



SAN FRANCISCO PLANNING DEPARTMENT

Transbay Transit Center Community Facilities (Mello-Roos) District

BOARD INTRODUCTION: JUNE 3, 2014

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

STAFF REPORT

The following staff report requests approval of (i) Resolution of Intention to Establish Community Facilities District -- City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "Resolution of Intention to Establish the Transbay CFD") and (ii) a Resolution to Incur Bonded and Other Indebtedness (the "Resolution of Intention to Incur Debt for the Transbay CFD") in connection with the funding of a portion of the public realm infrastructure for the Transbay Terminal and Transit Project as further described below.

BACKGROUND

Over the past decade, the City has engaged in several efforts to plan for future development and construction of public infrastructure for the area surrounding the Transbay Terminal/Transbay Transit Center, in conjunction with design and development of the new Transbay Transit Center and Downtown Rail Extension ("DTX") infrastructure projects.

The Transbay Redevelopment Project Area (the "Project Area") was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State of California (the "State-owned parcels") in order to generate funding for the Transbay Joint Powers Authority ("TJPA") to construct the new Transbay Transit Center (the "TTC"). The Transbay Redevelopment Project Area Implementation Agreement (the "Implementation Agreement") is an enforceable obligation that requires the Office of Community Investment and Infrastructure ("OCII"), as the Successor Agency (the "Successor Agency") to the former San Francisco Redevelopment Agency, to "prepare and sell [certain State-owned parcels that OCII is authorized to acquire] to third parties" and to "execute all activities related to the implementation of the Transbay Redevelopment Plan, including but not limited to, activities related to major infrastructure improvements." (Section 2.1 (a) of the Implementation Agreement at p. 4) On April 15, 2013, the California Department of Finance ("DOF") determined "finally and conclusively" that the Implementation Agreement, along with other Transbay-related documents, is an enforceable obligation that will not require additional DOF review in the future, although expenditures under the Implementation Agreement are subject to continuing DOF review.

For more information on the Transbay Redevelopment Area, see:
<http://www.sfdevelopment.org/index.aspx?page=54>

In 2012, the City adopted the Transit Center District Plan ("TCDP" or "Plan") after a multi-year public planning process. The TCDP is a comprehensive vision for shaping growth on the southern side of

downtown San Francisco to respond to and support the construction of the new Transbay Transit Center project, including the DTX. The Plan lays out policy recommendations to accommodate additional transit-oriented growth, sculpt the downtown skyline, improve streets and open spaces, and expand protection of historic resources. In addition, the Plan created the potential to generate significant revenue for public infrastructure, particularly the new Transit Center and the DTX.

For background on the Transit Center District Plan, see:
http://www.sf-planning.org/ftp/CDG/CDG_transit_center.htm

In adopting the TCDP, the Board of Supervisors authorized the formation of a Mello-Roos community facilities district (a "CFD") within the TCDP boundary for new large developments to provide funding for the new Transbay Transit Center public improvements and other new public infrastructure necessary to support the growth and development of the neighborhood.

Since the adoption of the TCDP in August 2012, the City, in conjunction with the Transbay Joint Powers Authority ("TJPA"), has been working to develop the documents necessary to create a CFD for the area covered by the TCDP, and is now prepared to consider formation of "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "Transbay CFD"), including the proposed District Boundary Map, the Rate and Method of Apportionment of Special Tax ("RMA"), one or more joint community facilities agreements (each, a "JCFA") to govern the ownership and operation of public facilities financed by the Transbay CFD delivered by other local agency, and other formation documents described below.

As described below and shown in the District Boundary Map, certain properties will initially be included in the boundaries of the Transbay CFD and other properties will be included in a "Future Annexation Area" for the Transbay CFD. The purpose of establishing the Future Annexation Area is to establish a streamlined method for adding properties in the TCDP to the Transbay CFD when the properties receive entitlements for increased density (see discussion of Planning Code Section 424.8 below).

The proposed Transbay CFD as proposed herein is consistent with the TCDP and its Implementation Document.

