450-2682017-002

Agenda Item **No. 5(c), 5(d), & 5(e)**
Meeting of September 19, 2017

**MEMORANDUM**

**TO:** Community Investment and Infrastructure Commissioners

**FROM:** Nadia Sesay, Interim Executive Director

**SUBJECT:** Authorizing a Legal Services Contract with Jones Hall, a Professional Law Corporation, for Bond Counsel Services in an amount not to exceed $219,000, related to Community Facilities District formation and administration, and Bond Issuance for development of the Hunters Point Shipyard Phase 2 and Candlestick Point Project; Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas; and

Authorizing a Personal Services Contract with Public Financial Management, Inc., for Municipal Financial Advisory Services, in an amount not to exceed $163,500, related to Community Facilities District formation and administration, and Bond Issuance for development of the Hunters Point Shipyard Phase 2 and Candlestick Point Project; Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas; and

Authorizing a Personal Services Contract with Goodwin Consulting Group, Inc., for Special Tax Services in an amount not to exceed $353,500 related to Community Facilities District formation and administration, and Bond Issuance for development of the Hunters Point Shipyard Phase 2 and Candlestick Point Project; Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas.

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## EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure ("OCII") is beginning development of the Hunters Point Shipyard Phase 2 and Candlestick Point Project (the "Project"), including the construction and/or acquisition of certain public improvements. To support these improvements OCII plans to form two, one Capital and one Operations and Maintenance, Hunters Point Shipyard Phase 2 and Candlestick Point Community Facilities Districts ("CFDs") including future annexations, and subsequent issuance of Special Tax Bonds ("Bonds").

In August 2017, OCII staff issued Request for Quotes ("RFQs") for bond counsel services, municipal financial advisory services, and special tax services for the proposed formation and administration of two CFDs and subsequent bond issuances.



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The above named firms are firms listed in a pool of qualified firms that the City and County of San Francisco ("City") competitively selected. Staff has negotiated contract terms with these firms for amounts as follows:

1) Bond Counsel: Jones Hall, a Professional Law Corporation ("Jones Hall") - $219,000
2) Municipal Advisor: Public Financial Management ("PFM") - $163,500
3) Special Tax Consultant: Goodwin Consulting Group ("Goodwin") - $353,500

***STAFF RECOMMENDATION***
*Staff recommends authorization of a legal services contract with Jones Hall for Bond Counsel Services in an amount not to exceed $219,000; authorization of professional services contract with PFM for Municipal Advisory Services in an amount not to exceed $163,500; and authorization of a personal services contract with Goodwin for Special Tax Services in an amount not to exceed $353,500.*

**BACKGROUND**

OCII oversees the implementation of the Candlestick Point and Phase 2 of the Hunters Point Shipyard Disposition and Development Agreement ("Project") (as amended, the "Phase 2 DDA"). The Phase 2 DDA entitles the HPS/CP Project with the right to build up to 10,500 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF public housing revitalization program; more than 3 million square feet of office space; 885,000 square feet of regional and neighborhood-serving retail and entertainment uses and more than 325 acres of new parks in the southeast portion of San Francisco. In total, the HPS/CP Project will generate over $6 billion of new economic activity in the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The HPS/CP Project's full buildout will occur over 20 to 30 years.

The Phase 2 DDA describes how the infrastructure and related public benefits supporting the horizontal land development of the Project will be funded and how the proceeds from the sales of market-rate lots will be distributed. In addition, the agreement authorizes tax increment financing and the establishment of Mello-Roos Community Facilities Districts by OCII to fund Project infrastructure.

Key DDA documents include a Financing Plan, an Acquisition and Reimbursement Agreement, and a Tax-Allocation and Pledge Agreement between OCII and the City. These documents provide that the Financing Plan allowing the Project to capture property tax increment for affordable housing and to reimburse Developer public financing (such as tax increment and Mello-Roos special tax/bonds, as described in more detail below) that leverage private investment for eligible public infrastructure expenses. Additionally, the CFDs will place supplemental assessment on development parcels, which will reimburse eligible Developer public infrastructure expenses.

The Financing Plan of the Phase 2 DDA between the Redevelopment Agency and CP Development Co., LP (2010) ("DDA") requires OCII to establish CFDs from time to time as the CP Development Co., LLP acquires major phases or subphases under the DDA. Section 2 of the Financing Plan of the DDA.

