OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-1082022-002

Agenda Item **No. 5(b)**
Meeting of November 1, 2022

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Authorizing a Personal Services Contract with Urban Analytics, LLC, a California Limited Liability Company for fiscal consultant services, in an amount not to exceed $84,000, related to the issuance of Successor Agency to the Redevelopment Agency of the City and County of San Francisco Tax Allocation Bonds to fund Transbay infrastructure improvements and refund Mission Bay South Subordinate Tax Allocation Bonds Series 2016D

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure ("OCII") plans to issue up to three tax allocation bonds in the next 18 months. In FY 22-23, OCII plans to issue one bond to finance infrastructure in Transbay. In FY 23-24, OCII plans to issue a bond to achieve cost savings by refunding Mission Bay South series 2016D. In FY 23-24, OCII may also issue an additional Transbay Infrastructure Bond.

The first step in the bond issuance process is to hire a financing team typically consisting of a financial advisor, bond counsel, disclosure counsel, and fiscal consultant ("Financing Team"). The fiscal consultant analyzes and presents information regarding the tax revenues allocable to the repayment of the bonds ("Fiscal Consultant Services").

On September 20, 2022, the Commission approved by Resolution Nos. 28 through 31, contracts for financial advisor, bond counsel, and disclosure counsel for the FY 22-23 Transbay Infrastructure Bonds and Mission Bay Refunding Bond. Staff now seeks approval for a personal services contract ("Contract") with Urban Analytics to serve as fiscal consultant for these bonds. The Contract's scope of service will also include fiscal consultant services for the FY 23-24 Transbay Infrastructure Bonds. In Spring 2023, staff will seek Commission approval for contracts for the balance of the financing team which will include the financial advisor, bond counsel, and disclosure counsel for the FY 23-24 Transbay Infrastructure Bonds to prepare for issuance in FY 23-24.

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Under Section IX.C.5 of OCII's Purchasing Policy, OCII can procure contractors from a City and County of San Francisco panel ("City Panel") established using the City's competitive selection process. On March 1, 2022, the City established, through a competitive process, a panel of qualified Special Tax and Fiscal Consultant Services consultants which remains in effect for two years. OCII staff reviewed all the firms listed in the City panel and determined that Urban Analytics, based on staff depth and qualifications, knowledge of OCII, transaction experience in a post-dissolution environment, and San Francisco local business enterprise ("LBE") and small business enterprise ("SBE") status, was the most qualified to provide Fiscal Consultant Services.

Staff recommends authorization of Contract with Urban Analytics for Fiscal Consultant Services in an amount not to exceed $84,000.

DISCUSSION

A discussion of the planned issuances, the necessary financing team, proposed contract, and issuance timeline follows.

Planned Issuances

OCII plans to issue three tax allocation bonds in the next 18 months, see below:

Mission Bay Refunding Bond

- *2016D Mission Bay Refunding Bond*. In FY 23-24, OCII plans to issue a refunding bond to achieve cost savings by refunding Mission Bay South 2016D ("Mission Bay Refunding Bond").

Transbay Infrastructure Bonds

- *22-23 Transbay Infrastructure Bond:* In FY 22-23, OCII plans to issue one $90 million-dollar bond to finance infrastructure in Transbay ("22-23 Transbay Infrastructure Bond"). Based on the assumption that construction for the a) Block 3 Park and b) Under Ramp Park would begin around the same time, OCII plans to fund both parks with the 22-23 Transbay Infrastructure Bond.
- *23-24Transbay Infrastructure Bond:* Should the construction schedule timeline for the Block 3 and Under Ramp Parks diverge, OCII may choose to issue two smaller Transbay Infrastructure Bonds instead of one large infrastructure bond. The two smaller bonds would be a $38 million-dollar 22-23 Transbay Infrastructure Bond to fund Block 3 Park and a $52 million-dollar FY 23-24 Transbay Infrastructure Bond to fund Under Ramp Park ("23-24Transbay Infrastructure Bond").

Issuance of tax allocation bonds requires approval of the Commission, the Oversight Board, and the California Department of Finance ("DOF").

