

Commission on Community Investment and Infrastructure

RESOLUTION NO. 47-2014

Adopted July 1, 2014

APPROVING A RESOLUTION CONFIRMING THE ISSUANCE OF SPECIAL TAX REFUNDING BONDS FOR THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 7 (HUNTERS POINT SHIPYARD PHASE ONE IMPROVEMENTS) IN AN AMOUNT NOT TO EXCEED \$40,000,000, APPROVING A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING EXECUTION OF A FINAL OFFICIAL STATEMENTS AND APPROVING OTHER DOCUMENTS AND ACTIONS PROPERLY RELATING THERETO; HUNTERS POINT SHIPYARD PROJECT AREA (THE "CONFIRMING RESOLUTION")

WHEREAS, In 2005, the former Redevelopment Agency of the City and County of San Francisco ("SFRA") conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Mello-Roos Act"), to form "Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements)" (the "CFD"), to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by said special taxes the proceeds of which are to be used to finance certain public improvements, all as described in those proceedings; and,

WHEREAS, Under the provisions of the Mello-Roos Act in 2005, SFRA issued, for and on behalf of the CFD, its \$34,500,000 initial principal amount Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements) Variable Rate Demand Special Tax Bonds, 2005 Series A (the "2005 Bonds"); and,

WHEREAS, The 2005 Bonds are currently secured by a letter of credit issued by JPMorgan Chase Bank, N.A. (the "Letter of Credit"), for the benefit of HPS Development Co., LP (the "Developer"), as successor in interest to Lennar-BVHP, LLC, the developer of the land within the CFD; and,

WHEREAS, The 2005 Bonds are structured with a balloon maturity of August 1, 2036; and

WHEREAS, The Letter of Credit expires on September 12, 2014; and,

WHEREAS, The 2005 Bonds are subject to mandatory redemption on September 5, 2014 unless the trustee of the 2005 Bonds receives a renewal or extension of or replacement of the Letter of Credit; and,

WHEREAS, Under California Assembly Bill No. 1X26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26") and the California Supreme Court's decision in California Redevelopment Association v. Matosantos, No. 5194861, all redevelopment agencies in the State of California (the "State"), including SFRA,

were dissolved by operation of law as of February 1, 2012, and their non-affordable housing assets and obligations were transferred to certain designated successor agencies; and,

WHEREAS, In June of 2012, the State legislature adopted Assembly Bill 1484 (“AB 1484”) amending certain provisions of AB 26 and clarifying that successor agencies are separate public entities and have the authority, with approval of the applicable oversight board and the California Department of Finance (the “DOF”), to issue bonds in certain circumstances, including refunding bonds to finance debt service spikes, including balloon maturities, and the Governor of the State signed the bill and it became effective on June 27, 2012; and,

WHEREAS, Subsequent to the adoption of AB 1484, on October 2, 2012 the Board of Supervisors of the City and County of San Francisco (the “City”) adopted Ordinance No. 215-12 (the “Implementing Ordinance”), which Implementing Ordinance was signed by the Mayor on October 4, 2012, and which, among other matters: (a) acknowledged and confirmed that, as of the effective date of AB 1484, the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) is a separate legal entity from the City, (b) acknowledged and confirmed that the Successor Agency holds, subject to the applicable rights and restrictions set forth in AB 26 as amended by AB 1484, and as it may be further amended from time to time (collectively referred to in the Implementing Ordinance as the “Redevelopment Dissolution Law”), title to all assets, and all rights, obligations and liabilities of SFRA, (c) declared that the name of the Successor Agency is the “Successor Agency to the Redevelopment Agency of the City and County of San Francisco,” (d) established the Commission of the Successor Agency and delegated to the Commission of the Successor Agency the authority (excluding authority as to the transferred “Housing Assets,” as defined in the Implementing Ordinance) to act in place of the former Commission of SFRA to, among other matters: (i) implement, modify, enforce and complete SFRA’s enforceable obligations, including its Retained Housing Obligations (as defined in the Implementing Ordinance), (ii) approve all contracts and actions related to the assets transferred to or returned by the Successor Agency, consistent with applicable enforceable obligations, and (iii) take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency and any other action that the Commission of the Successor Agency deems appropriate consistent with the Redevelopment Dissolution Law to comply with such obligations, including, without limitation, authorizing additional obligations in furtherance of enforceable obligations, and approving the issuance of bonds to carry out the enforceable obligations, subject to any approval of the Oversight Board of the Successor Agency (the “Oversight Board”) established pursuant to the provisions of the Redevelopment Dissolution Law, (e) designated the means by which the five members of the Commission of the Successor Agency would be determined, and (f) provided for an Executive Director of, and the authority to retain legal counsel to, the Successor Agency; and,

