

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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May 7, 2021

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: May 12, 2021 Budget and Finance Committee Meeting

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Item 1 File 20-1322	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a Terminal 1 lounge lease between the San Francisco International Airport (Airport) as landlord and ALD Development Corporation dba Airport Dimensions as tenant, for a term of 12 years with two 1-year options to extend, and initial annual base rent of \$3,181,448. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In September 2019, the Airport Commission authorized Airport staff to conduct a Request for Proposals (RFP) process for an Airport Lounge Lease in Terminal 1, Boarding Area B. In January 2020, the Airport received two proposals. An evaluation reviewed the proposals and scored them. ALD Development Corporation was deemed the highest scoring responsive and responsible proposer and awarded a lease. In March 2020, the Airport Commission approved the lease. • Under the proposed lease, ALD Development Corporation would pay \$3,181,448 in initial annual base rent. This amount is determined by FY 2020-21 Airport Rates and Charges, which sets the Category II terminal space annual rental rate at \$255.21 per square foot. The Airport Rates and Charges are set each year by the Airport Commission, and the annual rent will be automatically updated each year based on the Rates and Charges. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Over the initial 12-year term of the lease, the Airport would receive at least \$38,177,376 in base rent. If the two 1-year options are exercised, the Airport would receive an additional \$6,362,896 in base rent, for a total of at least \$44,540,272. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to state that the initial annual base rent is \$3,181,448. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of \$1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

BACKGROUND

In September 2019, the San Francisco International Airport (Airport) Commission authorized Airport staff to commence a Request for Proposals (RFP) process for an Airport Lounge Lease in Terminal 1, Boarding Area B. The lounge is post-security on the mezzanine level in shell space constructed as part of the Harvey Milk Terminal 1 development. In October 2019, the Airport held an informational conference for interested parties and solicited comments. In December 2019, the Airport Commission authorized Airport staff to accept proposals for the lease.

In January 2020, the Airport received two proposals, which both met the minimum qualifications. A four-member evaluation panel reviewed the proposals and scored them, as shown in Table 1 below.¹

Table 1: RFP Proposals and Scores

Proposer	Concept	Score
ALD Development Group	Airport Dimensions	97.27
Plaza Premium Group	Premium Lounge (San Francisco) LLC	83.73

Source: Airport

ALD Development Group was deemed the highest scoring responsive and responsible proposer and was awarded a lease. In March 2020, the Airport Commission approved the lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an Airport Lounge Lease between the Airport as landlord and ALD Development Corporation dba Airport Dimensions as tenant, for a term of 12 years, with two 1-year options to extend. The initial annual rent of \$3,181,448 is determined by the FY 2020-21 Airport Rates and Charges, which sets the annual rental rate for Category II terminal space, including VIP clubs and lounges, at \$255.21 per square foot.² The key terms of the proposed lease are shown in Table 2 below.

¹ The panel consisted of an Administrative Services Manager from SFO Guest Services, a Station Manager from JetBlue, a Senior Aviation Consultant, and a Senior Administrative Analyst from SFO Finance Division.

² The proposed resolution states that the initial annual rent is \$3,100,916. This amount was determined by the FY 2019-20 Airport Rates and Charges, with an annual Category II rental rate of \$248.75 per square foot, which was effective at the time the lease was awarded. Under the proposed lease, the annual rent is automatically updated based on the Rates and Charges, which currently sets annual Category II rent at \$255.21 per square foot.

Table 2: Key Provisions of Proposed Lease

Premises	12,466 square feet in Terminal 1, Boarding Area B
Term	12 Years
Options to Extend	Two 1-year options
Annual Rent	\$3,181,448 (\$255.21 per square foot)
Rent Adjustment	Annually based on Rates and Charges
Deposit	Equal to ½ of initial Annual Base Rent, subject to mid-term adjustment
Minimum Investment	\$700 per square foot of the premises (\$8,726,200)
Promotional Charge	\$1 per square foot of the premises per year (\$12,466)
Pest Control Fee	\$75 per month, subject to adjustment

Source: Proposed lease, FY 2020-21 Airport Rates and Charges

The RFP provided for an up to 12-year lease term and minimum tenant investment of \$700 per square foot. According to Ms. Cheryl Nashir, Airport Director of Revenue Development and Management, the lease is expected to commence in approximately July 2021.

