



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

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Director of Public Finance

MEMORANDUM

TO: Honorable Members, Capital Planning Committee

FROM: Anna Van Degna, Director of the Office of Public Finance
Vishal Trivedi, Office of Public Finance
Marisa Pereira Tully, Office of Public Finance

DATE: Monday, September 14, 2020

SUBJECT: Resolutions Authorizing Issuance and Sale of Taxable General Obligation Bonds (Affordable Housing, 2019) Series 2020C – Not to Exceed \$260,000,000

We respectfully request that the Capital Planning Committee consider for review and recommendation to the Board of Supervisors the resolutions authorizing the issuance of bonds and approving the sale of taxable general obligation bonds for the 2019 Affordable Housing bond program in an amount not to exceed \$260,000,000 (“Bonds” or the “2020C Bonds”).

In connection with this request, legislation authorizing the issuance of bonds from this program, approving the sale of this first series of bonds, a supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, September 22, 2020. We will request that the items be heard at the scheduled Budget and Finance Committee meeting on September 30, 2020.

Background

On November 5, 2019, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Affordable Housing General Obligation Bond. Proposition A authorizes the City and County of San Francisco to issue \$600,000,000 in General Obligation Bonds finance the construction, development, acquisition, and preservation of housing affordable to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations in the City and prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College of San Francisco employees; and to pay related costs.

The projects to be funded by this issuance of include infrastructure and vertical gap financing for Potrero and Sunnydale public housing developments, acquisition and rehabilitation of rent-controlled housing under the Small Sites program, as well as predevelopment and gap funding for low-income, middle-income, and senior housing units.

Financing Parameters

The proposed legislation will authorize the issuance of bonds for the purposes allowed under the 2019 Proposition A, approve the sale of the first series of bonds, and appropriate of the bond proceeds from the sale. Table 1 below outlines the not-to-exceed sources and uses for the Bonds, based on an estimate provided by Public Resources Advisory Group, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board of Supervisors regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources and Uses from the Bonds

	<u>2020C</u>
Maximum Not to Exceed Amount:	260,000,000
<i>Reserve for Market Uncertainty</i>	<i>4,445,000</i>
Estimated Sources:	
Par Amount	<u>255,555,000</u>
Total Estimated Sources:	260,000,000
Estimated Uses:	
Project Fund Deposits:	
Project Fund	252,620,000
CSA Audit Fee	<u>505,240</u>
Total Project Fund Deposits:	253,125,240
Cost of Issuance	1,151,985
Underwriter's Discount	1,022,220
CGOBOC Fee	<u>255,555</u>
Total Delivery Expense:	2,429,760
<i>Reserve for Market Uncertainty</i>	<i>4,445,000</i>
Total Estimated Uses:	260,000,000

Source: Public Resources Advisory Group

Based upon an estimated market interest rate of 3.39% for taxable general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of about \$13,500,000.

The anticipated par amount of \$255,555,000 is estimated to generate approximately \$149,400,000 in interest payments, resulting in approximately \$405,000,000 in total debt service over the anticipated 30-year term of the bonds.

Detailed descriptions of the projects to be financed with proceeds of the Bonds are included in the Bond Reports to be prepared by the Mayor's Office of Housing and Community Development. In addition, a portion of the Bond proceeds will be used to pay certain expenses incurred in connection with the issuance and delivery of the Bonds, and the periodic oversight and review of the Projects by City Services Auditor ("CSA Audit"), and the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Property Tax Impact

Repayment of annual debt service on the Series 2020C Bonds will be recovered through increases in the annual property tax rate, which is estimated to average \$0.00454 per \$100 of assessed value or \$4.54 per \$100,000 of assessed value over the anticipated 20-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 \$26.91 per year if the anticipated \$255,555,000 Bonds are sold.

Debt Limit

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, 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 fiscal year 2020-21 is approximately \$9.04 billion, based on a net assessed valuation of approximately \$301.4 billion. As of September 1, 2020, the City had outstanding approximately \$2.15 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.71% of the net assessed valuation for fiscal year 2020-21. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.44% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.085% to 0.8% — within the 3.00% legal debt limit.

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 fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2020-21 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Financing Timeline

Milestones:

Capital Planning Committee
Board of Supervisors Introduction
Budget & Finance Committee Hearing
Board Approval of Resolutions and 1st Reading of Appropriation Ordinance
Final Board Approval of Appropriation Ordinance (2nd Reading)
Estimated Sale & Closing

Dates*:

September 14
September 22
September 30
October 6
October 20
Oct/Nov 2020

*Please note that dates are preliminary and may change.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 (anna.vandegna@sfgov.org), Vishal Trivedi at 415-554-4862 (vishal.trivedi@sfgov.org) or Marisa Pereira Tully at 415-554-6902 (marisa.pereira.tully@sfgov.org) if you have any questions.