SUMMARY OF ACTIONS AND TIMELINE

Formation of the Transbay CFD and authorization to levy special taxes and incur bonded and other indebtedness require a number of legislative hearings and actions by the Board of Supervisors and other bodies. Below is a summary of key required legislative actions and expected hearing dates.

June 3 rd , 2014	1) Introduction of 1 st Legislative Actions: <ul style="list-style-type: none"> - Resolution of Intention to Establish the Transbay CFD <ul style="list-style-type: none"> o Declare intent to levy Special Taxes o Call Public Hearing o Description of facilities to be financed by Transbay CFD o Introduce Rate and Method of Apportionment
-----------------------------	--

	<ul style="list-style-type: none"> ○ Preliminarily approve Boundary Map of Transbay CFD and Future Annexation Area ○ Approve forms of Joint Community Facilities Agreements (expected to be with TJPA and BART) - Resolution of Intention to Incur Debt for the Transbay CFD <ul style="list-style-type: none"> ○ Declare intent to incur bonded and other indebtedness to finance authorize facilities ○ Call public hearing
June 16 th , 2014	Capital Planning Committee Hearing
June 26 th , 2014	Board Committee Hearing on 1 st Legislative Action
July 8 th , 2014	<ol style="list-style-type: none"> 1) Full Board hearing to adopt 1st Legislative Action 2) Introduction of 2nd Legislative Action: <ul style="list-style-type: none"> - Resolution of Formation - Resolution of Necessity to Incur Bonded Indebtedness - Resolution Calling Special Election
July 30 th , 2014	Board Committee Hearing on 2 nd Legislative Action
September 2 nd , 2014	<ol style="list-style-type: none"> 1) Public "Protest" Hearings 2) Full Board Hearing to adopt 2nd Legislative Action
September 16 th , 2014	Introduction of 3 rd Legislative Action: <ul style="list-style-type: none"> - Resolution Confirming Election Results - Resolution Authorizing Issuance of Special Tax Bonds - Ordinance Ordering the Levy of Special Taxes - Ordinance of Supplemental Appropriation
Oct/Nov 2014	Board Committee Hearing on 3 rd Legislative Action
After December 2 nd , 2014	Property Owner Election (90 to 180 days after Adoption of Resolution of Formation – waiting period may be waived if all eligible voters agree)
December 9, 2014	Full Board hearing to adopt 3 rd Legislative Action (Resolutions)
December 16, 2014	Full Board hearing to adopt 3 rd Legislative Action (Ordinances)

In addition, the Joint Community Facilities Agreements with the TJPA and BART must be approved by the TJPA Board and BART Board, respectively. Hearings will be scheduled with those entities as well.

SUMMARY OF DRAFT DOCUMENTS (1ST LEGISLATIVE ACTION)

Resolution of Intention to Establish the Transbay CFD (Attachment A)

The Resolution of Intention to Establish the Transbay CFD is the first step in the formation of the Transbay CFD, and describes, among other things, the facilities that may be financed by the Transbay CFD (Exhibit A), the rate and method of apportionment of the special tax (Exhibit B) and the boundaries of the Transbay CFD, the boundaries of the Future Annexation Area (by attaching a Proposed Boundaries Map). The Resolution of Intention to Establish the Transbay CFD also approves forms of the JCFAs (described more completely below) with the TJPA and BART. The Resolution of Intention to Establish the Transbay CFD also calls for a public hearing.

Rate and Method of Apportionment (Exhibit B to the Resolution of Intention to Establish the Transbay CFD and Future Annexation Area)

The Rate and Method of Apportionment of Special Tax for the Transbay CFD ("RMA") describes the rate and method of levy of the new Transbay CFD special tax. The special tax would be calculated under the RMA on a per square foot basis by land use for office/hotel, retail, and residential uses, including separate rates for for-sale and rental residential uses. The rates were developed by the City's consultant, Goodwin Consulting Group, based on the criteria set forth in the TCDP Implementation Document. Stand-alone affordable housing projects (including associated retail space), below market-rate units in market-rate residential buildings, and child care square footage would be exempt from the new CFD tax.

