approval by the Board of Supervisors of any required environmental review under CEQA. Mr. Thomas advises that the street resurfacing program, traffic signal infrastructure, sidewalk and curb ramp programs have received Categorical Exemptions from CEQA requirements. In addition, Mr. Thomas advises that the streetscape projects are being reviewed individually with City Planning and a separate CEQA public process will be completed for these.

RECOMMENDATION

Approve the proposed resolution and ordinance.

**Items 4 and 5
Files 13-0382 and 13-0368**

Department:
Department of Public Works
Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 13-0382: Resolution authorizing and directing the sale of not-to-exceed \$31,905,000 of Earthquake Safety and Emergency Response General Obligation Bonds, 2010, Series 2013B.
- File 13-0368: Ordinance appropriating \$31,905,000 of Earthquake Safety and Emergency Response General Obligation Bond proceeds to the Department of Public Works to fund necessary repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster and placing these funds on Controller's Reserve pending the sale of the bonds.

Key Points

- On June 8, 2010, San Francisco voters approved \$412,300,000 of Earthquake Safety and Emergency Response General Obligation Bonds to improve the City's Auxiliary Water Supply System (AWSS), renovate and seismically retrofit 19 Fire Stations; and construct a new Public Safety Building in Mission Bay. The City has sold a total of \$301,115,000 in three prior bond sales, and an unappropriated balance of \$111,185,000. The proposed resolution and ordinance would authorize the fourth sale and appropriation of a not-to-exceed \$31,905,000 of additional bond proceeds.

Fiscal Impacts

- The proposed resolution authorizing the sale of not-to-exceed \$31,905,000 of Earthquake Safety and Emergency Response Bonds are conservatively projected to have an annual interest rate of 6.0 percent over approximately 20 years, including estimated total debt service payments of \$54,261,958, including \$23,131,958 in interest and \$31,130,000 in principal, with estimated average annual debt service payments of \$2,713,098. Debt service would be paid from increased Property Taxes, such that an owner of a residence with an assessed value of \$500,000 would pay additional average Property Taxes of approximately \$5.57 per year.
- The requested not-to-exceed \$31,905,000 bonds are projected to be sold for a par amount of \$31,130,000, including project funds totaling \$30,765,572, issuance and related oversight costs of \$364,428 and a Reserve Pending Sale of Bond of \$775,000, which will allow for fluctuations in market conditions.

Recommendation

- Approve the proposed resolution and ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds are subject to approval by the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to appropriation of bond funds.

Background

On June 8, 2010, San Francisco voters approved \$412,300,000 of Earthquake Safety and Emergency Response General Obligation Bonds (Proposition B) to:

- Repair, replace and expand the City's Auxiliary Water Supply System (AWSS)¹, including seismic retrofitting;
- Construct, renovate and seismically retrofit 19 Fire Stations;
- Construct a new Public Safety Building in Mission Bay to house a Police Command Center, Southern District Police Station and Fire Station; and
- Other Firefighting infrastructure and facilities.

Table 1 below identifies the voter-approved \$412,300,000 of 2010 Earthquake Safety and Emergency Response General Obligation Bonds.

Table 1: Earthquake Safety and Emergency Response (ESER) General Obligation Bond Budget

Description	Total Budget
Neighborhood Fire Stations ²	\$64,000,000
Public Safety Building	239,000,000
Department of Public Works (DPW) Subtotal	\$303,000,000
Auxiliary Water Supply System (AWSS)	\$34,400,000
Firefighting Cisterns	36,000,000
Firefighting Pipes and Tunnels	32,000,000
Public Utilities Commission (PUC) Subtotal	102,400,000
Oversight and Cost of Bond Issuance	6,900,000
Total ESER Budget	\$412,300,000

¹ The AWSS is a stand-alone high-pressure firefighting water system for suppressing fires following an earthquake or from multiple-alarm fires.

² Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 22, 28, 31, 38, 40, 41, 42, 36, 43, 44, Fire Boat Headquarters #35 at the Port, and the Equipment Logistics Center #45.

On November 2, 2010, the Board of Supervisors approved (a) a resolution (File 10-1255; Resolution 516-10) authorizing the issuance of up to \$412,300,000 ESER General Obligation Bonds. The Board of Supervisors authorized the issuance and appropriation of (a) up to \$85,000,000 for the first series of these ESER bonds on November 2, 2010 (Resolution 515-10), (b) up to \$192,000,000 for the second series of these ESER bonds on January 24, 2012 (Resolution 17-12), and (c) up to \$40,410,000 for the third series of these ESER bonds on June 12, 2012 (Resolution 231-12). As shown in Table 2 below, a total of \$301,115,000 has been issued and appropriated to date, leaving an authorized but unappropriated balance of \$111,185,000³.

Table 2: Earthquake Safety and Emergency Response (ESER) General Obligation Bond Authorization, Issuances to Date, and Remaining Balance

Component	Budget	First	Second	Third	Total	Future
Public Safety Building (PSB)	\$239,000,000	\$63,096,285	\$164,120,973	0	\$227,217,258	\$11,782,742
Neighborhood Fire Stations (NFS)	64,000,000	7,148,344	17,616,196	0	24,764,540	39,235,460
Auxiliary Water Supply System (AWSS)	102,400,000	8,396,928	0	37,999,848	46,396,776	56,003,224
Project Fund Subtotal	\$405,400,000	\$78,641,557	\$181,737,169	\$37,999,848	\$298,378,574	\$107,021,426
Controller's Audit Fund (two tenths of 1%)	827,058	157,556	364,117	76,152	597,825	229,233
General Obligation Bond Oversight Committee (one tenth of 1%)	413,529	79,520	183,330	38,265	301,115	112,414
Cost of Issuance (COI)	5,659,413	641,367	1,045,384	150,735	1,837,486	3,821,927
Accountability of COI Subtotal	\$6,900,000	\$878,443	\$1,592,831	265,152	\$2,736,426	\$4,163,574
TOTAL ESER	\$412,300,000	\$79,520,000	\$183,330,000	\$38,265,000	\$301,115,000	\$111,185,000

Of the total \$301,115,000 bond issuances and appropriations to date, an estimated \$83,126,747 or approximately 27.6% has been expended on these projects and bond issuance related costs. According to Mr. Charles Higuera, Project Manager at DPW, the Public Safety Building will be completed by November of 2014. Mr. Higuera advises that the construction of the Neighborhood Fire Stations and the AWSS will extend through 2015.

DETAILS OF PROPOSED LEGISLATION

File 13-0382: The proposed resolution would authorize and direct the sale of a not-to-exceed \$31,905,000 aggregate principal amount of City 2010 Earthquake Safety and Emergency Response General Obligation Bonds, Series 2013B.