FISCAL IMPACT

Under the proposed lease, the Airport would receive \$3,181,448 in annual base rent, adjusted annually based on the Airport Rates and Charges. Over the initial 12-year term of the lease, the Airport would receive at least \$38,177,376 in base rent. If the two 1-year options are extended, the Airport would receive at least an additional \$6,362,896 in base rent, for a total of at least \$44,450,272. Base rent under the proposed lease is shown in Table 3 below.

Table 3: Base Rent Paid to Airport under Proposed Lease

Annual Base Rent	Rent over Initial Term (12-Years)	Rent over Option Term (2 Years)	Total Rent (14 Years)
\$3,181,448	\$38,17,376	\$6,362,896	\$44,540,272

Source: BLA Analysis of proposed lease

RECOMMENDATIONS

1. Amend the proposed resolution to state that the initial annual base rent is \$3,181,448.
2. Approve the proposed resolution as amended.

Item 3 File 21-0345	Department: Department of Public Health
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves the second amendment to the contract between the Department of Public Health and Baker Places for the administration of Hummingbird Place Respite Program, (a) extending the contract by five years from June 30, 2021 to June 30, 2026, for a total contract term of 7.5 years, and (b) increasing the amount by \$17,263,699 (from \$9,969,867) for a total not to exceed amount of \$27,233,566. <p>Key Points</p> <ul style="list-style-type: none"> • Baker Places is a San Francisco-based nonprofit which provides residential treatment services to people with mental health, substance abuse and HIV/AIDS-related issues. Baker Places currently operates the Hummingbird Place Psychiatric Respite Program, a 29-bed overnight facility that provides short-term care and stabilization for adult residents of San Francisco who are often homeless and who repeatedly use crisis-level services. • In January 2019, DPH entered into a contract with Baker Places for an approximately two-year period from January 1, 2019 through February 28, 2021 for a total not to exceed amount of \$9,969,867. The total contract awarded is for administration of the Hummingbird Place Respite Program. The proposed amendment would extend funding for the Hummingbird Place Respite Program for the five-year period from June 30, 2021 through June 30, 2026. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The contract amount of \$27.2 million includes actual and projected contract spending from February 28, 2021 to June 30, 2021 of \$9.3 million, and a contract amendment budget of \$17.9 million. The contract amendment budget is \$3.3 million per year in FY 2021-22 through FY 2025-26, totaling \$16.6 million plus a contingency of \$1.3 million, totaling \$17.9 million over the extended five-year term. • For FY 2020-21, approximately 92 percent of the contract budget comes from State Mental Health Services Act funding and the remaining 8 percent comes from the General Fund. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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.

BACKGROUND

Baker Places and the Hummingbird Place Psychiatric Respite Program

Baker Places is a San Francisco-based nonprofit which provides residential treatment services to people with mental health, substance abuse and HIV/AIDS-related issues. Baker Places currently operates the Hummingbird Place Psychiatric Respite Program, a 29-bed overnight facility that provides short-term care and stabilization for adult residents of San Francisco who are often homeless and who repeatedly use crisis-level services.

RFP for Behavioral Health Respite Center

In August 2018, the Department of Public Health (DPH) issued Request for Proposals (RFP) for a Behavioral Health Respite Center with both day drop in and overnight services and support. Baker Places was the only organization to respond to this RFP. Their proposal was assessed by a panel of City employees and nonprofit staff and was scored based on experience providing psychiatric care services in San Francisco, expertise, and practical experience in working with the San Francisco Public Health Care services system, sufficient cultural competence with the target population, and existing behavioral health partnerships.¹ Baker Places achieved a total score of 148.8 out of 160 points possible. In October 2018, the Department selected Baker Places to provide these services for an approximate three-year period, from January 1, 2019 through February 28, 2021 for a total not to exceed amount of \$9,969,867. The RFP states that the selected service provider would be awarded an initial contract term of five years. According to Ms. Michelle Ruggels, Director of the Department of Public Health Business Office, the initial five-year term advertised in the RFP was not followed because the program, which was a new program model for the City, was considered a pilot.

Contract History

In January 2019, DPH entered into a contract with Baker Places for an approximately two-year period from January 1, 2019 through February 28, 2021 for a total not to exceed amount of \$9,969,867. The total contract awarded is for administration of the Hummingbird Place Respite Program.

