OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0082021-002

Agenda Item **No. 5 (b)**
Meeting of May 18, 2021

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Sally Oerth, Interim Executive Director

SUBJECT: Authorizing a Personal Services Contract with Goodwin Consulting Group, Inc., for a three-year term for Special Tax Consulting Services in an amount not to exceed $463,432 related to Community Facilities Districts administered by the Office of Community Investment and Infrastructure

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EXECUTIVE SUMMARY

Community Facilities Districts ("CFD"s) are special taxing districts formed under the Mello-Roos Community Facilities Act of 1982 ("Mello-Roos Act") to finance specified public facilities and services, and to borrow money (by issuing bonds or incurring other debt) to assist with financing these facilities. The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure or "OCII") administers seven Mello-Roos Community Facilities Districts (CFDs) in the South Beach / Rincon Point, Mission Bay North and South, and Hunters Point Shipyard Phase One and Two project areas.

Under the Mello-Roos Act, the Commission is the legislative body and creates the CFDs. OCII staff administers the CFDs. OCIIs administration of the CFDs is not subject to review by the Board of Supervisors, the Oversight Board, or the Department of Finance.

As administrator, OCII's responsibilities include oversight of all CFD activities including budgeting, accounting, monitoring on-going revenue and expenditures, management of bond portfolio and debt service payments, and compliance with a plethora of reporting requirements. To assist OCII in fulfilling these responsibilities, staff recommends that the Commission approve a contract with a special tax consultant to perform a subset of technical administrative activities including administering the special tax; ensuring compliance with annual continuing disclosure and reporting requirements; and, as needed, providing analytical support for bond issuances and property annexations into existing CFDs. OCII staff recommends procuring these services from Goodwin Consulting Group, Inc. ("Contractor" or "Goodwin") by selecting them from a City panel for Special Tax and

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Fiscal Consultant Services that was established in 2020 using the City's competitive selection process. OCII's use of a contractor from a City panel is allowed by OCII Purchasing Policy section IX, C, 5. Payments under this Contract will be provided from CFD special tax revenue.

STAFF RECOMMENDATION

OCII staff recommend authorizing a three-year personal services contract for Special Tax Consulting Services from Goodwin in an amount not to exceed $463,432 related to Community Facilities Districts administered by the Office of Community Investment and Infrastructure.

BACKGROUND

Community Facilities Districts
Community Facilities Districts ("CFD"s) are special taxing districts formed under the Mello-Roos Act. CFDs have the legal authority to levy and collect special taxes, to use that revenue to finance specified facilities and services, and to borrow money (by issuing bonds or incurring other debt) to assist with financing facilities. These tools are particularly suited for phased developments, or projects that will develop over a considerable period of time. CFDs help to amortize costs over a longer time period to reduce the upfront burden of development. Agencies can use debt financing and secure funding for improvements faster than with "pay-as-you-go" funding. Repayment of CFD debt is secured by special taxes on property tax bills. To form a CFD, the landowners need to petition for formation and obtain 2/3 approval with registered voters within the district boundaries.

OCII's CFDs
OCII administers seven CFDs as separate legal entities in the redevelopment project areas for Rincon Point/South Beach, Mission Bay North and South, Hunters Point Shipyard Phase One, and Candlestick Point-Hunters Point Phase Two. CFDs can be maintenance, infrastructure, or both. OCII administers the following CFDs:

1. **Maintenance CFDs:** CFD 5 Mission Bay (North and South) Maintenance District and CFD 8 Hunters Point Shipyard Phase One Maintenance are maintenance CFDs, which provide funds to operate, maintain, and repair open space parcels such as public parks and plazas in the District.

2. **Infrastructure CFDs:** CFD 4 Mission Bay North Public Improvements, CFD 6 Mission Bay South Public Improvements, and CFD 7 Hunters Point Shipyard Phase One Improvements are infrastructure CFDs, which provide funds to acquire and develop infrastructure such as streetscapes and sewers in the District.

3. **Infrastructure and Maintenance CFDs:** CFD 1 South Beach Improvements and Maintenance and CFD 9 Hunters Point Shipyard Phase Two / Candlestick Point Public Facilities and Services are infrastructure and maintenance CFDs.

Under the Mello-Roos Act, the Commission is the legislative body for the CFDs and OCII staff administers the CFDs. As such, the Commission's and OCII staff's administration of the CFDs are separate from their actions under Redevelopment Dissolution Law, and thus are not subject to review by the Board of Supervisors, the Oversight Board, or the Department of Finance.

As administrator, OCII's responsibilities include oversight of all CFD activities such as budgeting, accounting, monitoring on-going revenue and expenditures, managing the bond portfolio and debt service payments, and complying with a plethora of reporting requirements. OCII requires a special tax consultant to perform a subset of technical administrative activities including: administering the special tax; ensuring compliance with annual continuing disclosure and reporting requirements; and, as needed, providing analytical support for bond issuances and property annexations into existing CFDs.

