

File No. 191019

Committee Item No. 11

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 13, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date November 8, 2019

Completed by: Linda Wong Date _____

1 [Certificates of Participation - Construction of a Homeless Services Center - 1064-1068
2 Mission Street - Not to Exceed \$7,250,000]

3 **Resolution authorizing the Controller to cause the execution and delivery of taxable or**
4 **tax-exempt Certificates of Participation evidencing and representing an aggregate**
5 **principal amount not to exceed \$7,250,000 to finance the costs of the construction of a**
6 **Homeless Services Center at 1064-1068 Mission Street; authorizing the Controller to**
7 **cause the issuance from time to time of the City's commercial paper notes in**
8 **anticipation of the execution and delivery of said Certificates of Participation; and**
9 **authorizing the Director of Public Finance to execute such documents and take**
10 **necessary actions in furtherance of this Resolution, as defined herein.**

11
12 WHEREAS, On January 27, 2017, the U.S. General Services Agency (GSA) posted a
13 notice under the Federal Property Assistance Program (FPAP) that the subject property had
14 been identified as surplus property and that applications would be accepted for development;
15 title V of the 1987 federal McKinney-Vento Homeless Assistance Act calls for underutilized
16 federal properties to be prioritized to assist people experiencing homelessness; and

17 WHEREAS, The City applied to acquire the parcel to build approximately 250 units of
18 permanent supportive housing on the site that was valued at approximately \$36 million for \$1;
19 and

20 WHEREAS, On August 7, 2017, the Department of Health and Human Services (HHS)
21 awarded the City the right to enter into a three-year lease (site acquisition) with subsequent
22 renewal options, and the property will be transferred to the City once the City and
23 development partners demonstrate project financing approvals and associated legal
24 documents to ensure a feasible project, currently estimated for December 2019; and
25

1 WHEREAS, In February 2018, the Real Estate Division (RED), Department of Public
2 Health (DPH) and Mayor's Office of Housing and Community Development (MOHCD) agreed
3 to pursue co-locating the Tom Waddell Urgent Care Clinic (the "Clinic"), which must vacate its
4 current site at 101 Grove Street due to seismic safety conditions, and had been unsuccessful
5 at finding a suitable new location; and

6 WHEREAS, The selected developer team embraced this new housing plus health
7 center concept as an integrated property serving people who are experiencing homelessness;
8 the Clinic and associated City homeless services that include Street Medicine services, dental
9 services, and the HSH-operated Homeless Outreach Team (SFHOT), all together called the
10 "Homeless Service Center" (the "Center") were integrated into the health component; and

11 WHEREAS, A portion of the Center will be financed with Public Health and Safety
12 General Obligation bonds as well as Department of Public Health Certificates of Participation;
13 and

14 WHEREAS, The Center was included as part of the 1064-1068 Mission Street Project
15 in the FY2020-2029 Ten-Year Capital Plan this Board of Supervisors adopted on April 30,
16 2019; and

17 WHEREAS, In order to provide a portion of funds for the construction of the Center and
18 other authorized expenses, this Board of Supervisors authorizes and directs the Controller to
19 cause the execution and delivery of Department of Public Health Certificates of Participation
20 on a tax-exempt or taxable basis evidencing and representing an aggregate principal amount
21 of not to exceed \$7,250,000 and also authorizes the issuance of commercial paper notes in
22 advance of the delivery of the Certificates of Participation; and

23 ///

24 ///

25 ///

1 WHEREAS, Pursuant to Charter, Section 9.113(e), the Board of Supervisors has the
2 authority to borrow money on an interim basis through the issuance from time to time of its
3 commercial paper notes ("CP Notes"); and

4 WHEREAS, In order to finance the costs related to the Center, this Board of
5 Supervisors also authorizes the Controller to authorize the use of the City's commercial paper
6 program, together with other available funds, to finance the construction of the Center, in an
7 aggregate amount not to exceed \$7,250,000; and, consistent with applicable law, anticipates
8 repayment of such CP Notes from subsequent delivery of the Certificates of Participation or
9 any other form of legally available debt instrument; now, therefore, be it