¹ Selection Panel members include: The Medical Director of Psychiatric Emergency Services at Zuckerberg San Francisco General Hospital, Program Director/Intake Coordinator at UCSF Citywide Focus, Deputy Public Defender with the Office of the Public Defender's Mental Health Unit, Coordinator for Placement Support at DPH, and two nonprofit Directors.

In December 2020, DPH entered into the first amendment to the contract with Baker Places, extending the term by four months for a 2.5-year total period from January 1, 2019 through June 30, 2021 with no change in the not-to-exceed amount of \$9,969,867.

Contract Monitoring

According to the program monitoring report for FY 2018-19, Baker Places received an overall program score of “exceeds expectations” for administration of the Hummingbird Place Respite Program. While a monitoring report was prepared for FY 2019-20 describing the service delivery and compliance requirements, the Department did not assign rating scores due to the impact of COVID. The contractor did meet their service objectives for unduplicated clients.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the second amendment to the contract between the Department of Public Health and Baker Places for the administration of Hummingbird Place Respite Program, (a) extending the contract by five years from June 30, 2021 to June 30, 2026, for a total contract term of 7.5 years, and (b) increasing the amount by \$17,263,699 (from \$9,969,867) for a total not to exceed amount of \$27,233,566.

Services Provided

The additional \$17.3 million would extend funding for the Hummingbird Place Respite Program for the five-year period from June 30, 2021 through June 30, 2026. As noted above, the Hummingbird Place Respite Program is an up to 29-bed capacity overnight facility that provides psychiatric care to adult residents of San Francisco who are often homeless and are high users of multiple systems and those who repeatedly use crisis-level services. Patients are referred to the program primarily from Psychiatric Emergency Services (PES), acute inpatient units, and community behavioral health programs.

The program is designed to serve as a short-term overnight model that facilitates patient stabilization, provides linkage to social services, and offers clients an opportunity for referral to longer-term treatment and recovery. Through FY 2020-21, the program will serve an estimated 505 unique clients. The average patient stay is approximately 17 days.

FISCAL IMPACT

Actual and projected contract spending from February 28, 2021 to June 30, 2021 is \$9,334,610, as shown in Table 1 below. The proposed amendment would result in a total increase of approximately \$17.3 million for the next five years, for a total contract cost of \$27,233,566 and length of 7.5 years. For July 2021 through June 2026, the program budget is \$3,324,180 per year. The modifications to the program budget are shown below.

Table 1. Baker Places Contract Budget for January 2019 through June 2026

Actual and Projected Spending	
FY 2018-19 (Jan to June)	\$2,098,333
FY 2019-20	3,912,097
FY 2020-21	3,324,180
Subtotal	\$9,334,610
Amendment Budget	
FY 2021-22	\$3,324,180
FY 2022-23	3,324,180
FY 2023-24	3,324,180
FY 2024-25	3,324,180
FY 2025-26	3,324,180
Subtotal	\$16,620,900
Contingency (7.7%)	1,278,056
Subtotal	\$17,898,956
Total	\$27,233,566

Source: DPH and Proposed Amendment

The Hummingbird Place Annual Program Budget for FY 2021-22 through FY 2025-26 is shown in Table 2 below.

Table 2. Hummingbird Place Program Annual Budget for FY 2021-22 through FY 2025-26

Uses	Total	Percent of Total
Salaries & Benefits	\$2,411,670	73%
Operating Expenses	478,925	14%
<i>Indirect Expenses</i>	433,585	13%
Total Uses	\$3,324,180	100%

Source: Department of Public Health

\$2.4 million (73 percent) of the total budget will be used to fund approximately 35 full-time employees, \$478,925 will be used towards operating expenses, including building maintenance and utilities, household and medical supplies, insurance, and other costs, and \$433,585 is reserved for indirect costs.

For FY 2020-21, approximately 92 percent of the contract budget comes from State Mental Health Services Act funding and the remaining 8 percent comes from the General Fund.

RECOMMENDATION

Approve the proposed resolution.

