

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1
(Treasure Island)**

COMMUNITY FACILITIES DISTRICT REPORT

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CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1
(Treasure Island)

INTRODUCTION

The Board of Supervisors (the "Board of Supervisors") of the City and County of San Francisco (the "City") did, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello-Roos Act"), on December 6, 2016, adopt a resolution entitled "Resolution of intention to establish City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island), Improvement Area No.1 and a Future Annexation Area, and determining other matters in connection therewith" (the "Resolution of Intention"). In the Resolution of Intention, the Board of Supervisors expressly ordered the preparation of a written Community Facilities District Report (the "Report"), for the proposed (i) "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "CFD"), (ii) "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" ("Improvement Area No. 1") and (iii) "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (Future Annexation Area)" (the "Future Annexation Area").

The Resolution of Intention ordering the Report directed that the Report generally contain the following:

(a) A description of the public facilities (the "Facilities") and the public services (the "Services") by type which will be required to adequately meet the needs of the CFD, Improvement Area No. 1 and the Future Annexation Area.

(b) An estimate of the fair and reasonable cost of the Facilities including the cost of acquisition of lands, rights-of-way and easements, any physical facilities required in conjunction therewith and incidental expenses in connection therewith, including the costs of the proposed bond financing and all other related costs as provided in Section 53345.3 of the Mello-Roos Act.

(c) An estimate of the fair and reasonable cost of the Services and incidental expenses in connection therewith, and all other related costs.

For particulars, reference is made to the Resolution of Intention for the CFD, as previously approved and adopted by the Board of Supervisors.

NOW, THEREFORE, I, the Director of the Office of Public Finance, do hereby submit the following data:

A. DESCRIPTION OF FACILITIES AND SERVICES. A general description of the proposed Facilities and Services is as shown in Exhibit "A" attached hereto and hereby made a part hereof. The CFD, Improvement Area No. 1, and each improvement area created in connection with the annexation of territory in the Future Annexation Area to the CFD (each a "Future Improvement Area") are authorized to finance the Facilities and Services without limitation.

In general, the financing plan for the CFD, Improvement Area No. 1 and the Future Improvement Areas contemplates the following, although the plan is subject to change in the discretion of the City (subject to any written agreements on the subject that the City may enter from time to time):

Naval Station Treasure Island ("NSTI") is a former United States Navy base located in the City that consists of two islands connected by a causeway: (1) Treasure Island, and (2) an approximately 90-acre portion of Yerba Buena Island. Treasure Island Community Development, LLC ("Developer") and the Treasure Island Development Authority ("TIDA") previously entered into a Disposition and Development Agreement (Treasure Island/Yerba Buena Island), dated June 28, 2011 ("DDA"), including a Financing Plan (Treasure Island/Yerba Buena Island) ("Financing Plan"), which governs the disposition and development of a portion of NSTI ("Project Site") after the Navy's transfer of NSTI to TIDA. The DDA contemplates a project ("Project") under which TIDA acquires the Project Site from the Navy and conveys portions of the Project Site to Developer (or an affiliate of Developer) for the purposes of: (i) alleviating blight in the Project Site through development of certain improvements; (ii) geotechnically stabilizing the Project Site; (iii) constructing public infrastructure to support the Project and other proposed uses on NSTI; (iv) constructing and improving certain public parks and open spaces; (v) abatement of certain existing hazardous substances; and (vi) selling and ground leasing lots to vertical developers who will construct residential units and commercial and public facilities.

In general, the Facilities to be funded are those described above and in the Financing Plan that are eligible to be funded under the Mello-Roos Act. In addition, the City anticipates that future improvements will be necessary to ensure that the shoreline, public facilities, and public access improvements will be protected should sea level rise at the perimeter of the Project Site, and the City desires to provide a mechanism to issue or incur bonds and/or other debt to pay for such improvements, to pay directly for such improvements and/or establish a capital reserve fund to finance such improvements. These improvements and costs are also included as Facilities to be financed by the CFD.