10 RESOLVED, That the Board hereby approves the execution and delivery of Certificates
11 of Participation evidencing an aggregate principal amount not to exceed \$7,250,000 to pay
12 the construction costs of the Center and other costs of issuance thereto; provided however
13 the Controller and/or the Director of the Controller's Office of Public Finance shall return to
14 this Board prior to the execution and delivery of said Certificates of Participation to seek the
15 approval of the terms of the Certificates of Participation, the sale and security documents,
16 including the Preliminary Official Statement prepared in connection with the Certificates of
17 Participation and such other information as required by law; and, be it

18 FURTHER RESOLVED, That this Board hereby authorizes the Controller and the
19 Director of the Controller's Office of Public Finance to cause the execution and delivery of CP
20 Notes to finance on an interim basis the Project in anticipation of the execution and delivery of
21 the Certificates of Participation, such CP Notes to be repaid with proceeds of the Certificates
22 of Participation; and, be it

23 FURTHER RESOLVED, That this Board of Supervisors authorizes and directs the
24 Clerk of the Board of Supervisors, the Director of Public Finance, and any other officer of the
25 City to take all action and modification necessary or appropriate to effectuate the purpose of

1 this Resolution.

2
3 APPROVED AS TO FORM:

4
5
6 By: 

7 Kenneth David Roux
8 Deputy City Attorney

9 n:\financ\as2019\1900608\01396122.docx

Items 10, 11, & 12
Files 19-1012, 19-1019, 19-1115

Department:
 Mayor's Office of Housing & Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- **Files 19-1019 and 19-1012:** The proposed resolution and ordinance would approve the issuance of certificates of participation in an amount not to exceed \$7,250,000 and appropriate those funds to finance a portion of the development costs of the Homeless Service Center at 1064-68 Mission Street.
- **File 19-1115:** The proposed resolution would approve an amended and restated grant agreement between the Mayor's Office of Housing and Community Development (MOHCD) and 1064 Mission Homeless Services Center LLC for \$13,450,689 to finance the construction of the of Homeless Service Center at 1064-68 Mission Street. The amended grant includes the certificates of participation in Files 19-1019 and 19-1012.

Key Points

- The City is funding the development of a Homeless Service Center at 1064-68 Mission Street, which will be co-located with 258 units of supportive housing (File 19-1114 of this report). The site will be jointly developed by Mercy Housing California and Episcopal Community Services and the Homeless Services Center will be co-owned by the Departments of Public Health and Homelessness & Supportive Housing. Construction is expected to occur January 2020 to August 2021.
- The Departments of Public Health and Homelessness & Supportive Housing will relocate existing programs to this new Homeless Service Center, including the Tom Waddell Urgent Care and Dental Clinic, the Street Medicine team, behavioral health services, and the San Francisco Homeless Outreach Team (SF HOT). 147 staff are expected to be relocated.

Fiscal Impact

- The cost to develop the Homeless Service Center is \$16,147,863, of which \$13,450,689 is subject of the proposed amended grant agreement (File 19-1115). Sources of funds for the \$13,450,689 grant agreement include proceeds from the certificates of participation (Files 19-1019 and 19-1012), \$3.45 million General Fund contributions from the Department of Public Health, and \$5 million from the 2016 Public Health & Safety General Obligation Bond.
- The anticipated incremental debt service associated with the certificates of participation complies with the City's policy of limiting General Fund debt service payments at or below 3.25 percent of General Fund Discretionary Revenue.

Recommendation

- Approve the proposed resolutions and ordinance.

MANDATE STATEMENT

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

City Charter Section 9.113(e) states that the Board of Supervisors has the authority to borrow money on an interim basis through the issuance of its commercial paper notes and other short term debt.

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

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding indebtedness does not exceed 3.25% of discretionary revenue as determined by the Controller and Director of Public Finance.

City Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

BACKGROUND**Homeless Service Center at 1064-68 Mission Street**

The City is funding the development of a Homeless Service Center at 1064-68 Mission Street, which will be co-located with 258 units of supportive housing (File 19-1114 of this report). The site will be jointly developed by Mercy Housing California and Episcopal Community Services and the Homeless Services Center will be owned by City and jointly operated by the Departments of Public Health and Homelessness & Supportive Housing. Episcopal Community Services, one of the developers, will relocate a training program for formerly homeless persons, the Conquering Homelessness through Employment in Food Services (CHEFS) program, to the new Homeless Service Center. The property will be managed by Caritas Management Corporation. Construction is expected to occur January 2020 to August 2021.