File 13-0368: The proposed ordinance would appropriate \$31,905,000 of Earthquake Safety and Emergency Response General Obligation Bond proceeds to the Department of Public Works to fund necessary repairs and seismic improvements to better prepare San Francisco for a major

³ The Board of Supervisors also appropriated an additional \$8,272,000 in the Fire Department's FY 2012-13 budget for Neighborhood Fire Stations, increasing the total budget for Neighborhood Fire Stations from \$64,000,000 to \$72,272,000.

earthquake or natural disaster and placing these funds on Controller's Reserve pending the sale of the bonds.

The proposed resolution (File 13-0382) would:

- Authorize the execution, authentication and registration of the Series 2013B Earthquake Safety and Emergency Response General Obligation Bonds as well as transfers, exchanges and redemption of the bonds;
- Restrict use of the bond proceeds to the public purpose for which the bonds were intended;
- Authorize the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend after June 15, 2038;
- Require establishment of a Series 2013B Bond Account for payment of principal and interest; and a Series 2013B Project Subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approve the appointment of the Depository Trust Company as the securities depository, and authorize the Treasurer to appoint fiscal and other agents;
- Provide for defeasance of the bonds, other tax covenants and provisions;
- Approve the (a) Office Notice of Sale, which announces the date, time and terms of the competitive bond sale; (b) Notice of Intention to Sell Bonds;
- Approve the Preliminary Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, and authorize the Controller or Director of Public Finance to revise the Preliminary Official Statement;
- Approve the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City;
- Authorize City officials who have responsibility for executing documents related to the Series 2013 B Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2013B Bond amount cannot exceed \$31,905,000;
- Subject the Series 2013B Bonds to the reporting requirements of the Citizens' General Obligation Bond Oversight Committee; and
- Authorize the Board of Supervisors to incorporate the California Environmental Quality Act (CEQA) findings and determinations for individual projects, for approval of use of the bond proceeds to finance each project.

Ms. Nadia Sesay, Director of Public Finance advises that the Office of Public Finance anticipates selling the subject not-to-exceed \$31,905,000 Series 2013B Earthquake Safety and Emergency Response General Obligation Bonds on June 5, 2013. Subject to the completion of this sale, the proposed ordinance (File 13-0368) would appropriate the \$31,905,000 bond sale proceeds, as shown in Table 3 below.

Table 3: Earthquake Safety and Emergency Response Bond Appropriation

Program	Program Amount	Total Amount
Neighborhood Fire Stations	\$5,765,572	
Auxiliary Water Supply System (AWSS)	<u>25,000,000</u>	
Total Project Funding		\$30,765,572
Underwriter's Discount	202,345	
Cost of Issuance	69,422	
Bond Oversight Committee (1%)	31,130	
Controller' Audit Fund (2%)	<u>61,531</u>	
Subtotal Issuance and Oversight Costs		<u>364,428</u>
Proposed Par Bond Sale Amount		\$31,130,000
Reserve Pending Bond Sales	775,000	
Total Proposed Bond Sale Amount and Reserves		\$31,905,000

Source: File 13-0368

With the subject \$5,765,572 in project funds as shown in Table 3 above, the Fire Department, working with DPW, will fund the construction of Fire Station 26 and design services for Fire Stations 5 and 16. In addition, with the subject \$25,000,000 as shown in Table 3 above, the PUC will fund the AWSS planning, design, construction and construction management for the physical plant, cisterns, pipelines and tunnels.

FISCAL IMPACTS

Not-to-Exceed versus Par Amount of Bonds

According to Ms. Sesay, the requested not-to-exceed \$31,905,000 of bonds are projected to be sold for a par amount of \$31,130,000, which would result in project funds totaling \$30,765,572 and issuance and related oversight costs totaling \$364,428. The par amount of \$31,130,000 is \$775,000 less than the requested authorized not-to-exceed \$31,905,000 in both the proposed resolution (File 13-0382) and ordinance (File 13-0368). As shown in Table 3 above, the requested supplemental appropriation ordinance (File 13-0368) includes \$775,000 for a Reserve Pending Bond Sale, in order to allow flexibility for the Office of Public Finance depending on market conditions. Ms. Sesay advises that if the \$775,000 additional funds are not required, the Controller's Office will make the necessary technical adjustments based on the actual sale results.

Estimated Debt Service Payments

Ms. Sesay advises that the estimated \$31,130,000 Earthquake Safety and Emergency Response Bonds are conservatively projected to have an annual interest rate of 6.0 percent over 20 years, resulting in estimated total debt service payments of \$54,261,958, including \$23,131,958 in interest and \$31,130,000 in principal, with estimated average annual debt service payments of \$2,713,098. The proposed resolution provides that the proposed bonds could be structured as a 25-year bond, instead of the anticipated 20-year term, if market conditions require a longer period of time in order to maintain the City's Property Tax rates within the Ten-Year Capital Plan required limits. However, Ms. Sesay advises that at this time, a 20-year term is anticipated.

Repayment of such annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would average \$0.011 per \$1,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$5.57 per year if the anticipated \$31,130,000 Earthquake Safety and Emergency Response General Obligation Bonds are sold.

The requested not-to-exceed \$31,905,000 of Earthquake Safety and Emergency Response Bonds is on Controller's Reserve pending the sale of the bonds, which as noted above is anticipated to occur on June 5, 2013. As shown in Table 4 below, the subject Series 2013B \$31,905,000 Earthquake Safety and Emergency Response General Obligation Bonds, \$74,030,000 Clean and Safe Neighborhood Parks Bonds and the Series 2013C \$133,275,000 Road Repaving and Street Safety Bonds total a not-to-exceed authorization of \$239,210,000. As shown in Table 4 below, together, the anticipated par amount for these three General Obligation Bond would be \$233,385,000, which together are anticipated to result in an increased average annual Property Taxes of \$41.74 to the owner of a residence assessed at \$500,000.

Table 4: Summary of Three General Obligation Bonds to be Sold on June 5, 2013

General Obligation Bonds	Requested Not to exceed Amount	Anticipated Par Amount	Anticipated Average Annual Property Tax Impact on \$500,000 Home
Clean and Safe Neighborhood Parks	\$74,030,000	\$72,230,000	\$12.92
Earthquake Safety and Emergency Response	31,905,000	31,130,000	5.57
Road Repaving and Street Safety	133,275,000	130,025,000	23.25
Total	\$239,210,000	\$233,385,000	\$41.74

POLICY ISSUES

According to Mr. Higuera, regarding the California Environmental Quality Act (CEQA) requirements for the subject \$31,905,000 Earthquake Safety and Emergency Response Bond funds, a Categorical Exemption is being sought for Fire Station 36, has been received for Fire Station 16 and preliminary project application has been submitted for Fire Station 5. Regarding the AWSS, a mitigated Negative Declaration has been approved for the physical plant. Categorical Exemptions have been approved for construction of 16 new cisterns and are pending for the remaining cisterns and the pipes and tunnels.

RECOMMENDATION

Approve the proposed resolution and ordinance.