**Developer's Proposal**

In accordance with the Phase 2 DDA's Finance Plan, the Developer is proposing formation of two CFDs, 1) a Capital CFD for procuring pubic improvements and 2) an Operations and Maintenance ("O&M") CFD for maintaining public improvements. The CFDs to be formed will be separate legal entities from OCII.

Capital CFD

As per the Financing documents, the Project must pay the costs of completing the public improvements, using private capital and revenues generated by the Project itself. Horizontal development costs for the Project including:

- Demolishing and grading the site to prepare the land for development;
- Building the backbone wet and dry utilities;
- Building on and off-site public transportation improvements, including significant capital improvements to public transit corridors and surface roadways that will serve both the Project and the surrounding Bayview Hunters Point neighborhood;
- Completing public open space improvements, including public access trails, parks, open space and shoreline improvements and other waterfront improvements to enhance public use, enjoyment and views of the San Francisco Bay;

The Capital CFD will pay costs of the Project by levying a special tax on top of the annual property tax that is paid by landowners in the district; it will not be levied on OCII sponsored affordable housing units or Alice Griffith or public open space or park parcels. OCII will utilize this revenue stream to issue bonds, the proceeds of which will fund public infrastructure in the CFD.

Operations and Maintenance CFD

The Project Financing Plan also includes a dedicated funding source for the ongoing operations and maintenance of the public parks and public open space in the Project site. Like the CFD for infrastructure development, the O&M CFD generates funds from a special tax that is levied on public taxable parcels within the district. The special tax will apply only to private development parcels; it will not be levied on OCII sponsored affordable housing units or Alice Griffith or public open space or park parcels.

Annual Administration

Both the capital and O&M CFDs require on-going administration. A third party consultant known as a Special Tax Consultant typically provides the on-going administrative services.

**DISCUSSION**

The proposed Bond Counsel, Municipal Advisor, and Special Tax Consultant Contracts will cover services related to formation of the proposed CFDs on-going administration and subsequent bond issuances, (with the expectation of selecting co-counsel as part of the issuance of bonds).

**Jones Hall**

Scope of Services

Jones Hall is the recommended Bond Counsel. Bond Counsel will ensure the legal requirements of CFD formation and annexation are met and prepares all the required legal documents. Bond Counsel will also ensure that legal requirements for CFD bond issuance are met, prepare the required legal documents, and make all necessary bond related filings. Counsel will perform all work customary for the role of Bond Counsel as described in the contract, including advising on all matters relating to CFD formation, annexation, and subsequent bond issuances.

Solicitation Process

Section IX, C, 5 of the OCII Purchasing Policy provides that the staff may select a contractor from a City panel that was established using the City's competitive selection process.

On February 23, 2016, the City issued a Request for Proposals to establish a qualified list of firms to provide bond/disclosure counsel services and established a qualified list of firms on October 3, 2016. The City's qualified list of firms for bond/disclosure counsel is effective through October 3, 2018. Jones Hall is included on the City's list as a qualified firm to provide bond/disclosure counsel services.

OCII staff reviewed the list of qualified firms and determined Jones Hall is the most qualified based on the firm's extensive experience with CFD formation in San Francisco. Jones Hall served as bond counsel for the Transbay CFD formed in 2015, the Treasure Island CFD formed in 2017 and the Port and Central South of Market CFDs currently in formation. In addition, Jones Hall has served as bond counsel for every CFD formed in the San Francisco Redevelopment Areas, including the two Hunters Point Shipyard Phase 1 CFDs, CFD #7 and CFD #8. Jones Hall's depth of San Francisco and redevelopment specific experience has equipped Jones Hall with unique knowledge of the local legal context, including state and local land use law, as well as redevelopment and dissolution law. In addition, because Jones Hall has worked on the City's most recent CFD formations, the firm has up-to-the-minute knowledge and can help OCII leverage the most recent lessons learned. Jones Hall has participated in the formation of every CFD in San Francisco, working with Jones Hall will ensure uniform application of the law. On August 22, 2017 OCII staff issued a Request for Quote to Jones Hall for bond counsel services for the above described CFD formation, annexation and subsequent bond issuance. Jones Hall's response to the request was complete and received prior to the response deadline on August 25, 2017.