The Departments of Public Health and Homelessness & Supportive Housing will relocate other existing programs to this new Homeless Service Center, including the Tom Waddell Urgent Care and Dental Clinic, the Street Medicine team, behavioral health services, and the San Francisco Homeless Outreach Team (SF HOT). These programs will serve homeless persons within the City. One Deputy Sheriff will be stationed on-site during program hours, 8am – 7pm.

DETAILS OF PROPOSED LEGISLATION

File 19-1019: The proposed resolution would approve the issuance of certificates of participation (COPS) in an amount not to exceed \$7,250,000 to finance a portion of the costs of the Homeless Service Center at 1064-68 Mission Street. The resolution would also authorize issuance of commercial paper on an interim basis in advance of the execution and delivery of the COPS and to be repaid with proceeds from the COPS.

File 19-1012: The proposed ordinance would appropriate \$7,250,000 of proceeds of certificates of participation to the Department of Public Health to fund construction costs for the Homeless Services Center in FY2019-2020 and related issuance costs; and placing these funds on Controller's Reserve pending the sale of the certificates of participation.

File 19-1115: The proposed resolution would approve an amended and restated grant agreement between the Mayor's Office of Housing and Community Development (MOHCD) and 1064 Mission Homeless Services Center LLC for \$13,450,689 to finance the construction of the of Homeless Service Center at 1064 Mission Street.

Legislation Approving the Development of the Homeless Service Center

The cost to develop the Homeless Service Center is \$16,147,863, shown in Table 1 below. Of the \$16,147,863 development cost, \$13,450,689 is a grant agreement between MOHCD and 1064 Mission Homeless Services Center LLC to finance the construction (File 19-1115). File 19-1115 increases the total grant agreement from the previous grant amount of \$775,439 to the new grant amount of \$13,450,689. Sources of funds for the \$13,450,689 grant agreement include COPS proceeds (Files 19-1019 and 19-1012).

Table 1: Homeless Service Center Development

Sources	City Sources	Non-City Sources	Total
<u>Grant Agreement</u>			
2016 Public Health & Safety Bond GO Bonds	\$5,000,000	\$0	\$5,000,000
Certificates of Participation (Files 19-1012 and 19-1019)	5,000,000	0	5,000,000
General Fund	<u>3,450,689</u>	<u>0</u>	<u>3,450,689</u>
Subtotal, Grant Agreement (File 19-1115)	\$13,450,689	\$0	\$13,450,689
General Fund - Reimbursement to MOHCD	1,618,304	0	1,618,304
Tax Credit Equity	0	1,078,870	1,078,870
Total Sources	\$15,068,993	\$1,078,870	\$16,147,863
<u>Uses</u>			
<u>Soft Costs</u>			
Architecture & Design	\$656,880	\$0	\$656,880
Engineering & Environmental Studies	118,061	0	118,061
Construction Financing Costs	0	0	0
Permanent Financing Costs	0	0	0
Legal Costs	0	0	0
Other Development Costs	457,981	0	457,981
Contingency (13%)	<u>160,000</u>	<u>0</u>	<u>160,000</u>
Subtotal Soft Costs	\$1,392,922	\$0	\$1,392,922
Acquisition	5,000	0	5,000
Construction	9,433,794	1,078,870	\$10,512,664
Construction Contingency (22%)	2,318,974	0	\$2,318,974
Operating Reserves	\$0	0	\$0
Developer Fees	300,000	0	300,000
Reimbursement to MOHCD	1,618,304	0	1,618,304
Total Uses	\$15,068,993	\$1,078,870	\$16,147,863

Source: MOHCD

According to Ms. Anne Romero, MOHCD project manager, the contingencies of 13 percent for soft costs and 22 percent for construction costs for the Homeless Service Center are higher than those in the supportive housing budget (7 percent and 16 percent respectively, shown in Table 1 of File 19-1114 of this report) because at the time of the financing request, the design of the Homeless Services Center was less advanced than the design of the supportive housing which could lead to higher design and construction costs.