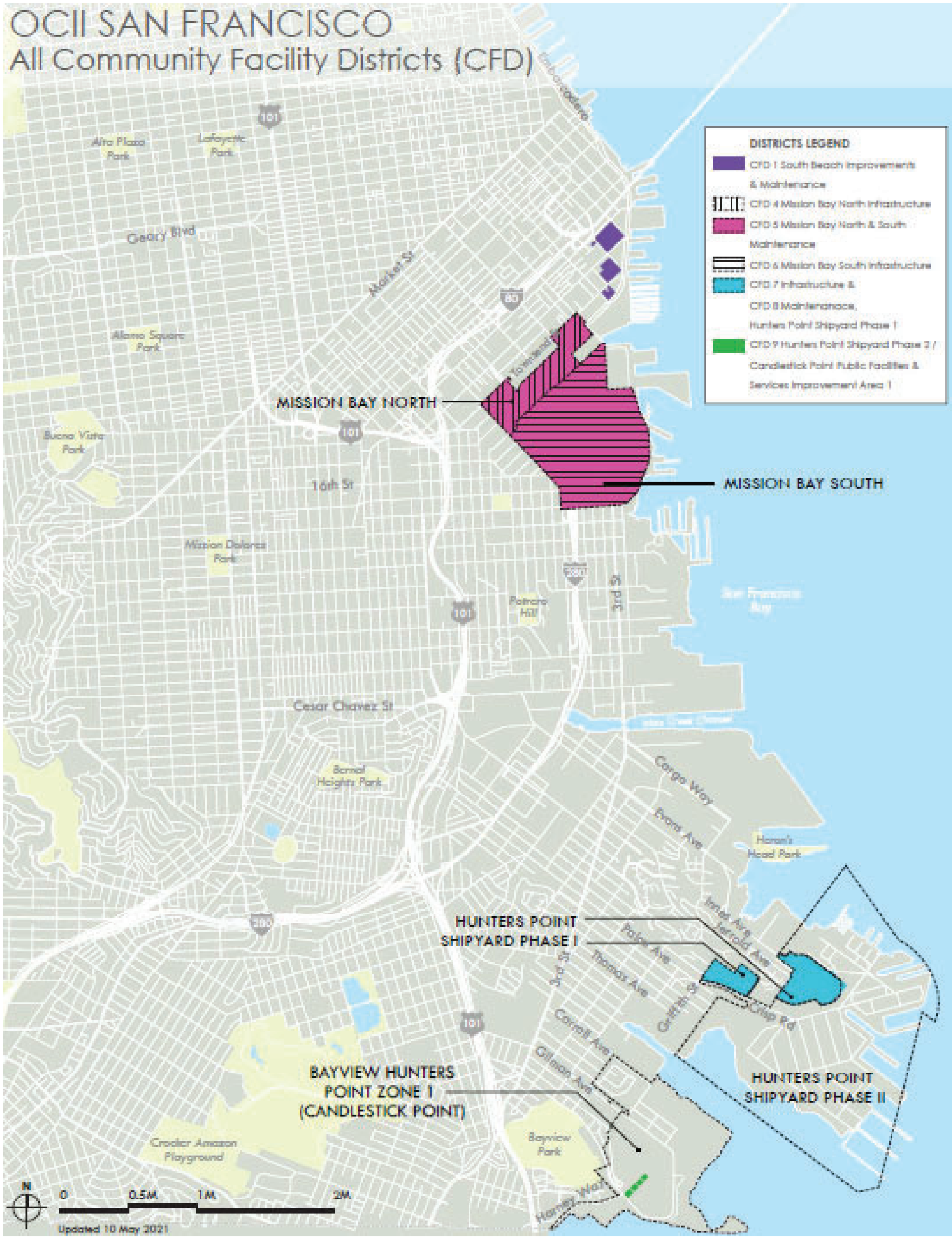
Table 1, OCII's Existing CFDs, provides more information on each CFD:

Table 1: OCII's Existing CFDs

CFD	Title	Formation Year	Infrastructure / Maintenance	Term	FY 20-21 Revenue (Millions)	Outstanding Debt (Millions)	Max Bond Authorization (Millions)
CFD 1	South Beach Improvements and Maintenance	1988	Infrastructure / Maintenance	Facilities – Ended; Services – No Sunset	$0.2	$0.0	$5.4
CFD 4	Mission Bay North Public Improvements	1999	Infrastructure	2032* (last debt service payment)	$0.1	$6.3	$40.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance	FY 2043-44	$2.7	N/A	N/A
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	$10.9	$119.8	$200.0
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	$2.5	$32.3	$65.0
CFD 8	Hunters Point Shipyard Phase One Maintenance	2008	Maintenance	No sunset	$1.2	N/A	N/A
CFD 9	Hunters Point Shipyard Phase 2 / Candlestick Point Public Facilities and Services	2018	Infrastructure / Maintenance	Facilities - NTE 75 years; Services - No Sunset	$0.4	$0.0	$202.0 (area 1); $6,000.0 all areas

** Per the Rate and Method of Apportionment document dated 11/5/99 for CFD 4, taxes shall be levied until "all outstanding Bonds have been paid in full or otherwise legally defeased" currently estimated to be 2032.*

Map of all Existing OCII CFD's



DISCUSSION

The proposed Professional Services Contract for Special Tax Consulting Services has a term of three years and will cover services related to administering the special tax, complying with reporting requirements, and as necessary, issuing bonds and annexing properties into OCII's seven existing CFDs.