Items 6, 7 and 8
Files 13-0380, 13-0377 and 13-0371

Department:
 Recreation and Park Department
 Port
 Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 13-0380: Resolution providing for the issuance of not-to-exceed \$195,000,000 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds, 2012.
- File 13-0377: Resolution authorizing and directing the sale of not-to-exceed \$74,030,000 of Clean and Safe Neighborhood Parks General Obligation Bonds, Series 2013A.
- File 13-0371: Ordinance appropriating \$74,030,000 of bond proceeds to fund renovation, repair and construction of parks and open spaces, including \$53,187,500 for the Recreation and Park Department, \$18,200,000 for the Port, and \$2,642,500 for issuance and oversight costs and placing these funds on Controller's Reserve pending the sale of the bonds.

Key Points

- San Francisco voters approved \$195,000,000 Clean and Safe Neighborhood Parks General Obligation Bonds on November 6, 2012 for capital improvements for various neighborhood parks, City-wide parks, and Citywide programs under the Recreation and Park Department and waterfront parks under the Port. The proposed resolutions would authorize issuance of the entire \$195 million bonds and direct the first sale of these bonds for a not-to-exceed \$74,030,000, leaving a remaining authorized balance of \$120,970,000.

Fiscal Impacts

- The proposed resolution authorizing the sale of not-to-exceed \$74,030,000 in Clean and Safe Neighborhood Park Bonds will have a projected annual interest rate of 6.0 percent over approximately 20 years, with estimated total debt service payments of \$125,904,308, including \$53,674,308 in interest and a par amount of \$72,230,000 in principal, with estimated average annual debt service payments of \$6,295,215. Debt service would be paid from increased Property Taxes, such that an owner of a residence with an assessed value of \$500,000 would pay additional Property Taxes of an average of \$12.92 per year.
- On February 21, 2013, the Recreation and Park Commission appropriated \$670,000 from the undesignated Open Space Contingency Reserve Funds as a temporary loan, to be reimbursed from the upcoming bond sale to expedite site investigations at eight of the RPD bond project sites. An estimated \$4.1 million was previously expended on planning and design of the Port's Northeast Wharf Plaza project as part of the Cruise Terminal Project, such that \$4.1 million will also be reimbursed from the subject bond proceeds.

Policy Issues

- Excluding \$1,800,000 on reserve pending the bond sale, the Office of Public Finance estimates \$842,500 is needed to fund the issuance and oversight costs for the subject bonds. However, only an estimated \$500,000 is included by RPD and the Port for such issuance and oversight expenses. If RPD and the Port have not set aside sufficient funding for issuance and oversight costs, a portion of the \$6 million Program Contingency may be needed to cover these expenses.

Recommendation

- Approve the two proposed resolutions and the proposed ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds are subject to approval of the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to appropriation of bond funds.

Background

On November 6, 2012, San Francisco voters approved \$195 million of Clean and Safe Neighborhood Parks General Obligation Bonds (Proposition B), which is intended to:

1. Improve the safety and quality of neighborhood parks across the City and waterfront open spaces;
2. Enhance water quality and clean up environmental contamination along the Bay;
3. Replace unsafe playgrounds;
4. Fix restrooms;
5. Improve access for the disabled; and
6. Ensure the seismic safety of park and recreation facilities.

The specific neighborhood parks, playgrounds and recreation centers, Citywide parks, Citywide programs and Waterfront parks, to be funded under the \$195 million Clean and Safe Neighborhood Parks Bond, for the Recreation and Park Department and the Port are identified in Attachment I to this report and summarized in Table 1 below:

Table 1: Clean and Safe Neighborhood Parks Bond Allocation

	Recreation and Park Department	Port	Bond Issuance and Audit	Total
Neighborhood Parks, Playgrounds and Recreation Centers	\$91,000,000			\$91,000,000
Citywide Parks	21,000,000			21,000,000
Citywide Programs	40,500,000			40,500,000
Waterfront Parks		\$34,500,000		34,500,000
Program Contingencies	6,000,000			6,000,000
Bond Issuance and Oversight			2,000,000	2,000,000
Total	\$158,500,000	\$34,500,000	\$2,000,000	\$195,000,000

Source: March 13, 2013 Bond Accountability Report for the Clean and Safe Neighborhood Parks Bond.

As noted above, Administrative Code Section 2.71 requires the Recreation and Park Department and Port to submit a Bond Accountability Report to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to appropriation of such bond funds. In accordance with Administrative Code Section 2.72, the Bond Accountability Report includes: (a) certification from an authorized representative that the

information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; (c) brief description of each project line item for which bond proceeds have been expended; (d) the amount of bond proceeds expended on each project line item; (e) identification of completed and uncompleted project line items; (f) identification of any project line item not included in a proposed expenditure report; (g) certification that each project identified is in conformity with the voter authorization; and (h) identification of any project time line. On March 11, 2013, the Recreation and Park Department and the Port submitted their Bond Accountability Report on the subject Clean and Safe Neighborhood Parks General Obligation Bonds. Descriptions of each of the projects are included in the Bond Accountability Report.

DETAILS OF PROPOSED LEGISLATION

File 13-0380: The proposed resolution would authorize the issuance of the total not-to-exceed \$195,000,000 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds, 2012.

File 13-0377: The proposed resolution would authorize and direct the sale of not-to-exceed \$74,030,000 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds, 2012, Series 2013A, which would be the first issuance of bonds.

File 13-0371: The proposed ordinance would appropriate \$74,030,000 of the Clean and Safe Neighborhood Parks General Obligation Bond, Series 2013A proceeds to fund renovation, repair and construction of parks and open spaces, including \$55,156,304 for the Recreation and Park Department and \$18,873,696 for the Port and place these funds on Controller's Reserve pending the sale of the bonds.

The proposed resolution (File 13-0380), which is the authorization for the entire \$195,000,000 Clean and Safe Neighborhood Parks General Obligation Bonds, would:

- Authorize the execution, authentication and registration of the 2012 Clean and Safe Neighborhood Parks Bonds, noting that these Bonds may be sold in one or more series, as the Board of Supervisors determines and approves in subsequent individual sale resolutions;
- Set the terms for transferring or redeeming the bonds;
- Provide that an ad valorem tax (property tax) levy will be imposed annually to pay for the principal and interest costs of such bonds and authorizes the establishment of a 2012 Clean and Safe Neighborhood Parks Project Bond Account;
- Specify the administration and disbursements from the set aside Project Bond Account;
- Authorize the Treasurer to appoint securities depository and fiscal and other agents; and
- Authorize future individual sale resolutions to provide for defeasance of the bonds, other tax covenants and other terms and provisions;

The proposed resolution (File 13-0377), which would authorize the initial \$74,030,000 sale of the Clean and Safe Neighborhood Parks General Obligation Bonds, Series 2013A, would:

- Authorize the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend after June 15, 2033;