Costs of Homeless Service Center Programs

The FY 2019-20 costs of \$17 million for the following programs that will be relocated to the Homeless Service Center are shown below in Table 2 below. These are existing programs that will service residents at the proposed supportive housing development at 1064-68 Mission Street and as well as continue to service clients Citywide through the Homeless Service Center. According to Ms. Jenny Louie, Budget Manager at the Department of Public Health, and Gigi Whitley, Deputy Director of Administration & Finance at the Department of Homelessness & Supportive Housing, none of the existing programs that are being relocated are expected to expand.

Table 2: Costs of Homeless Service Center Programs

Program/Service	Estimated FY 2020-21 Costs
One-time moving and equipment costs for relocating DPH clinical services	\$2,062,536
One-time costs	\$2,062,536
Tom Waddell Urgent Care, Street Medicine, & Shelter Health	\$8,200,000
Homeless Outreach Team (HOT)	12,836,884
Deputy Sheriff	485,222
Ongoing costs	\$21,522,106

Sources: Departments of Public Health, Homeless & Supportive Housing, and Sheriff

Notes: Program costs reflect FY 2019-20 values and will be higher in FY 2020-21 when the Homeless Service Center becoming operational. Moving and equipment (furniture, fixtures, & equipment) costs for relocating the Department of Public Health's clinical programs to 1064-68 Mission are included in the FY 2019-20 budget. Moving and equipment costs to relocate the HOT team will be requested in the FY 2020-21 budget.

As shown above, one-time moving and equipment costs to relocate Department of Public Health clinical programs that provide services to homeless persons are estimated to be \$2 million and are included in the FY 2019-20 budget. Moving and equipment costs to relocate the Homeless Outreach Team will be requested in the FY 2020-21 budget. An additional new and ongoing cost of \$485,222 will be the cost of stationing a Deputy Sheriff during clinic hours, Monday – Saturday 8 am – 7pm.

Acquisition of 1064-68 Mission Street

The property at 1064-68 Mission Street was leased to the City from the U. S. Department of Health and Human Services (HHS) in October 2018 at no cost. The land was made available at below market rate through a federal program known as McKinney-Vento Homeless Assistance Act, which makes surplus federal properties available to assist homeless persons. In May 2017, the Board of Supervisors approved a resolution authorizing MOHCD to submit an application to the HHS Federal Property Assistance Program to acquire the property located at 1064 and 1068 Mission Street for use in constructing permanent supportive housing for formerly homeless San Franciscans (File 17-0474).

The lease has a three year term with options to extend up to twenty years and requires the City to begin using the property to deliver services to homeless persons within the three year initial term. MOHCD plans to acquire the land at 1064-68 Mission Street upon approval of the gap financing for construction of supportive housing (File 19-1114) and grant agreement for the construction of the Homeless Service Center (19-1115). Although the land has an estimated market value of \$36 million, the City will be able to purchase it for \$1.00 through the Federal Property Assistance Program.

10 Year Capital Plan

The Homeless Service Center project at 1064-68 Mission Street is in the City's 10 Year FY 2020-2029 Capital Plan, which was approved by the Board of Supervisors. The Capital Plan includes

the \$5 million in COPS and \$5 million of general obligation bond funding allocated to the construction of the Homeless Service Center. The \$5 million of COPS is part of the \$108 million "Public Health 101 Grove Exit COP" identified in the Capital Plan for the planned relocation of staff out of the seismically unsafe 101 Grove Street.¹ The \$5 million in bond funding is from the 2016 General Obligation Public Health and Safety.

FISCAL IMPACT

Funding Sources for Homeless Service Center

Grant Agreement (File 19-1115)

As shown in Table 1 above, the total expected development cost for the Homeless Service Center is \$16,147,863, of which \$13,450,689 would be paid for by a grant from MOHCD. Sources of funds for the \$13,450,689 grant agreement include:

- \$5,000,000 in 2016 Public Health & Safety Bond General Obligation Bonds²
- \$5,000,000 in Certificates of Participation, shown in Table 3 below (Files 19-1019 and 19-1012)
- \$3,450,689 in General Fund monies, previously appropriated by the Board of Supervisors in the FY 2019-20 DPH budget.