The Services to be financed by the CFD generally consist of the costs of operating and maintaining improvements constructed pursuant to the Parks and Open Space Plan within the Project Site, as well as operating and maintaining TIDA owned structures and facilities within the Project Site.

B. PROPOSED BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT.

The proposed boundaries of the CFD and Improvement Area No. 1 are those properties and parcels in which special taxes may be levied to pay for the costs and expenses of the Facilities. The proposed boundaries of the CFD and Improvement Area No. 1 are described on the map of the CFD on file with the Clerk of the Board of Supervisors, to which reference is hereby made.

Parcels within the Future Annexation Area shall be annexed to the CFD only with the unanimous approval of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, and in accordance with the annexation approval procedures set forth in the Resolution of Intention. The proposed boundaries of the Future Annexation Area are also described on the map of the CFD on file with the Clerk of the Board of Supervisors, to which reference is hereby made.

C. **COST ESTIMATE.** The cost estimate for the Facilities and the Services and incidental expenses for the CFD is set forth in Exhibit "B" attached hereto and hereby made a part hereof.

Dated as of January 19, 2017

By: 

Director of the Office of Public Finance,
City and County of San Francisco

EXHIBIT A

City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)

DESCRIPTION OF FACILITIES AND SERVICES TO BE FINANCED BY THE CFD AND EACH IMPROVEMENT AREA THEREIN

FACILITIES

It is intended that the CFD, Improvement Area No. 1, and each Future Improvement Area will be authorized to finance all or a portion of the costs of the acquisition, construction and improvement of any of the following types of facilities:

- A. Facilities Acquired from Third Parties
 - 1. Acquisition - includes acquisition of land for public improvements.
 - 2. Abatement - includes abatement of hazardous materials and disposal of waste.
 - 3. Demolition - removal of below-grade, at-grade, and above-grade facilities, and recycling or disposal of waste.
 - 4. Supplemental Fire Water Supply System - including, but not limited to, main pipe, laterals, valves, fire hydrants, cathodic protection, manifolds, air-gap back flow preventer, wharf fire hydrants, portable water pumper, and tie-ins for onsite water supply network that is unique to San Francisco intended for fire suppression.
 - 5. Low Pressure Water - including, but not limited to, main pipe, pressure reducing stations, laterals, water meters, water meter boxes, back flow preventers, gate valves, air valves, blowoffs, fire hydrants, cathodic protection, and tie-ins for onsite and offsite low pressure water supply network intended for domestic use.

6. Water Tank Facilities – including, but not limited to, storage tanks, pumps, and other facilities associated with water storage.
7. Recycled Water - including, but not limited to, main pipe, laterals, water meters, water meter boxes, back flow preventers, gate valves, air valves, blowoffs, cathodic protection, and tie-ins for recycled water supply network intended to provide treated wastewater for use in irrigation of parks and landscaping as well as graywater uses within buildings.
8. Storm Drainage System – including, but not limited to, main pipe, laterals, manholes, catch basins, air vents, stormwater treatment facilities, connections to existing systems, headwalls, outfalls, and lift stations for a network intended to convey onsite and offsite separated storm water.
9. Separated Sanitary Sewer – including, but not limited to, main pipe, laterals, manholes, traps, air vents, connections to existing systems, force main pipe and associated valves and cleanouts, and pump and lift stations for a network intended to convey separated sanitary sewage.
10. Joint Trench – including, but not limited to, the electrical substation, installation of primary and secondary conduits, overhead poles, pull boxes, vaults, subsurface enclosures, and anodes, for dry utilities including but not limited to electrical and information systems.
11. Earthwork – including, but not limited to, importation of clean fill materials, clearing and grubbing, slope stabilization, ground improvement, installation of geogrid, surcharging, wick drains, excavation, rock fragmentation, placement of fill, compaction, grading, erosion control, deep vibratory soil compaction, cement deep soil mix (CDSM) columns and panels, stone columns, and post-construction stabilization such as hydroseeding.
12. Retaining Walls – including, but not limited to, excavation, foundations, construction of retaining walls, subdrainage, and backfilling.

