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COP’s and Robberies (Bond Measures)

by Patrick Monette-Shaw

Four “Finger Wings”: LHH’s old “K,” “L,” “M,” and “O” finger wings should have been abated of hazardous materials and asbestos; then demolished before 2010. Now, they’re being remodeled as offices for 480 additional employees, at a cost of $136.54 million.

No, this article isn’t about the uptick in a variety of crime increases and robberies facing the City and West Side residents. And COP’s in this article title doesn’t refer to police officers.

Instead, the acronym refers to another funding mechanism the City uses wantonly — *Certificates of Participation* (COP’s) — that don’t require voter approval but adds further principal and interest. Between general obligation bonds and COP’s, San Franciscans are essentially held hostage to what amounts to financial robberies.

There have been 16 general obligation bond measures since 2000. If this new bond passes, the 17 bonds will reach $6.2 billion in principal, plus an estimated $4.3 billion in interest, for a total of over $10.5 *billion* in bond debt service.

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Oversight of bond spending was assigned to the Citizens’ General Obligation Bond Oversight Committee (CGOBOC) when it first created in March 2002, requiring each City department sponsoring a given bond to present formal status reports to CGOBOC twice annually. The following year, a ballot measure passed creating a City Services Auditor program mandating CGOBOC review all auditor reports in an additional role as the *Citizens’ Audit Review Board*, increasing CGOBOC’s workload. CGOBOC also performs oversight of the City’s employee whistleblower program.

Once again, we’re faced with a San Francisco general obligation bond measure purporting to tackle three disparate issues. The November Prop. “A” bond proposes a hybrid $487.5 million bond for three distinct types of projects, under the claim CGOBOC will provide bond oversight. Tack on $472.5 million in interest projected by the City Controller. This bond will cost $960 million, just shy of $1 billion.

> **“We’re facing a hybrid $487.5 million general obligation bond measure purporting to tackle three disparate issues. Tack on $472.5 million in interest. The bond will cost just shy of $1 billion.”**

This hodgepodge bond includes $239 million (49 percent) for parks improvements, $41.5 million (8.5 percent) for street repaving and curb ramps, and $207 million (42.5 percent) for a vast spectrum of substance abuse, mental health, and homelessness “*facilities*.” *There oughta be a law* prohibiting “*ganging*” three disparate issues into a single bond measure!

As for parks, since March 2000 voters passed three parks bonds totalling $800.5 million in principal and interest. If this new bond passes, the $239 million parks portion will cost approximately $470 million in principal and interest, pushing park bonds to approximately $1.3 *billion*. Perhaps we have too many parks and playgrounds, given San Francisco’s dwindling population of children as their parents flee to lower-cost environs.

Since March 2000, voters passed two bonds for street repaving and improvements totalling 1.2 *billion* in principal and interest. If this new bond passes, the $41.5 million street repaving portion will add $81.7 million in principal and interest, pushing street repaving bonds to a total of $1.3 billion.

> **“This hodgepodge bond includes $239 million for parks, $41.5 million for street repaving, and $207 million for a vast spectrum of substance abuse, mental health, and homelessness ‘facilities’.”**

The $207 million for homeless facilities enumerates 11 distinct types of facilities, including permanent and transitional supportive housing, shelters (currently closed during the COVID pandemic), psychiatric skilled nursing, respite, detox and sobering, and board-and-care facilities, among others. The $207 million won’t go far spread so thinly across 11 facility types.

One problem is voters may be wary of more bond spending on the homeless, since the policy of the Mayor's Office of Housing is to dedicate up to 30% of new affordable housing units for the homeless. Up to $200 million of the November 2019 $600 million affordable housing bond will probably go towards the homeless.

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For all we know, the City may have suspected voter fatigue might well doom another standalone $200 million homeless housing bond so soon after the 2019 Bond, and may have deliberately "*ganged*" the street resurfacing and parks projects onto the November 2020 Prop. A bond to avoid voter fatigue killing another homelessness bond. So, the parks and street repairs may have been tacked on to sweeten moods of voters.

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Despite its massive workload, CGOBOC changed its processes in late 2019: Beginning in 2020, it now meets only five times annually, and sponsoring Departments present just one formal written status report on their bonds annually. A CGOBOC member assigned as liaison to a bond's sponsoring Department is supposed to make an informal update halfway through each year. As an aside, CGOBOC's liaison to the Mayor's Office of Housing and Community Development (MOHCD) on the 2015 and 2019 Affordable Housing Bonds — Jane Natoli — did not prepare an informal update for CGOBOC's May 19, 2020 meeting, which reasonable people expected she would have prepared and submitted remotely, even though that meeting was cancelled due to COVID.