Other Funding Sources

The other sources of funds to develop the Homeless Service Center, shown in Table 1 above, include:

- \$1,618,304 in reimbursement from the General Fund allocations to the Department of Public Health, to offset a portion of the shell construction that structurally supports offices for their programs as well as the residential units and is therefore eligible for tax credits.
- \$1,078,870 in tax credit equity, allocated to the developer by the California Tax Credit Allocation Committee for the shell construction.

Issuance and Appropriation of Certificates of Appropriation

Tables 3 below shows the sources and uses of the COPS funding (Files 19-1019 and 19-1012).

¹ The \$108 million includes the relocation of staff to Laguna Honda Hospital and San Francisco General Hospital.

² As of June 2019, the City had issued \$223,075,000 of the \$350,000,000 authorized by voters for this General Obligation bond in 2016, leaving approximately \$126,925,000 remaining in bond authority.

Table 3: Certifications of Participation Funding

Sources and Uses	Amount
Sources	
COP Par Amount	\$7,250,000
Uses	
Homeless Services Center	\$5,000,000
Audit Fee	10,000
Subtotal Estimated Project Costs	\$5,010,000
Debt Service Reserve Fund ^a	\$637,950
Capitalized Interest/Fees ^a	904,800
Issuance Costs	403,215
Underwriter's Discount Fee	49,035
Subtotal Costs of Issuance	\$1,995,000
Total Estimated Costs	\$7,005,000
Reserve for Market Uncertainty	245,000
Total Uses	\$7,250,000

Source: Office of Public Finance

^a The debt service reserve fund sets aside funds equal to one year of debt service to account for financial uncertainty in repayment of the debt. The capitalized interest fund is the source of funds to repay debt prior to completion of the project.

As shown in Table 3 above, of the \$7,250,000, \$5 million will be allocated to fund development of the Homeless Services Center (the \$5 million allocation is also shown in Table 1 above), \$10,000 for the City Services Auditor to review the project, and the remaining \$1,995,000 is the cost of the issuance, with an additional \$245,000 reserve for market uncertainty.

City's Debt Policies

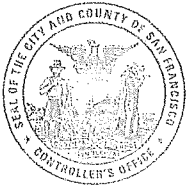
As noted above, the current plan of finance anticipates utilizing the City's commercial paper program, which was approved by the Board of Supervisors in March 2009 (File 09-0197) and March 2010 (File 10-0269) to finance project costs pending issuance of the COPs. Of the City's total commercial paper program of \$250 million re-authorized by the Board of Supervisors in May 2016 (File 16-0427); \$205.4 million was unencumbered as of November 13, 2019.

The City's policy is to limit General Fund debt service at or below 3.25 percent of discretionary General Fund revenues. According to Ms. Anna Van Degna, Director of Public Finance, the anticipated incremental debt service associated with the delivery and execution of the COPs complies with the City's policy of limiting General Fund debt service payments at or below 3.25 percent of General Fund Discretionary Revenue.

According to Ms. Van Degna, the Office of Public Finance intends to sell the COPS through a competitive sale.

RECOMMENDATION

Approve the proposed resolutions and ordinance.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of Public Finance
Jamie Querubin, Public Finance Deputy *JPR*

DATE: Friday, October 4, 2019

SUBJECT: Resolution Authorizing Certificates of Participation and Commercial Paper Notes (Homeless Services Center) – Not-to-Exceed \$7,250,000

Supplemental Appropriation Ordinance for Certificates of Participation and Commercial Paper Notes (Homeless Services Center)

Recommended Action

We respectfully request that the Board of Supervisors (the "Board") review and consider for adoption the resolution ("Resolution") authorizing the execution and delivery of the Certificates of Participation ("COPs") and commercial paper notes ("CP") in an aggregate principal amount not-to-exceed \$7,250,000 to finance the cost of the construction of a Homeless Services Center at 1064-1068 Mission. A supplemental ordinance appropriating the proceeds of the COPs will be introduced to the Board to accompany the Resolution authorizing the COPs, and they are anticipated to be heard at the Budget and Finance Committee meeting on November 13, 2019.

