MEMORANDUM

TO: Office of Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Authorizing a Personal Services Contract with Jones Hall, a Professional Law Corporation, for Bond Counsel Services in an amount not to exceed $122,500 related to the issuance of City and County of San Francisco Redevelopment Financing Authority Tax Allocation Refunding Revenue Bonds, Series 2014B and Taxable Tax Allocation Refunding Revenue Bonds, Series 2014C; and

Authorizing a Personal Services Contract with Curls Bartling, P.C., a Professional Law Corporation, for Disclosure Counsel Services in an amount not to exceed $60,000 related to the issuance of City and County of San Francisco Redevelopment Financing Authority Tax Allocation Refunding Revenue Bonds, Series 2014B and Taxable Tax Allocation Refunding Revenue Bonds, Series 2014C

EXECUTIVE SUMMARY

Under current market conditions, the opportunity exists to refund approximately eight outstanding tax allocation bonds, reducing the amount of RPTTF funding required for debt service in future years. Under current market conditions, the net present value of the savings is estimated at over $6 million.

OCII staff issued a Request for Proposals ("RFP") for bond counsel services for its proposed refunding bonds. Six firms responded to the invitation with respect to the OCII's bond issue. A panel was convened to consider the responses and, after an evaluation, selected Jones Hall for bond counsel and Curls Bartling P.C. for disclosure counsel.

Compensation for Jones Hall and Curls Bartling P.C. for bond and disclosure Counsel services will be paid from bond proceeds deposited, at the closing of the bond sale, into a Cost of Issuance account within the Trust set up under the Bond Indenture. The total amount of the contracts will depend upon the final sizing of the refunding bonds issued and upon the number outstanding bonds included in the refinancings. The contract with Jones Hall will not exceed a total of $122,500 but may be less depending on those determinants. The contract with Curls Bartling will not exceed $60,000.

Staff recommends authorization of a professional service contract with Jones Hall for bond counsel and Curls Bartling P.C. for disclosure counsel services effective through June 30, 2015 or until such time as the financing is complete for a total contract amount not to exceed $122,500 and $60,000, respectively.
DISCUSSION

Solicitation Process

On May 19, 2014 OCII staff issued an RFP for bond and disclosure counsel services for the proposed refunding bonds to all of the attorneys listed on the San Francisco City Attorney’s bond counsel panel. On the submission deadline of May 28, 2014, six firms had responded to the invitation with respect to OCII’s bond issue; of those six, three, Orrick, Hawkins and Jones Hall, proposed to serve as bond counsel and/or disclosure counsel. The other three firms: Schiff Hardin, Alexis S.M. Chiu, and Curls Bartling P.C. responded for disclosure counsel only. An evaluation panel was convened comprised of Deputy Director Leo Levenson, Interim General Counsel James Morales and Senior Financial Analyst John Daigle.

After due consideration the panel unanimously chose Jones Hall for bond counsel services because of its extensive successor agency experience, knowledge and experience with respect to the OCII complex credit, and attractive pricing. Hawkins proposed the lowest price but lacked successor agency experience. While Orrick had extensive successor agency experience, its pricing was substantially higher than that of Jones Hall. None of the three firms were certified as Small Business Enterprises (“SBE”s).

In its review of the disclosure counsel respondents, in furtherance of OCII’s policies regarding providing opportunities to SBEs, the panel gave priority consideration to the two certified SBEs, Alexis Chiu and Curls Bartling, P.C., and conducted follow-up phone interviews with each firm. Based on the RFP responses and the phone interviews, the panel determined that Curls Bartling was the only SBE firm meeting the experience requirements for disclosure counsel for this refunding effort, given that this is the first refunding to be carried out by OCII in the post-dissolution environment. Curls Bartling, P.C.’s relevant experience included serving as disclosure counsel for the Oakland Redevelopment Successor Agency in connection with its $103 million refunding, issued on October 2013. That refunding effort brought to light new disclosure issues of concern to rating agencies in the post-dissolution environment which will be relevant to OCII’s issuance as well. The other SBE respondent did not present any directly relevant post-dissolution experience in its response to the RFP or follow-up phone interview.

Scope of Services
Counsels will perform all work customary for the role of bond and disclosure counsels as described in the contract.

Contract Costs
The work performed under this contract will be paid solely from bond proceeds and payment will be contingent upon the issuance of bonds.

a. Jones Hall: Compensation for bond counsel will be paid dependent upon the size of the refinancing and the number of bonds refunded. The proposal includes six brackets with a fixed base fee for each. In addition $2,500 is added for each bond refunded. The purpose of the bracketed fee structure is to allow OCII to pay reduced fees should market conditions cause a substantial reduction in the size of the
refunding. As an example, if the currently expected eight outstanding bonds are all refunded for a total amount exceeding $100 million (the highest fee bracket), the fixed fee would be $95,000; in addition, the per-bond fee would be 8 X $2,500 or $20,000; and the not to exceed expenses would be an additional $2,500, for a total of $117,500. The not-to-exceed number of $122,500 is based on 10 refunded bonds and is meant to accommodate additional per-bond fee for two additional bonds, should market conditions permit their economic refunding.

b. Curls Bartling, P.C.: Compensation for disclosure counsel will be at a fixed rate of $49,500 plus expenses not to exceed $500, for a total not-to-exceed amount of $50,000.

Enabling Law
Redevelopment Dissolution Law grants Successor Agencies the authority to issue bonds, subject to review and approval by the Oversight Board and the Department of Finance, for the purpose of creating savings in the use of tax increment to service debt, to smooth debt service spikes, and to address certain other circumstances. California Health and Safety Code Section 34177.5(a)(1).

California Environmental Quality Act
Authorization of the contracts with Jones Hall and Curls Bartling are not “projects,” as defined by the California Environmental Quality Act (“CEQA”) in 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 change the physical conditions at the Hunters Point Shipyard, 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 Bonce
Executive Director

Attachment A: Personal Services Contract with Jones Hall
Attachment B: Personal Services Contract with Curls Bartling