Contract Costs

Compensation for Bond Counsel will be paid as described in the contract. The cost of the basic scope of services described above is expected to be no more than $219,000. Hourly rates and fees for services will be paid as follows:

| | Hourly Rate | Not-To-Exceed Amount | Flat Fee Per Issuance | Variable Fee/ Unit of Bond | Contingency |
|---|---|---|---|---|---|
| Formation | $550/partner<br>$400/associate | $35,000 | | | 20 % |
| Annexation | $550/partner<br>$400/associate | $10,000 | | | 20% |

| | | | | | |
|---|---|---|---|---|---|
| Bond Issuance | | | | - 2% of the first $1M<br>- 1% of the next $4M<br>- ½% of the next 10M<br>- 1/8% of the remainder | 100% |

**Public Financial Management**

Scope of Services
PFM is the recommended Municipal Adviser. The Municipal Advisor will manage the project timelines and ensures that project milestones are met. The Municipal Advisor will also advise OCII on the financial aspects of CFD formation and annexation, as well as CFD bond issuance. The Municipal Advisor will perform all work customary for the role of Municipal Advisor, as described in the contract, including advising on all matters relating to the CFD formations, annexations, and subsequent bond issuances.

Solicitation Process
Section IX, C, 5 of the OCII Purchasing Policy provides that the staff may select a contractor from a City panel that was established using the City's competitive selection process.

In 2016, the City issued a Request for Proposals to establish a qualified list of firms to provide municipal financial advisor services and established a qualified list of firms on March 9, 2016. The City's qualified list of firms for municipal advisors is effective through March 9, 2018. Public Financial Management ("PFM") is included on the City's list as a qualified firm to provide municipal advisory services.

OCII staff, reviewed the list of qualified firms and determined PFM is the most qualified based on the firm's experience. PFM has served as municipal advisor on three of the City's most recent CFD formations: the Treasure Island Development Authority CFD formed in 2017 and the Port and Central South of Market CFDs currently in formation. In addition, PFM has been the municipal advisor for several CFDs formed in the San Francisco Redevelopment Areas, including the two Hunters Point Shipyard Phase 1CFDs, CFD #7 and CFD #8. On August 21, 2017, OCII staff issued a Request for Quote to PFM for municipal advisory services for the above described CFD formation transactions. PFM's response to the request was complete and received prior to the response deadline on August 24, 2017.

Contract Costs
Compensation for the Municipal Advisor will be paid as described in the contract. The cost of the basic scope of services described above is expected to be no more than $163,500. Hourly rates and fees for services will be paid as follows:

| PFM Hourly Service Rates | |
|---|---|
| Managing Director | $345 |
| Director | $325 |
| Senior Managing Consultant | $300 |
| Senior Analyst/Analyst | $275 |

| | Hourly Rate | Not-To-Exceed Amount | Flat Fee Per Issuance | Variable Fee/Unit of Bonds | Contingency |
|---|---|---|---|---|---|
| Formation / Annexation | Shown Above | $35,000 | | | 20% |
| Bond Issuance | | | $72,000 | | 100% |

**<u>Goodwin Consulting Group</u>**

<u>Scope of Services</u>
Goodwin is the recommended Special Tax Consultant. The Special Tax Consultant will develop the rate and method of apportionment, which determines how the tax levied on members of the CFD will be calculated. The Special Tax Consultant will also administer the CFDs on an annual basis. Administrative tasks include calculating the tax amount for each CFD member and providing information to Treasurer Tax Collector, responding to tax payer inquiries, and initiating delinquency proceedings. The Special tax consultants will perform all work customary for the role of Special Tax Administrator as described in the contract, including advising on all matters relating to the CFD formation, annexations, and subsequent bond issuances.

<u>Solicitation Process</u>
Section IX, C, 5 of the OCII Purchasing Policy provides that the staff may select a contractor from a City panel that was established using the City's competitive selection process.