- Prescribe the form and term of these bonds, including the execution, authentication and registration as well as transfers, exchanges and redemption of the bonds;
- Restrict use of the bond proceeds to the public purpose for which the bonds were intended;
- Establish a Series 2013A Bond Account to pay principal and interest and a Series 2013A Project Subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approve the appointment of the Depository Trust Company as the securities depository, and authorize the Treasurer to appoint fiscal and other agents;
- Provide for defeasance of the bonds, other tax covenants and other terms and provisions;
- Approve the (a) Office Notice of Sale, which announces the date, time and terms of the competitive bond sale; (b) Notice of Intention to Sell Bonds;
- Approve the Preliminary Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters and authorize the Controller or the Controller's Director of Public Finance to revise the Preliminary Official Statement;
- Approve the Continuing Disclosure Certificate, which provides for City covenants to provide certain financial information and operating data relating to the City;
- Authorize City officials who have responsibility for executing documents related to the Series 2013A Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2013A Bond amount cannot exceed \$74,030,000;
- Subject the Series 2013A Bonds to deposit 0.1% of gross bond proceeds into specified fund for compliance with the reporting requirements of the Citizens' General Obligation Bond Oversight Committee; and
- Authorize the Board of Supervisors to incorporate California Environmental Quality Act (CEQA) findings and determinations for individual projects, for approval of use of bond proceeds to finance each project.

All of the \$195,000,000 Clean and Safe Neighborhood Parks General Obligation Bond projects are anticipated to be completed over the six-year period from early 2013 through 2018, with funds from the initial \$74,030,000 bond sale expended over approximately the next two years. The \$74,030,000 from this initial sale would be used to specifically fund (a) planning and design for six neighborhood parks, construction of five of those parks, and early planning on the remaining additional neighborhood park projects, (b) planning and design for each of the three Citywide parks, (c) planning, design and construction of Citywide Programs, and (d) construction of one Waterfront Park and design of two other Waterfront Parks. As shown in Attachment II, there are anticipated to be subsequent bond sales, with the second bond sale tentatively scheduled for late 2014, subject to future Board of Supervisors approval.

Ms. Nadia Sesay, Director of Public Finance in the Controller's Office advises that the Office of Public Finance anticipates the initial not-to-exceed \$74,030,000 Clean and Safe Neighborhood Parks General Obligation Bonds, Series 2013A sale on June 5, 2013. The proposed ordinance (File 13-0371) would appropriate the entire \$74,030,000 from the first bond sale proceeds, as shown in Table 2 below, subject to technical adjustments pending completion of the sale.

Table 2: Clean and Safe Neighborhood Parks Series 2013A Bond Appropriation

Program	Program Amount*	Total Amount
<u>Recreation and Park</u>		
Neighborhood Parks, Playgrounds and Recreation Centers		
Balboa Park	\$6,825,000	
Garfield Square	2,750,000	
George Christopher Playground	10,000	
Gilman Playground	1,755,000	
Glen Canyon Park	11,700,000	
Joe DiMaggio Playground	5,362,500	
Margaret S. Hayward Playground	850,000	
Moscone Recreation Center	10,000	
Mountain Lake Park	1,950,000	
Potrero Hill Recreation Center	25,000	
South Park	975,000	
West Sunset Playground	3,300,000	
Wille "Woo Woo" Wong Playground	600,000	
Subtotal	\$36,112,500	
Citywide Parks		
Lake Merced Park	\$1,000,000	
Golden Gate Park	2,475,000	
John McLaren Park	2,500,000	
Subtotal	\$5,975,000	
Citywide Programs		
Community Opportunity Fund	\$1,900,000	
Failing Playgrounds	5,000,000	
Forestry	1,000,000	
Trails	2,000,000	
Water Conservation	1,200,000	
Subtotal	\$11,100,000	
Recreation and Park Project Total		\$53,187,500
<u>Port</u>		
Waterfront Parks		
Northeast Wharf Plaza & Pier 27/29 Tip (construction)	\$17,000,000	
Pier 70 Parks (design)	600,000	
Islais Creek Improvements (design)	600,000	
Port Project Total		18,200,000
Total Project Cost		\$71,387,500
<u>Issuance and Oversight Costs</u>		
Reserve Pending Bond Sale	\$1,800,000	
Cost of Issuance	158,000	
Underwriters Discount	469,495	
Bond Oversight Committee (1%)	72,230	
Controller's Audit Fund (2%)	142,775	
Total Issuance and Oversight Costs		2,642,500
Total Proposed Bond Sale Appropriation		\$74,030,000

Source: File 13-0371

*Include \$6,000,000 in Program Contingency Funds spread throughout the project budgets above.

FISCAL IMPACTS**Not-to-Exceed versus Par Amount of Bonds**

According to Ms. Sesay, the requested not-to-exceed \$74,030,000 of the initial sale of bonds are projected to be sold for a par amount of \$72,230,000, which would result in project funds totaling \$71,387,500 and issuance and related oversight costs totaling \$842,500. The par amount of \$72,230,000 is \$1,800,000 less than the requested authorized not-to-exceed \$74,030,000 in both the proposed resolution (File 13-0377) and ordinance (File 13-0371). As shown in Table 2 above, the requested supplemental appropriation ordinance (File 13-0371) includes a total of \$2,642,500 for issuance and related oversight costs, or an additional \$1,800,000 over the \$842,500 amount to be used for a Reserve Pending Bond Sale, in order to allow flexibility for the Office of Public Finance depending on market conditions. Ms. Sesay advises that if the \$1,800,000 additional funds are not required, the Controller's Office will make the necessary technical adjustments based on the actual sale results.

Estimated Debt Service Payments

Ms. Sesay advises that based on a conservative annual interest rate of 6.0 percent over 20 years, the par amount of \$72,230,000 Clean and Safe Neighborhood Parks General Obligation bonds will result in estimated total debt service payments of \$125,904,308, including \$53,674,308 in interest and \$72,230,000 in principal, with estimated average annual debt service payments of \$6,295,215 over the 20-year term of the bonds.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate, which, according to the Controller's Office, would average \$0.026 per \$1,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$12.92 per year if the anticipated par value amount of \$72,230,000 Clean and Safe Neighborhood Parks General Obligation Bonds are sold.

Three General Obligation Bond Issuances on June 5, 2013

The requested not-to-exceed total initial series \$74,030,000 of Clean and Safe Neighborhood Parks Bonds would be placed on Controller's Reserve pending the sale of the bonds, which, as noted above, is anticipated to occur on June 5, 2013. As shown in Table 3 below, the subject \$74,030,000 initial Series 2013A Clean and Safe Neighborhood Parks Bonds would also be sold with the \$31,905,000 Earthquake Safety and Emergency Response General Obligation Bonds Series 2013B and the \$133,275,000 Road Repaving and Street Safety Bonds Series 2013C, for a total not-to-exceed bond authorization of \$239,210,000. As shown in Table 3 below, together, the anticipated par amount for these three General Obligation Bonds is estimated to be \$233,385,000, which is anticipated to result in additional average annual Property Taxes of \$41.74 for a \$500,000 assessed value home.