Items 4, 5, 6, 7 & 8 Files 21-0422, 21-0387, 21-0388, 21-0389 & 21-0390	Department: Office of Public Finance
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions and ordinance would authorize actions and documents associated with (1) issuance of \$487,500,000 of the 2020 Health and Recovery General Obligation Bonds; (2) sale of \$425,000,000 in 2020 Health and Recovery General Obligation Bonds; (3) sale of \$90,000,000 in 2020 Earthquake Safety and Emergency Response General Obligation Bonds; (4) sale of \$122,785,000 in 2014 Transportation and Road Improvement General Obligation Bonds; and, (5) the appropriation of the corresponding bond proceeds.

Key Points

- This is the first issuance of 2020 Health and Recovery bonds and proceeds will go toward \$169.3 million for improvements to City parks and recreation facilities; \$146.7 million for investments in housing with \$29.1 million to purchase a Navigation Center serving transition age youth, \$116.6 million to purchase up to 250 units of permanent supportive housing, and \$1 million for project management and housing acquisition due diligence; \$59.9 million for mental health facilities; and, \$41.4 million for street improvements.
- This is the second issuance of 2020 Earthquake Safety and Emergency Repairs Bonds and proceeds will go toward \$15 million for improvements to the emergency firefighting water system and \$71.5 million to Fire Station improvements and to a new Fire Training facility.
- This is the final of four issuances of the 2014 Transportation and Road Improvement bonds and proceeds will go toward \$38.6 million toward transit improvement.

Fiscal Impact

- If approved, the total projected average annual debt service would be \$39,170,000, and the total debt service is estimated at \$979,180,000.
- If the Board approves the issuance of three bonds, outstanding debt as a percentage of total assessed value would increase by approximately 0.21 percent to 1.15 percent of total assessed value, which is under the 3 percent debt limit established in the City Charter.
- If the Board approves the issuance of all three bonds, the total increase in the property tax would be \$0.1299 per \$1,000 of assessed value.

Recommendations

- Request the Department of Homelessness and Supportive Housing to work with the Office of Public Finance to revise the Bond Accountability Report for the 2020 Health and Recovery Bond to correctly state that \$1 million allocated to Program Delivery is to be used for multi-year costs for project management costs and housing acquisition due diligence costs.
- Approve the proposed resolutions and appropriations ordinance.

MANDATE STATEMENT

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

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

BACKGROUND**Transportation and Road Improvement Bonds, 2014**

San Francisco voters approved \$500 million in Transportation and Road Improvement General Obligation Bonds in November 2014 (2014 Municipal Transportation Agency (MTA) Proposition A) to implement infrastructure and transportation improvements related to the longer-term plan developed by the Mayor's Transportation Task Force in 2013.

The Board of Supervisors previously approved the sale of bonds in amounts not to exceed \$67.5 million in June 2015 (File 15-0459), \$177 million in February 2018 (File 17-1253), and \$140 million in September 2020 (File 20-0582). To date, of the total bond authorization, \$377.2 million has been issued (Series 2015B: \$67 million, Series 2018B: \$174.4 million, and 2020B: \$135.8 million), leaving \$122.8 million remaining in voter approved bond authority. The first three issuances of this bond funded capital investments to upgrade the transit system, improve and enhance accessibility and pedestrian safety, complete street and traffic signal improvements, and upgrade Muni facilities.

Health and Recovery Bonds, 2020

San Francisco voters approved \$487.5 million in Health and Recovery General Obligation Bonds in November 2020 (2020 Health and Recovery Proposition A) to fund investments in supportive housing facilities, shelters, and facilities that provide services to people experiencing mental health and substance use disorders, and/or homelessness; improve accessibility and quality of parks, open spaces, and recreational facilities in the City; and, improve the accessibility, safety and conditions of the City's streets. Proceeds from these bonds are intended to help stimulate the local economy and aid in recovery following the economic downturn as a result of the COVID-19 public health emergency. The proposed issuance under consideration in this report will be the first issuance of these bonds.

Earthquake Safety and Emergency Response, 2020

San Francisco voters approved \$628.5 million in Earthquake Safety and Emergency Response General Obligation Bonds (2020 Earthquake Safety and Emergency Response Proposition B) to fund capital projects that include renovating and seismic upgrading the City's emergency firefighting water system; rehabilitating fire stations and replacing the firefighter training center; seismic improvements to district police stations; upgrading or replacing City-owned disaster response facilities; and expansion of the City's 9-1-1 Emergency Call Center.