Procurement Methodology

OCII is seeking to procure services from Goodwin, which is a firm that the City Controller's Office has included on a panel for Special Tax and Fiscal Consultant Services. Under Section IX. C. 5 of OCII's Purchasing Policy, OCII "may select a contractor from a City panel that was established using the City's competitive selection process, to the same extent that Agency staff may select a Contractor from an Agency panel authorized under this Purchasing Policy." In 2020, the San Francisco Controller's Office issued a Request for Qualifications ("RFQ") for Special Tax and Fiscal Consultant Services (CON RFQ2018-02A). At the conclusion of the process, Goodwin was the highest point scorer for the Special Tax Consultant Services portion of this RFQ.

In addition to being the highest scorer on the Controller's Office RFQ, Goodwin has served as Special Tax Consultant for the CFDs in OCII's portfolio since 2001. Additionally, Goodwin participated in the formation and administration of CFDs #1, #4, #5, #6, #7, #8 and #9. Through this work Goodwin has developed a deep understanding of the complexities of OCII's CFDs, including application of the special tax formula, land use and development tracking requirements, and annual reporting and continuing disclosure requirements. As such, Goodwin is best positioned to provide the special tax consulting services required by OCII.

Scope of Services

Goodwin will provide special tax consulting services related to OCII's seven CFDs. These services fall into four categories:

1. **CFD Special Tax Administration**: Annually, Goodwin will provide for special tax administration for OCII's seven existing CFDs. Goodwin will calculate and administer the annual special tax levy, report on delinquent special taxes, answer inquiries from various parties, coordinate foreclosure activities in the event of tax delinquency, calculate prepayments for applicable parties, ensure bond redemption administration is accurate and administer bond redemption. Additionally, Goodwin will provide background research related to maps and parcels, building permit tracking, classification of properties, expected land uses, and database management for each CFD, as needed.

2. **Reporting Requirements:** Annually, Goodwin will ensure compliance with CFD reporting requirements including preparing and providing Continuing Disclosure documents to appropriate parties, as required by the State of California and the U.S. Securities and Exchange Commission and preparing the CFD Tax Administration Report as required by Senate Bill 165.

3. **Bond Issuances**: As needed, for each series of bonds issued on behalf of a CFD, Goodwin shall inventory the parcels, acreage, and ownership to confirm the development status and to track changes in ownership and parcel configuration, create tables to disclose this information to potential bond holders in the Official Statement, prepare multiple iterations of CFD revenue projections to underwrite and size bond issues for the CFDs, review bond documents and provide general consulting services and information as needed related to debt issuance for CFDs.

4. **Property Annexations**: When properties propose to annex into a CFD, Goodwin will, as needed, prepare the Rate and Method of Apportionment, which is the document that will guide how the special taxes are levied and collected in each fiscal year, for the new improvement area. They will determine the maximum special tax revenue available, record an updated consolidated CFD boundary map, and record an Amended Notice of Special Tax Lien against parcels in the annexation area to place a special tax lien on the taxable parcels in the CFD. Goodwin will then produce the Rate Supplement for the Unanimous Consent Form prepared by bond counsel, which is the document signed by property owners to annex their parcels into the CFD. Finally, Goodwin will attend meetings with the working group related to annexation of the property.

Contract Costs

Compensation for the special tax consulting services will be paid from special tax revenue. The cost of the scope of services described above is expected not to exceed $463,432 and will be billed on a time and materials basis based on the hourly rates and fees described below.

Table 2: Hourly Services Rates

Goodwin Hourly Service Rates*	
Position	**Hourly Rate**
Managing Principal	$330 / Hour
Senior Principal	$320 / Hour
Principal	$285 / Hour
Vice President	$250 / Hour
Senior Associate	$225 / Hour
Associate	$210 / Hour
Analyst	$200 / Hour
Research Assistant	$90 / Hour
**Subject to annual escalation not to exceed 5% per year.*	

Projected expenditure by service type is described below in **Table 3**.

Table 3: Projected Expenditure, by Service Type

Expenditure	**Annual / As Needed**	**Amount**
CFD Special Tax Administration & Reporting Requirements	Annual	$285,932
Bond Issuance & Property Annexations	As Needed	$177,500
Total		**$463,432**

ENVIRONMENTAL REVIEW

Contracting for services related to CFD special tax administration, reporting requirements, issuance of bonds, or annexation of properties for existing CFDs 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)(5) as it is an administrative activity of government that will not independently result in a physical change in the environment, and as such, is not subject to environmental review under CEQA.

NEXT STEPS

Upon Commission authorization, OCII’s Executive Director will enter into a Personal Services Contract with the selected consultants for a three-year term.

(Originated by Melissa Whitehouse, CFD Project Manager)

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