13. Highway Ramps, Roadways, Pathways, Curb, and Gutter – including, but not limited to, road subgrade preparation, aggregate base, concrete roadway base, asphalt wearing surface, concrete curb, concrete gutter, medians, colored asphalt and concrete, speed tables, class 1 and 2 bike facilities (e.g., cycle tracks), sawcutting, grinding, conform paving, resurfacing, for onsite and offsite roadways.
14. Traffic – including, but not limited to, transit stops, transit facilities, transit buses and ferries, bridge structures, permanent pavement marking and striping, traffic control signage, traffic light signals, pedestrian traffic lighting, and contributions for offsite traffic improvements.
15. Streetscape – including, but not limited to, subgrade preparation, aggregate base, sidewalks, pavers, ADA curb ramps with detectable tiles, streetlights, light pole foundations, landscaping, irrigation, street furniture, waste receptacles, newspaper stands, and public art.
16. Shoreline Improvements – including, but not limited to, demolition, excavation, installation of revetment, structural improvements of shoreline and revetment, and structural repair for replacement or retrofit of shoreline structures.
17. Parks – including, but not limited to, ground improvement, subgrade preparation, landscaping and trees, aggregate base, sidewalks, pavers, decomposed granite, lighting, irrigation, furniture, decks, fountains, and restrooms.
18. Ferry Terminal – including, but not limited to, foundations, ferry shelter building, signs, electronic toll collection system, breakwaters, pier, gangway, float, restroom, bike storage
19. Hazardous Soil Removal – removal and disposal of contaminated soil.
20. Community Facilities – including, but not limited to, costs of police station, fire station, community center spaces for uses including reading room/library,

senior/adult services, teen/youth center, outdoor performance and gathering spaces, community gardens, public school, childcare centers, public recreational facilities including ballfields, playing fields and sports centers, and publicly-owned parking garages.

21. Any other amounts specifically identified in the DDA as a Qualified Project Cost.

22. Hard Costs, Soft Costs and Pre-Development Costs, as defined in the Conveyance Agreement, associated with the design, procurement, development and construction of all Facilities listed herein.

B. Authorized Payments

1. Contribution to the City and other public agencies for costs related to open space improvements, transportation and transit facilities, and design and construction of ramps and access roads.

C. Facilities Constructed by the City or TIDA

1. Sea Level Rise Adaptations – including, but not limited to, demolition, excavation, and installation of revetment; structural improvements of shoreline and revetment; construction, improvement or relocation of shoreline structures, seawalls, stormwater pump stations and outfalls; earthwork, grading and landscaping; and the development of intertidal zones or wetlands.

2. Facility Capital Improvements – upgrade, reconstruction, or replacement of publicly-owned assets on Treasure Island and Yerba Buena Island, including, but not limited to, buildings, hangars, school facilities, living quarters, parks, improvements for sea-level rise, piers, and the Acquisition Facilities described in Section A of this Exhibit A.

NOTE: The categories of facilities labeled “Facilities Acquired from Third Parties” and

“Facilities Constructed by the City or TIDA” reflect current assumptions of the City and TIDA. The CFD shall be authorized to finance the listed facilities whether they are acquired from third parties or constructed by the City or TIDA.