The Board of Supervisors approved the first sale of up to \$85 million in bonds (File 20-1295) in January 2021. In March 2021 a total par amount of \$80.7 million in bonds were issued (Series 2021A), leaving \$547.8 million remaining voter-approved bond authority.

DETAILS OF PROPOSED LEGISLATION

Resolutions Approving Issuance and Sale of General Obligation Bonds

File 21-0387: The proposed resolution would authorize the issuance and sale of not-to-exceed \$487,500,000 aggregate principal amount of the 2020 Health and Recovery General Obligation Bonds. The proposed resolution also (1) provides for the levy of a tax to pay the principal and interest; (2) provides for the appointment of depositories and other agents for the bonds; (3) provides for the establishment of accounts related to the bonds; (4) adopts findings under the California Environmental Quality Act (CEQA); (5) finds the proposed projects in conformity with the priority policies of the Planning Code, Section 101.1, and with the General Plan consistency requirement of Charter, Section 4.105 and Administrative Code, Section 2A.53; (6) ratifies certain actions previously taken; and, (7) grants general authority to City officials to take necessary actions in connection with issuance and sale of these bonds.

File 21-0388: The proposed resolution would authorize the first sale of a not to exceed aggregate principal amount of \$425,000,000 of 2020 Health and Recovery General Obligation Bonds, Series 2021D. If the Board of Supervisors approves the sale of \$425,000,000, the sale of the balance of \$62,500,000 the remaining bond authority would be subject to future Board of Supervisors approval.

File 21-0389: The proposed resolution would authorize the second sale of a not to exceed aggregate principal amount of \$90,000,000 in 2020 Earthquake Safety and Emergency Response General Obligation Bonds, Series 2021E. If the Board of Supervisors approves the sale, the balance of \$457,785,000 would be subject to future Board of Supervisors approval.

File 21-0390: The proposed resolution would authorize a not to exceed aggregate principal amount of \$122,785,000 in 2014 Transportation and Road Improvement General Obligation Bonds, Series 2021C. This will be the fourth and final sale of the 2014 Transportation and Road Improvement Bonds.

Files 21-0388, 21-0389, and 21-0390 also:

- Prescribe the form and terms of the bonds;

- Provide for the appointment of depositories and other agents for the bonds;
- Provide for the establishment of accounts related to the bonds;
- Authorize the sale of the bonds by competitive or negotiated sale;
- Approve the forms of Official Notice of Sale and Intention to Sell Bonds;
- Direct the publication of the Notice of Intention to Sell Bonds;
- Approve the form of the Bond Purchase Contract;
- Approve the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
- Approve the form of the Continuing Disclosure Certificate;
- Authorize and approves modifications to documents;
- Ratify certain actions previously taken; and
- Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

Together the issuance of and sale of Series 2021C (2014 Transportation and Road Improvement General Obligation Bonds), Series 2021D (2020 Health and Recovery General Obligation Bonds), and Series 2021E (2020 Earthquake Safety and Emergency Response General Obligation Bonds) are referred to as the Series 2021CDE Bonds.

Ordinance Approving Bond Appropriations

File 21-0422: The proposed ordinance appropriates the following bond proceeds and places these funds on Controller's Reserve pending receipt of bond funds.

- \$122,785,000 in proceeds from the 2021C Transportation and Road Improvement General Obligation Bond to the MTA for transit and street improvements.
- \$425,000,000 of proceeds from the Series 2021D Health and Recovery General Obligation Bonds to the Recreation and Park Department, Department of Homelessness and Supportive Housing, Department of Public Health, and Department of Public Works for improvement to parks, recreation and open spaces; investments in permanent supportive and transitional housing, mental and behavioral health facilities; and street resurfacing and right-of-way projects.
- \$90,000,000 from Series 2021E Earthquake Safety and Emergency Response General Obligation Bonds to the Department of Public Works and Public Utilities Commission for improvements to the Fire Department facilities and emergency firefighting water systems.

Taxable and Tax-Exempt Bonds

The Series 2021CDE Bonds are structured as tax-exempt bonds; however, a portion of the total bond issuance may be sold as taxable depending on bond counsel tax determination and marketing conditions.

Competitive or Negotiated Sale

The Office of Public Finance intends to pursue a competitive sale of the 2021CDE Bonds. However, a negotiated sale may be pursued if the bond structure or market conditions make a negotiated sale preferable.

