



**OFFICE OF THE CONTROLLER**  
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield  
Controller

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Deputy Controller

## MEMORANDUM

**TO:** Committee Members, Capital Planning Committee

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

**DATE:** Friday, October 21, 2019

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

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### Recommended Action

We respectfully request that that the Capital Planning Committee review and consider for recommendation to the Board of Supervisors (the "Board") 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 was also 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 in Table 1 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 <sup>1</sup> - <i>Approved</i>	\$5,000,000
General Fund sources - <i>Approved</i>	5,068,993
COPs – <i>Proposed for Approval</i>	5,000,000
<b>TOTAL Project Sources</b>	<b>\$15,068,993</b>

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.

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<sup>1</sup> 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**

<b>Estimated Sources:</b>	
Par Amount	<b>\$7,250,000</b>
<b>Estimated Uses:</b>	
Homeless Services Center	5,000,000
CSA Audit Fee (0.2% of project fund)	10,000
Total Project Fund Deposits:	<u>\$5,010,000</u>
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	<u>\$452,250</u>
<b>Total Estimated Uses</b>	<b>\$7,005,000</b>
<i>Reserve for Market Uncertainty</i>	<i>\$245,000</i>
<b>Maximum Not-to-Exceed Par Amount</b> <span style="float: right;"><b>\$7,250,000</b></span>	

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.

### **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.

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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  
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