OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0452016-002

Agenda Item **Nos. 5 (b, c & d)**
Meeting of August 2, 2016

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee, Executive Director

SUBJECT: Authorizing a Legal Services Contract with the Law Offices of Alexis Chui, for disclosure counsel services in an amount not to exceed $50,000 related to the issuance of Successor Agency to the Redevelopment Agency of the City and County of San Francisco tax-exempt tax allocation revenue bonds; Transbay Project area;

Authorizing a Legal Services Contract with Curls Bartling, P.C., a Professional Law Corporation, for disclosure counsel services in an amount not to exceed $101,800 related to the issuance of Successor Agency to the Redevelopment Agency of the City and County of San Francisco taxable tax allocation revenue and refunding revenue bonds; multiple project areas;

Authorizing a Legal Services Contract with Jones Hall, a Professional Law Corporation, for Bond Counsel Services in an amount not to exceed $207,000 related to the issuance of Successor Agency to the Redevelopment Agency of the City and County of San Francisco taxable and tax-exempt tax allocation revenue bonds and refunding revenue bonds, in multiple series; multiple project areas

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EXECUTIVE SUMMARY

OCII plans to issue approximately $23 million in new money bonds to fund low and moderate income housing (Housing Bonds), approximately $37 million in new money bonds to fund infrastructure in the Transbay Project area (Transbay Infrastructure Bonds), and approximately $90 million in taxable refunding bonds to realize debt service savings (Refunding Housing Bonds). The first step in proceeding with these financing projects is to retain bond and disclosure counsel.

OCII staff issued a Request for Proposals (“RFP”) for bond and disclosure counsel services for the above described financings. Nine firms responded to the invitation. OCII convened a panel to consider the responses and recommends Jones Hall as bond counsel for the Transbay Infrastructure Bonds, Housing Bonds, and Refunding Housing Bonds, The Law Offices of Alexis

Chiu as disclosure counsel for the Transbay Infrastructure Bonds, and Curls Bartling P.C. as disclosure counsel for the Housing Bonds and Refunding Housing Bonds.

Compensation for bond and disclosure counsel services will be paid from bond proceeds. The total amount paid under the contracts will depend upon the number of bond series issued and final sizing of the bonds issued. The contract with Jones Hall will not exceed $207,000. The contract with The Law Offices of Alexis Chiu will not exceed $50,000. The contract with Curls Bartling P.C. will not exceed $101,800.

Staff recommends authorization of professional service contracts with Jones Hall, for bond counsel services, with a total contract amount not to exceed $207,000, with The Law Offices of Alexis Chiu, for disclosure counsel services, in a total contract amount not to exceed $50,000, and with Curls Bartling P.C., for disclosure counsel services, in a total contract amount not to exceed $101,800, each contract will be effective through June 30, 2017 or until the financings are complete.

DISCUSSION

The Planned 2016-17 Bonds

A. <u>Tax- Exempt Infrastructure New Money Tax Allocation Redevelopment Property Tax Trust Fund ("RPTTF") Bonds</u>
Approximately $37 million in tax-exempt new money Tax Allocation RPTTF bonds will be issued to fund infrastructure in the Transbay Redevelopment Project Area. These bonds will fund capital improvements including: Folsom Streetscape, Under-ramp Park, Essex Park, and Transbay Park. The bonds will be sold under authority granted OCII by California Health and Safety Code Section 34177.7 (a).

B. <u>Taxable Housing New Money Tax Allocation RPTTF Bonds</u>
Approximately $113 million in taxable housing new money tax allocation RPTTF bonds will be issued to fund low and moderate income housing city-wide. Four projects will be located in Mission Bay. Three projects will be located in Hunters Point Shipyard. Two projects will be located in Candlestick Point. These bonds will be issued under authority granted OCII by California Health and Safety Code Section 34177.7(a). The bonds may be issued as a single series of approximately $113 million or as two series of approximately $23 million and $90 million.

C. <u>Taxable Tax Allocation Refunding Bonds</u>
Approximately $90 million in taxable refunding bonds to defease outstanding taxable tax allocation bonds issued prior to dissolution in order to fund low and moderate income housing. The final size of any refunding bond issuance will depend upon market conditions and the economics of each refunding under consideration. As per OCII's debt policy, and consistent with Dissolution Law, each refunding should achieve an approximate minimum of 3 percent in net present value savings of par for each refunded bond. Current refunding candidates include all a parts of the following series: 2006A, 2007A, 2009A, 2009E, 2010A,

2011A, and 2011E. The size of any refunding may increase or decrease depending on market conditions.