- WHEREAS, The Successor Agency is also known as the Office of Community Investment and Infrastructure (and hereinafter is referred to as "OCII") and its commission is known as the Commission on Community Investment and Infrastructure; and,
- WHEREAS, Section 34177.5(a)(2) of the Redevelopment Dissolution Law authorizes OCII to issue bonds to finance debt service spikes, including balloon maturities, provided that (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds will not exceed the amount required to finance the debt service spikes, including customary debt service reserves and paying related costs of issuance; and,
- WHEREAS, OCII now wishes to refinance the outstanding principal amount of the 2005 Bonds and proposes to issue its Successor Agency to the Redevelopment Agency for the City and County of San Francisco Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements) Special Tax Refunding Bonds, Series 2014, in the principal amount not to exceed Forty Million dollars (\$40,000,000) (the "2014 Bonds") pursuant to Section 34177.5(a)(2) of the Redevelopment Dissolution Law for that purpose, and the 2014 Bonds will be structured so that the existing indebtedness represented by the 2005 Bonds is not accelerated, except to the extent necessary to achieve substantially level debt service, and the principal amount of the 2014 Bonds will not exceed the amount required to finance the debt service spikes, including establishing a customary debt service reserve and paying related costs of issuance; and,
- WHEREAS, Inasmuch as the requirements of Section 34177.5(a)(2) have been met, OCII has determined to issue, pursuant to the authority set forth in Section 34177.5(a)(2), the 2014 Bonds; and,
- WHEREAS, The 2014 Bonds will be payable only from special taxes levied in the CFD, and will not be secured by or payable from property tax revenues deposited into the Redevelopment Property Tax Trust Fund established pursuant to the Redevelopment Dissolution Law; and,
- WHEREAS, The Commission, pursuant to Resolution No. 27-2014, adopted April 15, 2014, approved the issuance of the 2014 Bonds and the execution of certain documents relating to the 2014 Bonds, including a Fiscal Agent Agreement pursuant to which the 2014 Bonds will be issued (the "Fiscal Agent Agreement"), and requested that the Oversight Board approve the issuance of the 2014 Bonds by OCII; and,
- WHEREAS, Pursuant to Resolution No. 3-2014, adopted April 28, 2014, the Oversight Board approved the issuance of the 2014 Bonds by OCII, and said Resolution was forwarded to the DOF pursuant to Sections 34177.5(f) and 34179(h) of the California Health and Safety Code; and,
- WHEREAS, On or about May 28, 2014, the DOF informed OCII that based on its review of Resolution No. 3-2014, the DOF has concluded that its approval is not required pursuant to Section 34179(e) of the California Health and Safety Code for the

issuance by OCII of the 2014 Bonds and reaffirmed this in a clarifying letter to OCII on June 20, 2014; and,

WHEREAS, OCII, with the assistance of Schiff Hardin, disclosure counsel, Jones Hall, bond counsel, CSG Advisors Incorporated financial advisor, Goodwin Consulting special tax consultant and Stifel Nicolaus, and Backstrom McCarley Berry, the Underwriters (Underwriters as defined below) (the "Financing Team"), has caused to be prepared a form of Official Statement describing the 2014 Bonds and containing material information relating thereto, the preliminary form of which is on file with the Secretary of the Commission; and,

WHEREAS, In connection with the issuance of the 2014 Bonds, OCII staff retained an independent appraiser, Seevers, Jordan, Ziegenmeyer (the "Appraiser"), to determine whether the maximum principal amount of the 2014 Bonds satisfies the requirements of the Mello-Roos Act and OCII's CFD local goals and policies regarding credit quality for CFD bond issues (the "CFD Credit Policy") that the aggregate value of the taxable property in the CFD (the "Property") be at least three times the amount of public debt payable from special taxes and assessments levied on the Property, including the 2014 Bonds (the "three-to-one value-to-lien requirement"). The Appraiser estimates the value of the Property to be approximately \$127,650,000 as of May 30, 2014, which would allow OCII to issue the 2014 Bonds in the principal amount of \$42,550,000 (which is well in excess of the maximum principal amount of the 2014 Bonds authorized by this Commission and approved by the Oversight Board) and meet the uniform three-to-one value-to-lien requirement; and,