The base maximum special tax rates for each land use are described in the attached RMA. In addition, the base maximum special tax rates would be subject to two escalation factors:

- 1) Each year, the base maximum special tax rates (which are the rates that would apply in the first year in which a parcel is a Taxable Parcel, as defined below) would be increased or decreased by application of the Annual Infrastructure Construction Cost Inflation Estimate approved by the City's Capital Planning Committee. The base maximum special tax rates could not be adjusted by more than 4% in either direction in any given year. A parcel is a Taxable Parcel under the RMA if a certificate of occupancy has been issued for the parcel and a written authorization to levy the special taxes on the parcel has been issued by the Director of the Office of Public Finance upon the recommendation of the Interagency Plan Implementation Committee ("IPIC") and Capital Planning Committee ("CPC").
- 2) In addition, the maximum special tax rates for a Taxable Parcel would increase by 2% in each year beginning in the second year in which the parcel is a Taxable Parcel.

As described in the TCDP Implementation Document, each property would be subject to the new CFD tax for *no more than 30 years* from the date the tax is first assessed on that property. On any given parcel, if net additional square footage is constructed at a later time, that net new square footage would be subject to the tax for no more than 30 years from the date it is completed; the original square footage would be subject only for the initial 30 year period, and that square footage would receive a 'Certificate of Exemption' from the special tax once the initial 30-year period is up. The CFD as a whole will expire after 75 years.

Boundary Map (Attachment B)

The proposed boundary map includes the parcels to be initially included in the Transbay CFD and the parcels to be included in the Future Annexation Area. Major new private development projects¹ within the TCDP boundary are required to join the CFD as part of their conditions of approval. Existing developments, projects approved before the City adopted the TCDP, and developments that fall below the thresholds in Planning Code Section 424.8 are not required to join the CFD. Projects in Zone One of

¹ Planning Code Section 424.8 requires participation in the Transbay CFD for any new development or building addition that would: (1) cause the development on the lot to exceed a floor area ratio of 9:1, or (2) create a structure that exceeds the height limit that was applicable to the subject lot prior to adoption of the TCDP.

the Transbay Redevelopment Project Area will also be required to join the CFD as part of their disposition and development agreements with OCII.

The parcels initially included in the Transbay CFD include all entitled parcels that have been required to join the CFD as part of their project entitlements, as well as all Zone One parcels in the Transbay Redevelopment Project Area under the ownership of OCII.

The Future Annexation Area includes all parcels within the TCDP boundary, inclusive of Zone One of the Transbay Redevelopment Project Area. Parcels are included in the Future Annexation Area to allow for a more efficient annexation process under the Mello-Roos Act. A parcel in the future annexation area will not be required to join the CFD until it is entitled for a project described in Planning Code Section 424.8 and the property owner approves annexation to the CFD.

Joint Community Facilities Agreement (Attachment C & D)

A Joint Community Facilities Agreement ("JCFA") allows the Transbay CFD to finance infrastructure facilities that will be owned and operated by a public agency other than the City. The City proposes to enter into a JCFA with the TJPA to allocate funds to help construct the DTX, which includes the train-related components of the Transbay Transit Center, and City Park. The City proposes to enter into a JCFA with BART to allocate funds to help construct capacity enhancements to the Embarcadero and Montgomery BART Stations (BART). The JCFA with the TJPA requires that 82.6% of all proceeds from the Transbay CFD be reserved for the TJPA projects, consistent with the allocation adopted in the TCDP Implementation Document and funding plan.

Resolution of Intention to Incur Bonded Indebtedness for the Transbay Transit Center CFD (Attachment E)

The Resolution of Intention to Incur *Bonded Indebtedness* for the Transbay Transit Center CFD is the first step in the authorization of bonded indebtedness and other debt for the Transbay CFD. This resolution establishes a not-to-exceed principal amount of \$1.4 billion in debt and calls for a public hearing:

REVENUE PROJECTIONS

Based on an estimate of residential and non-residential development in the CFD, including the Future Annexation Area, approximately \$85 million in special tax revenue could be generated on an annual basis at build-out. Based on current bond interest rates, this revenue will provide a bonding capacity of approximately \$1.2 billion, which would fund approximately \$990 million in public infrastructure to serve the Transit Center District.