Table 3: Summary of Three General Obligation Bonds to be Sold on June 5, 2013

General Obligation Bonds	Requested Not to exceed Amount	Anticipated Par Amount	Anticipated Average Annual Property Tax Impact on \$500,000 Residence
Clean and Safe Neighborhood Parks (Series 2013A)	\$74,030,000	\$72,230,000	\$12.92
Earthquake Safety and Emergency Response (Series 2013B)	31,905,000	31,130,000	5.57
Road Repaving and Street Safety (Series 2013C)	133,275,000	130,025,000	23.25
Total	\$239,210,000	\$233,385,000	\$41.74

Prior Appropriations to be Reimbursed from Bond Proceeds

On February 21, 2013, the Recreation and Park Commission approved the allocation of \$670,000 from the undesignated Open Space Contingency Reserve Funds as a temporary loan, which will be reimbursed from the upcoming bond sale in June of 2013 for site investigation services at the following eight bond project sites:

1. Glen Canyon Park
2. Joe DiMaggio Playground
3. Balboa Park
4. Gilman Playground
5. West Sunset Playground
6. Mountain Lake Park
7. Garfield Square
8. South Park.

According to Ms. Taylor Emerson, Analyst for RPD, the \$670,000 allocation from the Open Space Contingency Reserve Fund was approved in order to provide upfront funding at these sites for topographic surveys, geotechnical/soil survey analysis, hazardous material testing and destructive investigation and tree assessment surveys, as shown in Attachment II to this report. Ms. Emerson advises that currently, the Open Space Fund had a total accumulated balance of \$18.2 million, including a Contingency Reserve of \$927,801, prior to the loan transfer of \$670,000.

In addition, Mr. Nate Cruz, Financial Analyst at the Port advises that planning and design for the Northeast Wharf Plaza project was previously completed as part of the James R. Herman Cruise Terminal Project for the Port. According to Mr. Cruz, an estimated \$4.1 million was expended on these planning and design efforts, such that \$4.1 million will be reimbursed from the upcoming bond sale in June of 2013 back to the James R. Herman Cruise Terminal Project.

Bond Accountability Report

As noted above, on March 11, 2013, the Recreation and Park Department and the Port submitted their Bond Accountability Report on the subject Clean and Safe Neighborhood Parks Bond. This Bond Accountability Report discusses the Recreation and Park Department's and the Port's request for the sale of \$71,887,500 of General Obligation bonds, which includes \$71,387,500 for RPD and Port projects and \$500,000 for related issuance and oversight costs. According to Section 2.71(c) of the City's Administrative Code, the Budget and Legislative Analyst is charged with detailing whether or not the bond proceeds submitted prior to the issuance of the first series of bonds, can be expended in accordance with the appropriation.

The Budget and Legislative Analyst finds that, as discussed above, the subject request is for a total of \$74,030,000, or \$2,142,500 more than the \$71,887,50 RPD and Port Bond Accountability Report. However, as shown in Table 2 above, the subject request includes \$71,387,500 for RPD and Port projects and \$2,642,500 for related issuance and oversight costs, which reflects \$2,142,500 more for such related issuance and oversight costs than the \$500,000 included in the Bond Accountability Report. Even if the above-noted \$1,800,000 for a Reserve Pending Bond Sale is not needed, the Office of Public Finance estimates \$842,500 is needed to fund the issuance and oversight costs for the subject bonds. If RPD has not set aside sufficient funding for issuance and oversight costs, a portion of the \$6 million Program Contingency will be needed to cover these expenses.

According to the Bond Accountability Report, all of the \$6 million Program Contingency Funds are available for RPD projects. Mr. Cruz advises that contingency funds are already included in each Port's project budget. The Bond Accountability Report notes that if any project in the Neighborhood Parks and Citywide Program categories exceeds its total budget (a) by no more than 10%, additional Program Contingency funds may be allocated, subject to approval by the RPD General Manager, (b) by more than 10% but less than 15%, additional Program Contingency funds may be allocated, subject to approval by the RPD Commission, (c) by more than 15%, the project must adjust its scope to within 15% of the original total budget, subject to approval of the revised scope and additional Contingency Funds by the RPD Commission. All savings from individual projects would be allocated to the Program Contingency Fund and any remaining funds in the Program Contingency Fund will be allocated to one of the RPD Citywide Programs by the RPD Commission.

POLICY ISSUES

The proposed resolution (File 13-0377) states that the Board of Supervisors affirms and incorporates the California Environmental Quality Act (CEQA) findings and determinations, such that the use of the subject bond proceeds to finance the individual projects are subject to approval by the Board of Supervisors of any required environmental review under CEQA. Ms. Emerson advises that all the Neighborhood Park projects have completed their required environmental review, in accordance with CEQA, such that the Joe DiMaggio Playground has a certified Environmental Impact Report (EIR) and the other projects have received Categorical Exemptions. Ms. Emerson further advises that after the planning phase is completed for the Citywide Parks and Programs, RPD will seek the required project-level CEQA review for these Citywide Parks and Programs. In addition, Mr. Cruz advises that a full Environmental Impact

Report was completed for the Northeast Wharf Plaza project, a Negative Declaration was issued for the Islais Creek Improvements and after the planning phase is completed for the Pier 70 Parks, the Port will seek the required project-level CEQA review.

RECOMMENDATION

Approve the two proposed resolutions and the proposed ordinance.

2012 San Francisco Clean and Safe Neighborhood Parks Bond Summary

Project Site	\$M	Description
Neighborhood Parks		
Angelo J. Rossi Playground	8.2	Renovate pool, pool building and related amenities and improve park access
Balboa Park	7	Renovate pool, pool building and related amenities and improve park access
Garfield Square	11	Renovate pool, reconfigure park facilities, and improve park access
George Christopher Playground	2.8	Replace children's play area, restrooms, and improve park access
Gilman Playground	1.8	Replace children's play area, restrooms, and improve park access
Glen Canyon Park	12	Renovate existing recreation center and related amenities
Hyde & Turk Mini Park	1	Renovate children's play area, landscaping and related amenities, and improve park access
Joe DiMaggio Playground	5.5	Reorganize and renovate children's play area, courts, access, and related amenities
Margaret S. Hayward Playground	14	Replace park play structures, replace sports courts, upgrade playfields, and improve park access
Moscone Recreation Center	1.5	Replace children's play area on the east side
Mountain Lake Park	2	Replace children's play area and improve park access
Potrero Hill Recreation Center	4	Replace and renovate natural turf playfields and dog play area
South Park	1	Renovate children's play area, landscaping and related amenities, and improve park access
West Sunset Playground	13.2	Renovate sports courts, natural turf fields including bleachers, storage, restrooms, and park access
Willie "Woo Woo" Wong Playground	6	Renovate site facilities, restore sports courts, replace playground, and improve park access
Program Contingency	6	Reserve funds to ensure completion of bond projects
Issuance and Oversight	2	Costs of issuance and oversight/audit by CGOBOC
	<u>99</u>	
Citywide Parks		
Lake Merced Park	2	Fund improvements to park
Golden Gate Park	9	Fund improvements to park
John McLaren Park	10	Fund improvements to park
	<u>21</u>	
Citywide Programs		
Community Opportunity Fund	12	Funds for community-driven projects to improve parks and leverage private resources
Falling Playgrounds	15.5	Funds to replace and restore dilapidated, outdated, failing playgrounds
Forestry	4	Funds to access and abate hazardous trees and replant to enhance urban forest
Trails	4	Funds to repair and restore trails to allow park users to experience and enjoy nature
Water Conservation	5	Funds to replace outdated irrigation systems
	<u>40.5</u>	
Waterfront Parks		
Fisherman's Wharf Plaza	1.5	New public plaza adjacent to Pier 43 Trail Promenade
Northeast Wharf Plaza & Pier 27/29 Tip	17	Construct new 2.7 acre park with large lawn and view areas
Agua Vista Park	2.5	Renovate and connect shoreline access with walking, biking, and view areas
Crane Cove Park	8	Shoreline restoration, adaptive reuse of historic cranes and slipways, and new public spaces
Pier 70 Parks	2	Restore shoreline, environmental remediation, improve landscaping, and provide new public areas
Warm Water Cove Park	1.5	Renovate and expand park and improve park access and amenities
Islais Creek Improvements	2	Construct new public access with walkway and scenic lookouts
	<u>34.5</u>	
TOTAL	\$195.0	Total in General Obligation Bonds