Proposed Uses of Bond Funds

Table 1 below summarizes the appropriation of the Series 2021CDE Bond proceeds.

Table 1: Sources and Uses of Bond Proceeds

	Series 2021C Transportation & Road Improvement	Series 2021D Health and Recovery (H&R)	Series 2021E Earthquake Safety & Emergency Response
Sources			
Par Amount	\$122,785,000	\$421,310,000	\$87,345,000
Reserve for Market Uncertainty		3,690,000	2,655,000
Total Sources (Bond Proceeds)	\$122,785,000	\$425,000,000	\$90,000,000
Uses			
Transit Improvements (MTA)	38,567,200		
Safer Streets (MTA)	83,547,015		
MTA Subtotal	\$122,114,215		
<i>Recreation and Parks H&R Uses</i>			
Neighborhood Parks Contingency		5,000,000	
Gene Friend Recreation Center		30,000,000	
India Basin		29,000,000	
Buchanan Street Mall		2,000,000	
Japantown Plaza		25,000,000	
Herz Playground Recreation Center		10,000,000	
Portsmouth Square		54,000,000	
Twin Peaks Trails		1,000,000	
Planning & Design for Rec. and Park Programs		13,320,000	
Recreation & Parks H&R Subtotal		169,320,000	
<i>Homelessness & Supportive Housing H&R Uses</i>			
TAY Navigation Center at 888 Post Street		29,100,000	
Housing Acquisition		116,606,587	
Program Delivery ^a		1,000,000	
HSH H&R Subtotal		146,706,587	
<i>Department of Public Health H&R Uses</i>			
SFGH Building 5 Psychiatric Emergency Services		11,377,246	
Mental Health Facilities		48,502,994	
DPH H&R Subtotal		59,880,240	
<i>Department of Public Works H&R Uses</i>			
Street Paving		31,417,166	
Curb Ramps		5,000,000	
Street Structures		5,000,000	
DPW H&R Subtotal		41,417,166	
Fire Stations & Support Facilities (DPW)			71,516,188
Emergency Firefighting Water System (PUC)			15,000,000
DPW ESER Subtotal			\$86,516,188
Subtotal Bond Projects	\$122,114,215	\$417,323,993	\$86,516,188

	Series 2021C Transportation & Road Improvement	Series 2021D Health and Recovery (H&R)	Series 2021E Earthquake Safety & Emergency Response
City Services Auditor	244,228	834,647	173,032
General Obligation Bond Oversight Committee	122,785	421,310	87,345
Costs of Issuance ^b	180,987	623,500	131,710
Underwriters Discount ^c	122,785	2,106,550	436,725
Reserve for Market Uncertainty		3,690,000	2,655,000
Subtotal Oversight & Financing	\$670,785	\$7,676,007	\$3,483,812
Total Uses	\$122,785,000	\$425,000,000	\$90,000,000

Source: Appropriation Ordinance (File 21-0422) under Board of Supervisors consideration

^a Program delivery is for multi-year costs for project delivery including project management costs and housing acquisition due diligence costs (such as physical needs assessment, inspections, environmental assessments, etc.)

^b Costs of issuance include bond counsel, municipal advisory, ratings, oversight and other transaction costs.

^c Underwriters discount is the difference in the price paid to the issuer and the prices at which the bonds are initially offered to investors.

Transportation and Road Improvement Bond Projects

This final bond issuance of \$122.8 million will allocate \$38.6 million toward transit improvement projects and \$83.5 million toward safer streets projects. The \$38.6 million in transit projects will fund Muni Forward Rapid Network improvements, including \$11.3 million in L-Taraval improvements and \$27.3 million in Better Market Street improvements. The \$83.5 million for safer streets projects will fund \$27 million in accessibility improvements, \$2.6 million in pedestrian safety improvements, \$37.2 million in Complete Streets improvements, and \$15.9 million in traffic signal improvements; the balance of funding is allocated to issuance costs and contingencies.

At the April 19, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution and related appropriation authorizing the sale of the 2014 Transportation and Road Improvement General Obligation Bonds Series 2021C, in accordance with Section 3.21 of the Administrative Code.