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Problem is, CGOBOC has held only one meeting in 2020, on January 27. Then COVID detonated. Unfortunately, CGOBOC never figured out holding remote meetings accessible to the public. CGOBOC hasn't held meetings since January, and as of September 1 hadn't developed a meeting schedule for the remainder of the fiscal year. As if public transparency regarding bond spending is no longer required.

"On September 21 CGOBOC finally got around to announcing its first remote meeting will finally be held on October 19. This new bond won't receive sufficient oversight from CGOBOC."

Only on September 21 did CGOBOC get around to announcing its first remote meeting will finally be held on October 19 (assuming, of course, that the meeting isn't cancelled again due a lack of quorum).

Of the $10.5 billion in principal and interest on the 17 bonds, over $1 billion involves Affordable Housing bonds. We've received no information about the spending of either the 2015 or 2019 Affordable Housing bonds since January. This new bond won't receive sufficient oversight from CGOBOC.

"The Public Health Department announced in 2018 it would issue $60 million in COP's to convert two of LHH's patient wings into office spaces to accommodate moving 480 DPH employees to LHH's campus."

Example of Bad COP's: Laguna Honda Hospital

As part of its exit strategy to vacate its seismically-unsafe headquarters building at 101 Grove Street adjacent to City Hall, the Department of Public Health announced in 2018 that it would issue $60 million in COP's to convert two of LHH's old patient wings into office spaces to accommodate moving 480 DPH employees from the Civic Center area to LHH's campus, identifying the "O" and "M" patient "*finger wings*" at the rear of the old main hospital as the two buildings that would be renovated (which had previously been targeted for complete asbestos and hazard materials abatement before being completely demolished).

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Then, a City Controller's memorandum dated August 31, 2020 surfaced, showing the price tag of the COP's for the LHH office conversion project had jumped to at least $84 million. The increase from $60 million to $84 million across just two years for the same project represents a 40% change increase since 2018. The August 31 report said the project had been switched to the "K" and "M" finger wings.

"The August 31 report said the City switched the COP's to renovating the 'K' and 'M' wings, but structural engineering consultants informed the City that seismic renovation of the 'M' wing was somehow tied structurally to the 'O' wing. So, the City was forced to revert back in September to using the COP funding for renovating the initial 'M' and 'O' wings, as first envisioned."

A subsequent records request uncovered that during the past two years the City fretted that it would lose a potential new site for future additional development on the campus using the location of the "L" and "O" finger wings. Wanting to preserve the "O" wing for potential demolition for future development or other re-use, the City switched the COP's to renovating the "K" and "M" wings.

As designs progressed, structural engineering consultants informed the City that seismic renovation of the "M" wing was somehow tied structurally to the "O" wing. So, the City was forced to revert back in September to using the COP funding for renovating the initial "M" and "O" wings, as first envisioned. That delay tacked on $13 million, pushing costs from $60 million to $73 million.

"DPW's concerns tacked on an additional $11 million, pushing the budget needed COP funding to $84 million, plus about $52.4 million in interest payments. The total price tag will be $136.4 million, assuming there are no cost overruns."

During this two-year delay, Department of Public Works staff also realized the project could not simply replace *selective* windows — apparently included in the initial $60 million budget — but *all* windows would need to be replaced to meet the goal of a "*natural ventilation* "system. DPW also identified additional seismic upgrades are necessary, and full hazardous abatement is required, rather than localized abatement.

DPW's concerns tacked on an additional $11 million, pushing the budget for needed COP funding to $84 million. The pro-rata share apportionment of the larger COP *Exit Strategy* project will require approximately $52.4 million in interest payments, pushing the LHH renovation project portion to a total price tag of $136.4 million, assuming there no cost overruns.

"This a prime example of why COP-funded projects are so bad for San Franciscans, which should be funded by capital improvement funds from the General Fund."

Rather than spending $136.4 million to renovate the two 90-year-old buildings, wouldn't it make more prudent fiscal sense to demolish both of the two wings completely, and dedicate that $136.4 million toward new buildings that could last for another 90 years? This a prime example of why COP-funded projects are so bad for San Franciscans, which should be funded by capital improvement funds from the General Fund.

Vote "No" on Prop. A!

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