2012 San Francisco Clean and Safe Neighborhood Parks Bond Revenue Plan

	Bond Budget*	First Sale	Subsequent Sales	Total
Neighborhood Parks				
Angelo J. Rossi Playground	8,200,000	-	8,200,000	8,200,000
Balboa Park	7,000,000	6,825,000	175,000	7,000,000
Garfield Square	11,000,000	2,750,000	8,250,000	11,000,000
George Christopher Playground	2,800,000	10,000	2,790,000	2,800,000
Gilman Playground	1,800,000	1,755,000	45,000	1,800,000
Glen Canyon Park	12,000,000	11,700,000	300,000	12,000,000
Hyde & Turk Mini Park	1,000,000	-	1,000,000	1,000,000
Joe DiMaggio Playground	5,500,000	5,362,500	137,500	5,500,000
Margaret S. Hayward Playground	14,000,000	850,000	13,150,000	14,000,000
Moscone Recreation Center	1,500,000	10,000	1,490,000	1,500,000
Mountain Lake Park	2,000,000	1,950,000	50,000	2,000,000
Potrero Hill Recreation Center	4,000,000	25,000	3,975,000	4,000,000
South Park	1,000,000	975,000	25,000	1,000,000
West Sunset Playground	13,200,000	3,300,000	9,900,000	13,200,000
Willie "Woo Woo" Wong Playground	6,000,000	600,000	5,400,000	6,000,000
Subtotal Neighborhood Parks	91,000,000	36,112,500	54,887,500	91,000,000
Citywide Parks				
Golden Gate Park	9,000,000	2,475,000	6,525,000	9,000,000
John McLaren Park	10,000,000	2,500,000	7,500,000	10,000,000
Lake Merced Park	2,000,000	1,000,000	1,000,000	2,000,000
Subtotal Neighborhood Parks	21,000,000	5,975,000	15,025,000	21,000,000
Citywide Programs				
Community Opportunity Fund	12,000,000	1,900,000	10,100,000	12,000,000
Falling Playgrounds	15,500,000	5,000,000	10,500,000	15,500,000
Forestry	4,000,000	1,000,000	3,000,000	4,000,000
Trails	4,000,000	2,000,000	2,000,000	4,000,000
Water Conservation	5,000,000	1,200,000	3,800,000	5,000,000
Subtotal Neighborhood Parks	40,500,000	11,100,000	29,400,000	40,500,000
Waterfront Parks				
Fisherman's Wharf Plaza	1,500,000	-	1,500,000	1,500,000
Northeast Wharf Plaza & Pier 27/29 Tip	17,000,000	17,000,000	-	17,000,000
Agua Vista Park	2,500,000	-	2,500,000	2,500,000
Crane Cove Park	8,000,000	-	8,000,000	8,000,000
Pier 70 Parks	2,000,000	600,000	1,400,000	2,000,000
Warm Water Cove Park	1,500,000	-	1,500,000	1,500,000
Islais Creek Improvements	2,000,000	600,000	1,400,000	2,000,000
Subtotal Neighborhood Parks	34,500,000	18,200,000	16,300,000	34,500,000
Other Bond Costs				
Program Contingency	6,000,000	-	6,000,000	6,000,000
Issuance and Oversight	2,000,000	500,000	1,500,000	2,000,000
Subtotal Neighborhood Parks	8,000,000	500,000	7,500,000	8,000,000
TOTAL	195,000,000	71,887,500	123,112,500	195,000,000

*As the community process, planning, and design phases progress, some projects may receive additional funding from non-bond sources.

**Items 9, 10 and 11
Files 13-0226, 13-0384 and 13-0385**

Departments:
Real Estate Division (RED)
Department of Public Works
Recreation and Park Department (RPD)
Office of Economic and Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objective

- File 13-0226: The proposed ordinance would (a) amend the Park Code to designate portions of Assessor Block 3513, Lots 071 and 074 leased by the City from the State for the South of Market West Skatepark and Dog Park as a “park”, (b) authorize RPD to patrol this leased property, and (c) make environmental findings and consistency with the City’s General Plan.
- File 13-0384: The proposed resolution would (a) approve execution of an airspace lease between the City and the State of California (Caltrans) for a portion of property on Duboce Street between Otis and Stevenson Streets (Assessor Block 3513, Lot 071), for use as a skatepark for an initial 20 years and an initial \$10,000 monthly rent, (b) adopt environmental findings and other findings consistent with the City’s General Plan and eight priority policies, and (c) authorize other actions.
- File 13-0385: The proposed resolution would (a) approve execution of an airspace lease between the City and the State of California (Caltrans) for a portion of property on Duboce Street between Valencia and Stevenson Streets (Assessor Block 3513, Lot 074), for an initial 20 years and a total rent of \$2,335,343, (b) adopt environmental findings and other findings consistent with the City’s General Plan and eight priority policies, and (c) authorize other actions.

Fiscal Impacts

- Under the proposed initial 20-year lease for the skatepark (File 13-0384), the City would pay Caltrans \$10,000 per month, \$120,000 in FY 2013-14, increasing 2% annually, for a total 20-year cost of \$2,963,596. For the Dog Park (File 13-0385), the City would pay Caltrans a one-time total of \$2,335,343 upfront for the entire 20-year initial term of the lease.
- DPW staff designed the Dog Park and related parking areas and retained a private design firm, for the skatepark at a cost of \$120,000. The cost to construct (a) the skatepark is approximately \$1.7 million and (b) the dog park and related parking area is approximately \$1.1 million, for a total of approximately \$2.8 million.
- All skatepark and dog park costs would be funded from the Octavia Boulevard Special Fund, which has an available balance of approximately \$17 million. Revenues of \$91,080 annually from Dog Park parking would accrue to the Octavia Boulevard Special Fund, to partially offset lease and maintenance costs for both parks. RPD estimates annual maintenance costs of \$85,000 for both parks.