Background

The Certificates of Participation (Homeless Services Center) will finance a portion of construction costs of a Homeless Services Center at 1064-1068 Mission, which is part of a larger permanent supportive housing project (the "1064-1068 Mission" project) co-developed by Episcopal Community Services (ECS) and Mercy Housing California (Mercy). 1064-68 Mission will have one development for formerly homeless adults (153 units plus one resident manager unit) and one development for seniors (103 units for age 55+ years plus one resident manager unit) totaling 258 units. ECS, which will own and provide support services long term with Caritas Management Corporation as the on-site property manager, proposes using the site as a new location for their culinary job training program *Conquering Homelessness through Employment in Food Services* (CHEFS) for people who have experienced homelessness.

The site for 1064-68 Mission is being purchased for \$1 through the Federal Property Assistance Program (FPAP), which conditions that the site be used to support people who have experienced homelessness for thirty years, and that the site be completed and operable by November 1, 2021. Construction is anticipated to start in January 2020 and be complete by August 2021.

Anticipated capital sources for the full 1064-1068 Mission development include tax exempt Multifamily Housing Revenue bonds, 4% low income housing tax credits, Federal Home Loan Bank Affordable Housing Program (AHP), Mayor's Office of Housing and Community Development (MOHCD) sources, State No Place Like Home (NPLH) capital funding for nearly half of the units, and the City's General Fund. As it relates to the Homeless Services Center, the Department of Homelessness and Supportive Housing (HSH) and the Department of Public Health (DPH) will, respectively, provide the tax exempt general obligation bonds and COPs pursuant to this proposed Resolution.

On April 30, 2019, the Board approved Resolution No. 215-19, adopting the City's Ten-Year Capital Plan (FY2020 – 2029) ("Adopted Capital Plan"), which demonstrated the City's ability to fully fund up to \$108 million for the Public Health 101 Grove Exit project with General Fund supported certificates of participation. Due to the time-sensitive needs of funds, as further discussed below, the proposed Resolution seeks approval of the first \$5 million of the total \$108 million of projects contemplated in the Adopted Capital Plan.

The Project

The proposed Resolution authorizes the execution and delivery of Certificates of Participation and commercial paper notes by the City and County of San Francisco in an amount not-to-exceed \$7,250,000 to finance a portion of construction costs of a Homeless Services Center at 1064-1068 Mission (the "Project").

The 1064 Mission Street development will include the Homeless Services Center (HSC) oriented toward Stevenson Street on the ground floor and 2nd floor of the building. The HSC's ground floor will be the home to the relocated Tom Waddell Urgent Care Clinic (TWUC) (operated DPH), which houses DPH's specialized Street Medicine program and dental services. The second floor of the HSC will have office space for HSH and Homeless Outreach Team (SF HOT), whose staff provide street medicine outreach to residents throughout the City currently experiencing homelessness as well as see some clients on site.

The HSC is approximately 20,000 square feet, of which approximately 10,000 square feet of ground floor is dedicated to providing a full range of on-site health services by DPH for people experiencing homelessness including: urgent care and transitional primary care services both for walk-in patients and those brought in by the City's Street Medicine Team; dental care; behavioral health care, including substance use counseling and referrals; case management; podiatry; and nursing care.

According to MOHCD, the total budget for the HSC is approximately \$15 million net of tax credit equity, which will be financed with various sources including the proposed COPs, as outlined in Table 1 below. All sources summarized below will be dedicated to construction and tenant improvements for the HSC.

Table 1. Summary of Estimated Project Sources

GO Bonds (Public Health and Safety, 2016) Series 2018E ¹ - <i>Approved</i>	\$5,000,000
General Fund sources - <i>Approved</i>	5,068,993
COPs – <i>Proposed for Approval</i>	5,000,000
TOTAL Project Sources	\$15,068,993

In order for MOHCD to execute a grant agreement with 1064 Mission Homeless Services Center LLC, a controlled limited liability corporation of Mercy Housing California, by construction loan closing in January 2020, MOHCD must secure and certify all sources of funds, including the \$5 million in COPs pursuant to the Resolution. Approval of the COPs by 2019 calendar year end will enable the 1064-1068 Mission development to commence and begin operations by the required November 1, 2021 deadline in order to secure the \$1 purchase price through the Federal Property Assistance Program (FPAP).

The Current Plan of Finance

The proposed Resolution authorizes the execution and delivery of Certificates in a par amount not-to-exceed \$7,250,000. Based on Project cost estimates and schedule, the Office of Public Finance anticipates selling \$7,005,000 in Certificates under market assumptions prevailing at the expected time of sale. The difference between the expected issuance amount and the \$7,250,000 not-to-exceed amount provides flexibility for market fluctuations until the sale of the Certificates, any increased deposits to the debt service reserve fund, and possible additional delivery date expenses.