On October 29, 2015, the City issued a Request for Proposals to establish a qualified list of firms to provide special tax consultant services and established a qualified list of firms on December 7, 2015. The City's qualified list of firms for special tax consultant services is effective through December 7, 2017 and may be extended at the sole and absolute discretion of the City. Goodwin is one of the special tax consultant firms listed in the pool of qualified special tax consultant firms that the City and County of San Francisco ("City") has selected.

OCII staff reviewed the list and determined Goodwin is most qualified based on the firm's experience. Goodwin has worked extensively with the former San Francisco Redevelopment Agency ("SFRA") and its Successor, OCII. Goodwin served as special tax consultant and administrator for all of the CFDs in OCII's portfolio, including the two CFDs formed for the Hunters Point Shipyard Phase 1 Development CFDs, CFD #7 and CFD #8. Goodwin has participated in the formation and administration of all OCII's CFDs and their current portfolio includes ongoing administration of more than 100 CFDs, including OCII CFD #4, #5, #6, #7, and #8. Working with Goodwin will ensure uniform application of the law in formation and administration of the proposed CFDs. On August 22, 2017, OCII staff issued a Request for Quote to Goodwin for Special Tax Consultant services for the above-described CFD formation transactions. Goodwin's response to the request was complete and received prior to the response deadline on August 25, 2017.

Contract Costs

Compensation for the Special Tax Consultant will be paid as described in the contract. The cost of the basic scope of services described above is expected to be no more than $353,500. Hourly rates and fees for services will be paid as follows:

| **Goodwin Hourly Service Rates** | |
|---|---|
| Managing Principal | $290/Hour |
| Senior Principal | $280/Hour |
| Principal | $250/Hour |
| Vice President | $210/Hour |
| Senior Associate | $195/Hour |
| Associate | $185/Hour |
| Analyst | $175/Hour |
| Research Assistant | $90/Hour |

| | **Base Fee** | **Duration Contingency Amount** | **Additional Meeting Contingency Amount** | |
|---|---|---|---|---|
| **Formation**<br>Infrastructure CFD | $75,000 to cover first 12 months of formation tasks and first 6 meetings | $35,000 added for each 6-month period after first 12 months | $1,200 per meeting for 7th meeting and subsequent meetings | |
| Services CFD | $25,000 to cover first 12 months of formation tasks and first 3 meetings | $10,000 added for each 6-month period after first 12 months | $1,200 per meeting for 4th meeting and subsequent meetings | |
| | **Base Fee**<br>$3,000 per annexation if annexed area is within a Future Annexation Area and no separate RMA is required (includes annexation into both Infrastructure and Services | **Contingency**<br>Additional $7,500 if annexing an area outside the Future Annexation Area or a separate RMA is required for annexing area (includes annexation into both Infrastructure and Services | | |

| | | | | |
|---|---|---|---|---|
| | CFD, if they occur simultaneously) | CFD, if they occur simultaneously) | | |
| | **Base Fee** | **Pre-Payment Administration Contingency** | **Arbitrage Rebate Calculations Contingency** | **Continuing Disclosure Contingency** |
| | $25,000 per fiscal year<br><br>$8,500 per fiscal year | $500 to process prepayment (no cost to provide prepayment estimate)<br><br>NA | $1,500 per bond issue<br><br>NA | $2,000 for each outstanding bond<br><br>NA |
| | **Base Fee Per Issuance** | **Variable Fee Per Bond Amount** | | |
| | $35,000 for bond issuances less than or equal to $10 million | Additional 0.001 of amount over $10 million | | |

The Special Tax Consultant will also receive a base fee out of bond proceeds if the issuance occurs.

**ENVIRONMENTAL REVIEW**

Contracting for services related to formation of the Hunters Point Shipyard Phase 2 and CP CFDs and the subsequent issuance of bonds is a Successor Agency fiscal activity that does not constitute a "Project" as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), and will not independently result in a physical change in the environment and is not subject to environmental review under CEQA.

**NEXT STEPS**

Upon Commission authorization, OCII's Executive Director will enter into a personal services or legal contract with the selected consultants for a three-year term.

*(Originated by Kasheica McKinney, Assistant Project Manager)*

Nadia Sesay
Interim Executive Director

Attachment A: Legal Services Contract with Jones Hall
Attachment B: Personal Services Contract with Public Financial Management
Attachment C: Personal Services Contract with Goodwin Consulting Group