Recommendation

- Approve the two proposed resolutions.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Under Administrative Code Section 23.27, leases with a term of more than one year or rent of more than \$5,000 per month, in which the City is the tenant, are subject to the Board of Supervisors approval, by resolution.

Background

In 1989, the Central Freeway, located above Octavia Boulevard, was severely damaged by the Loma Prieta earthquake, resulting in the State of California, through its Department of Transportation (Caltrans) to demolish the Central Freeway north of Market Street. On May 22, 2000, the Board of Supervisors approved a Cooperative Agreement between the City and Caltrans to transfer 22 Caltrans parcels that became available from the demolition of the Central Freeway from the State to the City at no cost to the City (Resolution 469-00), in accordance with Section 72.1 of the California Streets and Highways Code. This Cooperative Agreement also specified that the City's future proceeds from the sale or lease of these excess Central Freeway parcels would be used for transportation and related purposes.

In November of 1999, San Francisco voters approved Proposition I, which required the City to (a) use the proceeds from the sale or lease of these Central Freeway parcels to develop an Octavia Boulevard Plan, (b) use any remaining proceeds from the sale or lease of excess Central Freeway parcels for transportation improvements to corridors on or ancillary to Octavia Boulevard, and (c) directed the San Francisco County Transportation Authority (SFCTA) to allocate such remaining proceeds for transportation improvements with advice from its Central Freeway Citizens Advisory Committee. On February 28, 2006, the SFCTA adopted the Central Freeway Replacement Project Ancillary Project Study, which identified various transportation and related ancillary projects (South of Market (SoMa) West Improvement Projects) at an estimated cost of \$5,400,000, to be funded with an estimated \$5,750,000 of remaining proceeds from the sale or lease of the Central Freeway parcels. One of these SoMa West Improvement Projects specified the development of recreational uses under a portion of the Central Freeway that was restored by the State.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 13-0384) would (a) approve the execution of an airspace lease¹ between the City and County of San Francisco, as lessee and the State of California, acting by and through its Department of Transportation (Caltrans) as lessor, for a portion of property on Duboce Street between Otis and Stevenson Streets (Lot 071, Block 3513), for an initial 20 years, at an initial \$10,000 monthly rent for use as a public skatepark and recreational area, (b) adopt environmental findings and other findings consistent with the City's General Plan and eight priority policies, and (c) authorize other actions.

¹ Although the proposed resolution identifies the subject lease as an airspace lease, the subject lease is actually a lease for occupancy and use of the ground located directly under State Highway.

The proposed resolution (File 13-0385) would (a) approve execution of a second airspace lease² between the City and County of San Francisco as lessee, and the State of California, acting by and through its Department of Transportation (Caltrans) as lessor, for a portion of property on Duboce Street between Valencia and Stevenson Streets (Lot 074, Block 3513), for an initial 20 years for a total rent of \$2,335,343 for use as a public dog park and recreational area, (b) adopt environmental findings and other findings consistent with the City's General Plan and eight priority policies, and (c) authorize other actions.

The proposed ordinance (File 13-0226) would (a) amend the Park Code to designate portions of Assessor Block 3513, Lots 071 and 074 to be leased by the City from the State for the subject Skatepark and Dog Park as a "park", (b) authorize RPD to patrol this leased property, and (c) make environmental findings and consistency with the City's General Plan.

According to Mr. John Updike, the Director of Real Estate, the two proposed leases with Caltrans are similar, except for the specific locations, square footage, proposed uses of the parcels and structured rent payments. The proposed lease (File 13-0384) on Duboce Street between Otis and Stevenson Streets would be used as a skatepark and the proposed lease (File 13-0385) on Duboce Street between Valencia and Stevenson Streets would be used as a dog park, including parking. The two leases are on adjacent parcels directly under U.S. Highway 101. Table 1 below summarizes the major provisions in each of the two proposed leases.

Table 1: Summary of Proposed Lease Terms for Skate Park and Dog Park

Provisions	Skate Park (File 13-0384)	Dogpark and Parking (File 13-0385)
Location	Duboce Street between Otis and Stevenson Streets	Duboce Street between Valencia and Stevenson Streets
Initial Term	20 years (July 1, 2013 - June 30, 2033)	20 years (July 1, 2013 - June 30, 2033)
Options to Extend	One option for ten years Negotiated fair market rate	One option for ten years Negotiated fair market rate
Square feet	16,910 square feet	28,026 square feet
Rent per square foot per month-first year	Approximately \$0.59	Approximately \$0.35
Monthly Rent-first year	\$10,000	NA
Annual rent-first year	\$120,000	NA \$2,335,343 Total
Annual rent escalation	2%	NA
Insurance	\$25 Million self-insurance by City	\$25 Million self-insurance by City

² Although the proposed resolution identifies the subject lease as an airspace lease, the subject lease is actually a lease for occupancy and use of the ground located directly under State Highway.

As shown in Table 1 above, both of the proposed leases require the City to provide \$25 million of insurance to the State, which can be satisfied through the delivery of a certificate of self-insurance, which results in no direct cost to the City. In addition, the proposed leases provide that the City would indemnify, hold harmless and defend the State against any and all claims, actions, damages and liability incurred as a result of any acts or omissions by the City under the subject lease or any allegedly dangerous condition of public property based on the condition of the property, excluding those incurred as a result of the highway structure or activities by the State.

Both of the subject State Caltrans properties to be leased by the City are currently used for surface vehicle parking. Mr. Updike notes that the proposed skatepark site currently has 79 parking spaces, with 41 of these spaces leased by Caltrans, through a parking management company, to the City's Human Services Agency (HSA) for City and employee vehicles, at a monthly cost of \$165 per space, which totals \$6,765 per month, or \$81,180 annually. The proposed dog park site currently has 70 parking spaces, with 50 of these spaces leased by Caltrans, through a parking management company, to HSA for City and employee vehicles, at a monthly cost of \$165 per space, which totals \$8,250 per month, or \$99,000 annually. Mr. Updike advises that all of the parking will be eliminated during construction of the skatepark and dog park, with HSA vehicles relocated to available parking facilities at 246 South Van Ness, and garages at 1660 and 1650 Mission Streets. Construction of the dog park improvements will include parking spaces for 46 vehicles used by HSA employees.

Under the two subject leases with Caltrans, the City is required to obtain encroachment permits from the State, in order to construct and install the proposed skatepark and dog park improvements. According to Mr. Frank Felice, Project Manager with the Department of Public Works (DPW), DPW has applied for the necessary encroachment permits from the State for the proposed construction. Mr. Felice anticipates that the encroachment permits will be approved with the execution of the subject leases with the State.