WHEREAS, The CFD Credit Policy also provides that, in situations where there is less than a uniform three-to-one value-to-lien ratio for parcels in a community facilities district -- which is the case in the CFD -- OCII may require additional credit enhancement prior to a bond sale. OCII staff has recommended to this Commission, after consultation with the Financing Team, that the parcels within the CFD with a less than 3:1 value-to-public lien ratio do not represent an unusual credit risk and that no credit enhancement should be required on the basis of the following:

(i) The Developer has been pursuing development of the Property since 1999 and has expended significant funds in doing so (since 1999, the Developer has expended nearly \$70 million and has put in place performance bonds and a corporate guaranty to complete remaining backbone infrastructure in the amount of approximately \$21 million in order to break ground on approximately 250 of 1,100 housing units within the Property) and has an ongoing and substantial commitment to develop the parcels within the Property.

(ii) The Developer paid special taxes throughout the recent economic downturn.

(iii) Although the parcels within the Property with a lower than three-to-one value-to-lien ratio are currently undeveloped, infrastructure supporting the Hilltop portion of the Property is substantially complete and many blocks have complete construction documents and permits to begin building. Further, while the Hillside infrastructure is only partially complete, the Developer has been

(iv) The Developer is in the process of transferring title to many of the undeveloped parcels to vertical builders to proceed with development; and,

WHEREAS, The sale and issuance of the 2014 Bonds are fiscal activities of OCII that do not constitute a "Project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), will not independently result in a physical change in the environment, and are not subject to environmental review under CEQA; now therefore, be it

RESOLVED, The Commission finds that OCII has, as a result of the Oversight Board's approval and the DOF's conclusion that its approval is not required pursuant to Section 34179(e) of the California Health and Safety Code for the issuance by OCII of the 2014 Bonds, full authority under Section 34177.5(a)(2) of the California Health and Safety Code to issue the 2014 Bonds to refund the 2005 Bonds; and, be it further

RESOLVED, The Commission finds that for the reasons specified above, after consultation with the Financing Team, that the parcels within the CFD with a value-to-public lien ratio of less than three to one do not represent an unusual credit risk and that no credit enhancement should be required, and consistent with the CFD Credit Policy, this Commission hereby approves the issuance of the 2014 Bonds without any credit enhancement; and, be it further

RESOLVED, All acts and proceedings required by law necessary to make the 2014 Bonds, when executed by OCII, authenticated and delivered by the fiscal agent for the 2014 Bonds (the "Fiscal Agent") and duly issued, the valid, binding and legal special obligations of OCII, and to constitute the Fiscal Agent Agreement a valid and binding agreement for the uses and purposes therein set forth, in accordance with its terms, will have been done or taken and the execution and delivery of the Fiscal Agent Agreement will have been in all respects duly authorized; and, be it further

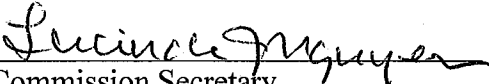
RESOLVED, The Commission hereby approves the Preliminary Official Statement describing the 2014 Bonds, in substantially the form on file with Secretary of the Commission. Distribution of the Preliminary Official Statement by Stifel, Nicolaus & Company, Incorporated, as representative of the underwriters of the 2014 Bonds (the "Underwriters") is hereby approved, and, prior to the distribution of the Preliminary Official Statement, the Executive Director and the Deputy Executive Director, Finance and Administration or such other official of OCII as may be designated by such officer pursuant to this Resolution (each being hereinafter referred to as, an "Authorized Officer"), each acting alone, are hereby authorized and directed, on behalf of OCII, to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by an Authorized Officer, and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the 2014 Bonds, and the Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver the final Official Statement

Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the 2014 Bonds, and the Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver the final Official Statement for and on behalf of OCII, to deliver to the Underwriters a certificate with respect to the information set forth therein and to deliver to the Underwriters a Continuing Disclosure Certificate substantially in the form appended to the final Official Statement; and, be it further

RESOLVED, The Commission hereby authorizes and directs the officers and agents of OCII to do any and all things and take any and all actions and to execute any and all certificates, agreements and other documents, including, but not limited to, the purchase of a bond insurance policy or a surety bond or other provision for credit enhancement, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2014 Bonds in accordance with this Resolution and Resolution No. 27- 2014; and, be it further

RESOLVED, The Commission hereby confirms its actions in Resolution No. 27-2014 authorizing and approving the issuance of the 2014 Bonds pursuant to the Fiscal Agent Agreement in accordance with Section 34177.5(a)(2) of the California Health and Safety Code in the aggregate principal amount of not to exceed \$40,000,000.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of July 1, 2014.


Commission Secretary