SERVICES

Special taxes collected in the CFD, Improvement Area No. 1, and each Future Improvement Area will finance, in whole or in part, the following services (“services” shall have the meaning given that term in the Mello-Roos Community Facilities Act of 1982):

- The costs of operating and maintaining Improvements constructed pursuant to the Parks and Open Space Plan within the Project Site, including installing landscaping, all personnel or third-party maintenance costs, costs of maintaining irrigation systems and other equipment directly related to maintenance, maintenance or replacement as needed of landscape areas, water features, bathrooms, trash receptacles, park benches, planting containers, picnic tables, and other equipment or fixtures installed in areas to be maintained, insurance costs, and any other related overhead costs, along with TIDA personnel, administrative, and overhead costs related to maintenance or to contracting for and managing third-party maintenance. The terms used in this paragraph have the meaning given them in the Financing Plan.
- Operating and maintaining TIDA owned structures and facilities within the Project Site, including but not limited to Building 1, Hangers 2 & 3, Pier 1, the Historic Officers' Quarters, Quarters 10 & 62, the Torpedo Building, Chapel, gymnasium, roadways, paths and walkways. Costs include but are not limited to all personnel or third-party maintenance costs, costs of maintaining systems and other equipment directly related to maintenance, as needed, of building systems, roofs, building envelope, and interiors, insurance costs, and any other related overhead costs, along with TIDA personnel, administrative, and overhead costs related to maintenance or to contracting for and managing third-party maintenance. The terms used in this paragraph have the meaning given them in the Financing Plan.

OTHER

The CFD, Improvement Area No. 1, and each Future Improvement Area may also finance any of the following:

1. Bond related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.

2. Administrative fees of the City and the bond trustee or fiscal agent related to the CFD, Improvement Area No. 1, and each Future Improvement Area and the Bonds.

3. Reimbursement of costs related to the formation of the CFD, Improvement Area No. 1, and each Future Improvement Area advanced by the City, the landowner(s) in the CFD, Improvement Area No. 1, and each Future Improvement Area, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the CFD, Improvement Area No. 1, and each Future Improvement Area or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the CFD, Improvement Area No. 1, and each Future Improvement Area.

4. Funding a capital reserve fund to finance the Facilities described in this Exhibit A.

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2016-1
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COST ESTIMATE

FACILITIES

The following is a summary of the total estimated costs of acquisition and construction of the Facilities, including related incidental expenses.

<u>Type of Facility</u>	<u>Estimated Cost (in Millions)</u>
Acquisition	65.2
Abatement	108.8
Demolition	98.1
Supplemental Fire Water Supply System	15.0
Low Pressure Water	49.8
Water Tank Facilities	40.2
Recycled Water	24.3
Storm Drainage System	82.8
Separated Sanitary Sewer	84.8
Joint Trench	60.5
Earthwork	381.7
Retaining Walls	7.8
Highway Ramps, & Roadways	105.1
Traffic	26.3
Streetscape	51.5
Shoreline Improvements	19.9
Parks	202.1
Ferry Terminal	91.5
Other Hard & Soft Costs	31
Community Facilities	157.1
Historic Renovation	37.5
Authorized Payments & Subsidies	179.1
Sea Level Rise Adaptations	340.0
Facility Capital Improvements	250.0
Total	\$2,510.1

SERVICES

It is estimated that the cost of providing the Services to the territory in the CFD, Improvement Area No. 1 and the Future Annexation Area will be the following for Fiscal Year 2016-17, with the cost escalating annually thereafter.

<u>Services</u>	<u>Estimated Cost/Fiscal Year</u>
Total	<u>\$13,000,000</u>

OTHER

In addition to the acquisition and construction costs of the Facilities and the cost of providing the Services, the City will finance bond or other debt-issuance costs, capitalized interest, a debt service reserve fund and other costs associated with the sale of bonds or other debt and annual administration of the CFD.

The estimated bond or other debt issuance costs are approximately 5% of the principal amount of the bond or other debt.

The estimated costs of determining the amount of taxes, collecting special taxes, allocating special taxes, and other costs incurred in order to carry out the authorized purposes of the CFD is approximately \$100,000 per year (not including Project Management services, which will cost approximately 0.5-1% of construction costs).

The estimated costs of forming the CFD are approximately \$250,000.