Plan revenues will be administered by the Board of Supervisors based on recommendations by the CPC and IPIC. As noted above, 82.6% or approximately \$820 million of revenues will be dedicated to the TJPA projects, including the DTX (which includes the train-related components of the Transbay Transit Center) and City Park. The remaining 17.4% or \$170 million of revenues will contribute to improvements to streetscapes, transportation and open space described below and included in Exhibit A to this memorandum.

EXPENDITURE PLAN

The CFD revenue, in combination with other local, state, and federal funding, is expected to contribute to a roughly \$3 billion infrastructure program to improve the district's streets, open spaces, and transportation network to serve existing and future residents, workers, and visitors.

TJPA Projects

As noted above, 82.6% of revenues will be dedicated to the TJPA projects, including the DTX, which includes the train-related components of the Transbay Transit Center, and City Park. Phase I consists of the construction of the new Transbay Transit Center, including City Park, a 5.4-acre park on the roof of the Transit Center currently under construction. Phase II consists of the DTX, a 1.3-mile extension of the Caltrain tracks from the current terminus at 4th and King Streets, which includes the train components of the Transit Center.

Based on recent projections, CFD revenues will contribute approximately \$820 million to the Transbay Projects, including City Park and the DTX. Remaining funds for the DTX are expected to come from a variety of federal, state, and local sources.

Streetscape and Transportation

As noted above, portions of the 17.4% of the revenues will contribute to improvements to streetscape and transportation enhancements in the Transit Center District per the Transit Center District Streetscape Plan, currently under development. The improvements would include widened sidewalks to accommodate additional pedestrian travel from the new Transbay Transit Center on all major and minor streets in the district, expanded bicycle facilities and transit lanes to enhance circulation, as well as streetscape improvements including additional trees, landscaping, lighting and street furniture. A list of specific improvements is included in Exhibit A: Resolution of Intention to Establish the CFD and Future Annexation Area.

In addition to the TJPA transportation projects described above, eligible transportation improvements include the purchase of additional transit vehicles to serve the area, BART Station capacity enhancements at Embarcadero and Montgomery Stations, casual carpool waiting area improvements, and other projects as described in Exhibit A.

Additional funds for streetscape and transportation enhancements in the Transit Center District will come from development impact fees, tax increment financing (the latter within the Redevelopment Area only), and other sources. Together with the Transbay CFD, this funding is expected to fully fund the proposed streetscape expenditure program for the Transit Center District.

Open Space

As noted above, portions of the 17.4% of the revenues will contribute to improvements to new and enhanced open spaces in the Transit Center District and surrounding areas. In addition to City Park described above, Transbay CFD revenues are also eligible to help fund several other new open spaces in the Transit Center District, including the 2nd and Howard public plaza, Transbay Park, Mission Square,

and Under-Ramp Park, as well as open space improvements in adjacent neighborhoods including Chinatown and Downtown. A list of specific improvements is included in Attachment A.

Additional funds for these and other open spaces enhancements in the Transit Center District will come from development impact fees, tax increment financing (latter within the Redevelopment Area only), and other sources. Together with the Transbay CFD, this funding is expected to fully fund the proposed open space expenditure program for the district.

Based on recent projections, CFD proceeds will contribute approximately \$170 million to streetscape, transportation and open space improvements.

RECOMMENDATION

Staff recommends **approval** of (i) Resolution of Intention to Establish the Transbay Communities Facilities District and (ii) Resolution to Incur Bonded Indebtedness.

Please contact Adam Varat at the Planning Department at 415.558.6405 if you have any questions.

ATTACHMENTS

- Attachment A: Resolution of Intention to Establish the CFD and Future Annexation Area
 - Exhibit A: Description of Facilities to be Financed by Transbay CFD
 - Exhibit B: Rate and Method of Apportionment
- Attachment B: District Boundary Map of Proposed Transbay Transit Center Community Facilities District and Future Annexation Area
- Attachment C: Joint Community Facilities Agreement with TJPA
- Attachment D: Joint Community Facilities Agreement with BART
- Attachment E: Resolution to Incur Bonded Indebtedness