Solicitation Process

On February 25, 2016 OCII staff issued an RFP for bond and disclosure counsel services for the proposed bonds to the City and County of San Francisco's bond counsel panel. By the submission deadline of March 15, 2016, nine firms proposed to serve as disclosure counsel and seven firms proposed to serve as bond counsel. OCII convened an evaluation panel composed of Deputy Director and General Counsel James Morales, Project Manager Shane Hart, and Senior Financial Analyst John Daigle.

The panel unanimously recommends Jones Hall for bond counsel services because of its extensive successor agency experience, familiarity with SB107, knowledge and experience with the various the OCII credits, and reasonable pricing. None of the firms proposing to serve as Bond Counsel were certified as Small Business Enterprises ("SBEs").

In recommending disclosure counsel, in furtherance of OCII's SBE policy, the panel gave priority consideration to the two certified SBE proposers, The Law Offices of Alexis Chiu and Curls Bartling, P.C. Based on the firm's extensive pre-dissolution work with OCII, the panel recommends The Law Offices of Alexis Chiu as disclosure counsel for the Transbay Infrastructure Bonds. Based on the firm's work as disclosure counsel on successful issuances in 2014 and 2016, the panel recommends Curls Bartling, P.C. as disclosure counsel for the Housing Bonds and the Refunding Housing Bonds.

Scope of Services

Each Counsel will perform all work customary to the role of bond or disclosure counsel as described in the contract. Although the Housing Bonds will be issued prior to the Transbay Infrastructure Bonds, because issuances are being made under the authority of SB107, the credits are intricately linked. Therefore, the Scope of Services for The Law Offices of Alexis Chiu, the recommended disclosure counsel for the Transbay Bonds, will include participation in discussions regarding the credit structure for the Housing Bonds, which be paid on an hourly basis.

Contract Costs

The work performed under these contracts will be paid solely from bond proceeds and payment will be contingent upon the issuance of bonds. This fee structure is detailed in Attachment A to each contract. Contingency amounts are included in each contract to allow flexibility in response to changing circumstances, such as the need to increase the size of bond issuance in response to an expansion of a construction project or to take advantage of lower interest rates allowing the economical refunding of additional bonds.

a. **Jones Hall:** Compensation for bond counsel services breaks down as follows: $45,000 for services related to up to $23 million Housing Bonds, $65,000 services related to up to $37 million in Transbay Infrastructure Bonds, $55,000 services related to up to $90 million in Housing Refunding Bonds, expenses not to exceed $9,000 ($3,000 per bond each issuance), plus a $33,000 contingency amount; for a grand total not to exceed $207,000.

b. **Alexis Chiu:** Compensation for disclosure counsel breaks down as follows: $34,500 for services related to up to $37 million in Transbay Infrastructure Bonds, expenses not to exceed $2,500, hourly compensation at a rate of $425 per hour for up to $6,000 for participation in the in discussions regarding the credit structure for the Housing Bonds, plus a $7,000 contingency amount; for a grant total not to exceed $50,000.

c. **Curls Bartling:** Compensation for disclosure counsel breaks down as follows: $40,000 for services related to up to $23 million in Housing Bonds, $44,000 services related to $90 million of Housing Refunding Bonds, expenses not to exceed $ 1,000 ($500 per bond issuance) plus a $16,800 contingency amount; for a grant total not to exceed $101,800.

Enabling Law

The adoption of SB107 authorized OCII to issue bonds to provide funding for the construction of certain low and moderate income housing to satisfy obligations under specified agreements and to fund infrastructure construction in the Transbay Project area. California Health and Safety Code Section 34177.7(a)(1).

California Environmental Quality Act

Authorization of the contracts with Jones Hall, Alex Chiu and Curls Bartling is not a "project," as defined by the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Section 15378(b)(5), because the action will allow for the provision of specialized legal and special tax advisory services for OCII and will not independently result in a physical change in the environment, and, therefore, is not subject to environmental review under CEQA.

(Originated by John Daigle, Sr. Financial Analyst)

Tiffany Bohee
Executive Director