The two proposed resolutions and leases anticipate that an Interdepartmental Memorandum of Understanding (MOU) would be entered into at the same time as the commencement of the lease on approximately July 1, 2013 among (a) the Real Estate Division of the General Services Agency, (b) the Department of Public Works (DPW), (c) the Recreation and Park Department (RPD) and (d) the Office of Economic and Workforce Development (OEWD) to define the required design, installation, maintenance and operation of the subject Skatepark, Dog Park and Parking Area and the performance of the City overall under the subject leases. This Interdepartmental MOU, which would not be subject to Board of Supervisors approval, would specify that:

- DPW would be responsible for designing and installing the skatepark improvements, Dog Park improvements and Parking Area improvements;
- The Office of Economic and Workforce Development (OEWD) would be responsible for acting as liaison between Caltrans, DPW, RPD, and assisting in project management for the design and construction of the improvements.
- Real Estate would be responsible for legal jurisdiction of the two parcels, including financial accounting, all lease correspondence, and managing the Parking Area in the Dog Park; and

- RPD would be responsible for maintaining the Skatepark and Dog Park, including plantings, shrubs, trees, paths, benches, trash collection, skatepark fixtures, dog play fixtures, light fixtures, security and graffiti abatement.

On October 21, 2011, the Planning Department determined that the subject lease is exempt from environmental review under the California Environmental Quality Act (CEQA). In addition, on March 6, 2013, the Planning Department found that the proposed project is consistent with the City's General Plan.

FISCAL IMPACTS

Mr. Felice advises that DPW designed the Dog Park and related parking areas with existing DPW staff and retained Foothill, a private design firm, to assist in the design of the skatepark features at an estimated cost of \$120,000. Mr. Felice estimates the cost to construct (a) the skatepark is approximately \$1.7 million and (b) the dog park and related parking area is approximately \$1.1 million, for a total of \$2.8 million. According to Mr. Felice, the designs for both parks are now completed and DPW anticipates receiving construction bids for both parks by May 29, 2013, with the construction to extend for approximately seven months from late July 2013 until the Spring of 2014.

Under the proposed lease for the skatepark (File 13-0384), the City would pay Caltrans \$10,000 per month, commencing approximately July 1, 2013, or \$120,000 in FY 2013-14, increasing 2% annually as shown in Table 2 below over the initial 20-year period, for a total cost of \$2,963,596.

Table 2: 20-Year Lease Payments for Skate Park (File 13-0384)

Fiscal Year	Monthly Rent	Annual Rent
July 1, 2013 – June 30, 2014	\$10,000	\$120,000
July 1, 2014 – June 30, 2015	10,404	124,848
July 1, 2015 – June 30, 2016	10,612	127,344
July 1, 2016 – June 30, 2017	10,824	129,888
July 1, 2017 – June 30, 2018	11,041	132,492
July 1, 2018 – June 30, 2019	11,262	135,144
July 1, 2019 – June 30, 2020	11,487	137,844
July 1, 2020 – June 30, 2021	11,717	140,604
July 1, 2021 – June 30, 2022	11,951	143,412
July 1, 2022 – June 30, 2023	12,190	146,280
July 1, 2023 – June 30, 2024	12,434	149,208
July 1, 2024 – June 30, 2025	12,682	152,184
July 1, 2025 – June 30, 2026	12,936	155,232
July 1, 2026 – June 30, 2027	13,195	158,340
July 1, 2027 – June 30, 2028	13,459	161,508
July 1, 2028 – June 30, 2029	13,728	164,736
July 1, 2029 – June 30, 2030	14,002	160,024
July 1, 2030 – June 30, 2031	14,282	171,384
July 1, 2031 – June 30, 2032	14,568	174,816
July 1, 2032 – June 30, 2033	14,859	178,308
Total		\$2,963,596

Both of the proposed leases also contain one 10-year option to extend these leases from 2033 through 2043, subject to negotiation between the City and Caltrans, and subject to future Board of Supervisors approval.

All of the one-time planning, design and construction costs for both the skatepark and dog park as well as the ongoing rent and maintenance costs for the subject leases would be funded with revenues from the Octavia Boulevard Special Fund. In accordance with Section 10.100-369 of the City's Administrative Code, the Octavia Boulevard Special Fund was approved by the Board of Supervisors on December 5, 2003 (Ordinance 271-03) to accrue revenues from the sale or lease of the Central Freeway properties that would then be expended for construction and maintenance of Octavia Boulevard transportation and ancillary projects. In FY 2012-13, the Octavia Boulevard Special Fund had an available balance of approximately \$17 million, which is anticipated to increase to approximately \$31.5 million in FY 2013-14.

As shown in Table 1 above, under the proposed resolution for the Dog Park (File 13-0385), the City would pay Caltrans a one-time total of \$2,335,343 upfront for the entire 20-year initial term of the lease. Mr. Updike notes that, given the current availability of funds in the Octavia Boulevard Special Fund, the City negotiated an upfront payment to Caltrans at a 3.25% discounted rate, after the calculation of a 2% annual escalator, for the Dog Park.

As noted above, under the proposed Interdepartmental MOU, the Real Estate Division will be responsible for financial accounting, all lease correspondence, and operating and maintaining the Parking Area in the Dog Park. Construction of the dog park improvements will include space for parking 46 vehicles. Mr. Updike advises that, similar to current practice, these 46 parking spaces will be leased to HSA at an estimated initial monthly cost of \$165 per space, or a total of \$7,590 per month and \$91,080 annually. These parking revenues would be deposited back into the Octavia Boulevard Special Fund, to be used to fund the subject lease and related maintenance costs for both parks.

As noted above, under the proposed Interdepartmental MOU, RPD would be responsible for complying with all lease conditions and terms and maintaining the Skatepark and Dog Park. Mr. Nicholas Kinsey, Director of Property in the Recreation and Park Department (RPD) advises that RPD estimates that the cost to maintain both the skatepark and dog park will be approximately \$85,000 annually. The Interdepartmental MOU provides funding of \$66,000 per year increased by 2% annually from the Octavia Boulevard Fund for such purposes. The balance of approximately \$19,000 (\$85,000 - \$66,000) annually would be required to come from RPD's annual operating budget, subject to appropriation approval by the Board of Supervisors.

However, under the proposed leases, the City, through RPD, would have the right to (a) sell beverages and food to users of the parks, (b) rent skateboard equipment and (c) charge a fee to use the skatepark or to take skateboarding lessons, if the revenues from such activities are used only to fund the City's payment of rent pursuant to this lease or to offset costs to make approved improvements or to perform its maintenance obligations under these two leases. Mr. Kinsey advises that as of the writing of this report, RPD does not have any specific plans for any additional activities at either park. Mr. Kinsey further advises that the proposed ordinance is being requested because the two subject parcels will not fall under the legal jurisdiction of RPD, as they will remain State property, being leased through the Division of Real Estate, such that the subject Park Code amendment is required.

RECOMMENDATION

Approve the two proposed resolutions and ordinance.