Health and Recovery Bond Projects

Through the Series 2021D bond issuance, the Recreation and Parks Department will receive \$169.3 million for improvements to City parks and recreation facilities; the Department of Homelessness and Supportive Housing will receive \$146.7 million for investments in housing with \$29.1 million to purchase 888 Post Street for a 75 bed Navigation Center serving transition age youth, \$116.6 million to purchase up to 250 units of permanent supportive housing, and \$1 million for project management and acquisition due diligence; the Department of Public Health will receive \$59.9 million for mental health facilities, including \$48.5 million to fund 145-175 beds, both new placements and stabilizing existing bed capacity, and \$11.4 million to renovate and expand the Psychiatric Emergency Services Facility at SFGH; and, the Department of Public Works will receive \$41.4 million for street improvements.

The 2020 Health and Recovery Bond Accountability report states that \$1 million of the bond will be allocated to costs related to Department of Homelessness and Supportive Housing's Coordinated Entry program, although, as noted above, \$1 million in bond proceeds allocated to

Program Delivery will be used for project management and housing acquisition due diligence costs. We recommend the Board of Supervisors request that the Department of Homelessness and Supportive Housing work with the Office of Public Finance to update the 2020 Health and Recovery Bond Accountability Report to correctly state the intended uses of these bond proceeds.

At the April 26, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution authorizing the issuance of the 2020 Health and Recovery General Obligation Bonds as well as the resolution authorizing and directing the sale of the Series 2021D bonds in accordance with Section 3.21 of the Administrative Code.

Earthquake Safety and Emergency Response Projects

The Series 2021E proceeds will provide the SF Public Utilities Commission with \$15 million for improvements to the emergency firefighting water system and the Department of Public Works with \$71.5 million for repairs to Fire Department facilities. The Fire Department projects includes \$67 million for a new Fire Department training facility, including costs for land acquisition, programming, site due diligence, environmental review and agency approvals, design, and pre-construction efforts.¹ The line-item also includes \$4.5 million for Fire Station 7 Replacement project planning, programming, site due diligence, environmental review.

At the April 26, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution and related appropriation authorizing the sale of the 2020 Earthquake Safety and Emergency Response General Obligation Bonds Series 2021E, in accordance with Section 3.21 of the Administrative Code.

FISCAL IMPACT

Annual Debt Service

The Office of Public Finance reports that the combined par value of the Series 2021CDE bonds is approximately \$631,440,000. The proposed resolutions authorize the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the Series 2021CDE bonds shall have a final maturity date no later than 30 years after the date of issuance.

Based on an estimated market interest rate of 3.75 percent for the Series 2021CDE general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of approximately \$39,170,000. Over the anticipated 25-year life of the bonds, the total debt service is estimated at \$979,180,000. Of the total debt service,

¹ The Mayor's Office introduced legislation on May 4, 2021 to approve a Purchase Option Agreement for 1236 Carroll Avenue for use as a Fire Training Facility (File 21-0509).

approximately \$347,740,000 is in interest payments and the remainder is the par value of the 2021 CDE Bonds (\$641,440,000).

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to 3 percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for FY 2020-21 is approximately \$9.04 billion, based on a net assessed valuation of approximately \$301.4 billion.

According to the Controller's Office of Public Finance, as of April 1, 2021, the City had outstanding debt of approximately \$2.84 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.94 percent of the net assessed valuation for FY 2020-21. If the Board of Supervisors approves the issuance of three bonds, the debt ratio would increase by approximately 0.21 percent to 1.15 percent, which is under the 3 percent debt limit. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.59 percent of the net assessed value of property in the City.

Property Tax Rates

Repayment of general obligation bonds is recovered through an increase in the annual Property Tax rate. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of all three bonds, the total increase in the Property Tax rate is estimated to average \$0.1299 per \$1,000 of assessed value over the anticipated 25-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$77.06 per year if the anticipated amount of \$631,440,000 of bonds are sold.

Capital Plan

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of the Series 2021CDE general obligation bonds, the property tax rate for FY 2020-21 would be maintained at or below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATIONS

1. Request the Department of Homelessness and Supportive Housing to work with the Office of Public Finance to revise the Bond Accountability Report for the 2020 Health and Recovery Bond to correctly state that \$1 million allocated to Program Delivery is to be used for multi-year costs for project management costs and housing acquisition due diligence costs.
2. Approve the proposed resolutions (Files 21-0387, 21-0388, 21-0389, and 21-0390) and the proposed appropriations ordinance (File 21-0422).