Financing Team

Issuing bonds is a technical process that requires specialized knowledge. As such, to issue bonds, OCII must procure the services of a Financing Team with the appropriate knowledge and skills. The Financing Team's roles are summarized below:

1. *Financial Advisor*: Is a specialist in public finance and advises OCII on the structure of the deal, ensuring that OCII issues bonds at the least possible cost with the lowest possible risk.

2. *Bond Counsel:* Is responsible for drafting the bond documents, which are contracts between OCII, the investors, and the financial institutions involved in the bond issuance, ensuring the bond issuance is consistent with public finance and Dissolution Law, and providing legal opinions on those matters.

3. *Disclosure Counsel:* Is responsible for drafting the official statement, which is a summary of the terms of the bond issuance and presents investors with the relevant financial, project, and risk information.

4. *Fiscal Consultant*: Which is the Contract being authorized by this resolution, has specialized knowledge of the revenue base supporting the bonds and provides a revenue analysis that determines OCII's bonding capacity, which is the amount of bonds OCII has sufficient revenue to issue

The Commission approved personal and legal service contracts for financial advisor, bond counsel, and disclosure counsel for the 22-23 Transbay Infrastructure Bonds and Mission Bay Refunding Bond in September 2022. Staff now seek approval for a Contract with Urban Analytics to provide Fiscal Consultant Services for these bonds. For efficiency in contracting, the scope of service in the proposed Contract also includes Fiscal Consultant Services for the contemplated FY 23-24 Transbay Infrastructure Bonds, if issued. Should it be necessary, in Spring 2023, OCII will seek Commission approval for contracts for the remainder of the Financing Team for the FY 23-24 Transbay Infrastructure Bonds in preparation for issuance in FY 23-24.

Solicitation Process

As authorized by OCII's Purchasing Policy, OCII procured Urban Analytics from the City's Panel of qualified Special Tax and Fiscal Consultant Services contractors. In staff's opinion, Urban Analytics was the most qualified to provide Fiscal Consultant Services based on staff depth and qualifications, knowledge of OCII, transaction experience in a post-dissolution environment, and Urban Analytics' standing as a LBE and SBE.

Proposed Contract

Under the terms of the Contract, Urban Analytics would provide Fiscal Consulting Services for the FY 22-23 Transbay Infrastructure Bond, the Mission Bay Refunding Bond, and the FY 23-24 Transbay Infrastructure Bond, should it be issued. Fees for Fiscal Consultant Services are based on a flat fee of

$28,000 per bond issued and would be paid from the proceeds of the bond issuance. In cases where work is performed, but a bond is not issued, fees are based on the hourly rate listed in the Contract and would be paid from OCII operating funds. The total Urban Analytics Contract amount will not exceed $84,000 and the term will expire upon the issuance of the bonds.

Enabling Law

Section 34177.7(a)(1)(A) of the Health and Safety Code authorizes OCII to issue bonds to fund infrastructure required under the Transbay Redevelopment Project Implementation Agreement and the construction of affordable housing in Hunters Point Shipyard, Phase 2/Candlestick Point, Mission Bay North, Mission Bay South and Transbay. Section 34177.5(a)(1) of the Health and Safety Code authorizes successor agencies to refund pre-existing debt to provide savings in the use of property tax increment to service debt, subject to certain restrictions.

California Environmental Quality Act

The Commission's authorization of the Contract with Urban Analytics is not defined as a "project" pursuant to California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(5), because it is an approval of an administrative activity of government that will not result in direct or indirect physical changes in the environment and, therefore, is not subject to environmental review under CEQA.

Next Steps

Next steps are as follows:

- **January 2023** - Staff will bring the FY 22-23 Transbay Infrastructure Bonds and Mission Bay Refunding Bonds to the Commission and the Oversight Board.

- **February 2023** - Subject to DOF approval, OCII will place the Mission Bay Refunding Bonds on the FY 23-24 ROPS. Timing of the refunding will depend on market conditions.

- **Spring 2023** - OCII will prepare bond documents for the FY 22-23 Transbay Bonds, including the preliminary official statement, for Commission for approval. This action will authorize staff to proceed with the bond issuance. It is expected that the bonds will be sold and funds will be available in Spring 2023.

(Originated by John Daigle, Debt Manager)

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