Commercial Paper. The current plan of finance anticipates utilizing the City's commercial paper program, which was launched in June 2010 pursuant to Resolution No. 85-09 and Resolution No. 136-10), to finance certain Project costs, including preliminary design, planning, and permitting. Pursuant to Resolution No. 247-13 approved in July 2013, the City's total commercial paper program authorization is \$250.0 million, of which \$52.6 million is currently unencumbered.

Based upon an estimated 6.50% all-in true interest cost as defined in the proposed Resolution, and an anticipated total par value of \$7,005,000, the total principal and interest payments over the approximate 20-year term of the Certificates are estimated to be approximately \$12,945,000. Based on market conditions expected at the time of the sale, the Certificates could be structured with up to a 30-year term. Table 2 outlines anticipated sources and uses for the Certificates, based on estimates determined by the Office of Public Finance.

¹ The City sold General Obligation Bonds (Public Health and Safety, 2016) Series 2018E bond proceeds sold in May 2018. Series 2018E bond proceeds dedicated to the Project are administered by the Department of Homelessness and Supportive Housing (HSH).

Table 2: Estimated Sources and Uses of the COPs

Estimated Sources:	
Par Amount	\$7,250,000
Estimated Uses:	
Homeless Services Center	5,000,000
CSA Audit Fee (0.2% of project fund)	10,000
Total Project Fund Deposits:	\$5,010,000
Debt Service Reserve Fund	\$637,950
Capitalized Interest/CP Interest & Fees	\$904,800
Costs of Issuance	\$403,215
Underwriter's Discount	49,035
Total Delivery Expenses	\$452,250
Total Estimated Uses	\$7,005,000
<i>Reserve for Market Uncertainty</i>	<i>\$245,000</i>
Maximum Not-to-Exceed Par Amount	
	\$7,250,000

Approximately \$905,000 of proceeds may be allotted to fund a Debt Service Reserve Fund, if recommended by the Director of Public Finance in connection with the sale of the COPs. In addition, approximately \$455,000 will be allotted to cover costs associated with the issuance of the COPs, assuming one or more issuances. This includes amounts for underwriter compensation, as outlined separately above, legal fees, municipal advisory fees, trustee fees, rating agency fees, printing costs, and other issuance costs.

The Capital Plan

The anticipated incremental debt service associated with the delivery and execution of the COPs complies with the City's policy of limiting General Fund debt service payments at or below 3.25% of General Fund Discretionary Revenue, as set forth and maintained in the City's Capital Plan.

Additional Information

The legislation will be heard at the Capital Planning Committee on Monday, October 21, 2019, prior to being heard Budget and Finance Committee on November 13, 2019.

Anticipated Financing Timeline

	<u>Date*</u>
Introduction of authorizing resolution to the Board of Supervisors	October 8, 2019
Capital Planning Committee	October 21, 2019
Consideration by the Board of Supervisors Budget & Finance Committee	November 13, 2019
Delivery and Execution of the COPs	TBD

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 or Jamie Querubin at 415-554-6902 if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andrea Bruss, Mayor's Office
Andres Powers, Mayor's Office
Kelly Kirkpatrick, Mayor's Budget Director
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney
Dr. Grant Colfax, Director of Health, Department of Public Health
Jeff Kositsky, Director, Department of Homelessness and Supportive Housing



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Authorizing Not-to-Exceed \$7,250,000 Certificates of Participation and
Commercial Paper Notes relating to the Construction of a Homeless
Services Center at 1064-1068 Mission
DATE: Tuesday, October 8, 2019

Resolution authorizing the Controller to cause the execution and delivery of taxable or tax-exempt Certificates of Participation evidencing and representing an aggregate principal amount not to exceed \$7,250,000 to finance the costs of the construction of a Homeless Services Center at 1064-1068 Mission; authorizing the Controller to cause the issuance from time to time of the City's commercial paper notes in anticipation of the execution and delivery of said Certificates of Participation; and authorizing the Director of Public Finance to execute such documents and take necessary actions in furtherance of this resolution.

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

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