

File No. 110036

Committee Item No. 8

Board Item No. 9

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: February 2, 2011

Board of Supervisors Meeting

Date 2/8/11

Cmte Board

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OTHER

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| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Guidelines for the Establishment and Use of IFD</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>*Draft IFD Policies and Rincon Hill Pilot</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>*SF Redevelopment Agency Overview</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
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Completed by: Victor Young

Date: February 3, 2011

Completed by: _____

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Adoption of Guidelines for the Establishment and Use of Infrastructure Financing Districts]

2
3 **Resolution adopting guidelines for the establishment and use of Infrastructure**
4 **Financing Districts in the City and County of San Francisco.**

5
6 WHEREAS, Government Code Section 53395 et seq. (IFD Law) authorizes certain
7 public agencies, including the City and County of San Francisco, to establish an infrastructure
8 financing district (IFD) to finance purchase, construction, expansion, improvement, seismic
9 retrofit, or rehabilitation of real or other tangible property with an estimated useful life of 15
10 years or longer (and related planning and design work), and such facilities must have
11 communitywide significance and provide significant benefits to an area larger than the area of
12 the IFD; and

13 WHEREAS, The Board may from time to time consider the adoption of IFDs in
14 accordance with the IFD Law; and

15 WHEREAS, On October 19, 2010, the Board of Supervisors adopted its "Resolution of
16 Intention to Establish Infrastructure Financing District" (Original Resolution of Intention to
17 Establish IFD), as amended on January 4, 2011, stating its intention to form the "City and
18 County of San Francisco Infrastructure Financing District No. 1 (Rincon Hill Area)" as a pilot
19 IFD pursuant to the IFD Law; and

20 WHEREAS, A document setting forth proposed Policy Criteria Guidelines for the
21 Establishment and Use of Infrastructure Financing Districts (the "Guidelines") within the City
22 and County of San Francisco is on file with the Clerk of the Board of Supervisors in File
23 No. 110036, which is hereby declared to be a part of this Resolution as if set forth
24 fully herein; now, therefore, be it


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RESOLVED, That this Board of Supervisors hereby finds that the Guidelines will ensure that a rational and efficient process is established for the formation of IFDs and are hereby adopted by the Board of Supervisors; and, be it

FURTHER RESOLVED, That this Resolution and the Guidelines shall be effective from and after the date of adoption of this Resolution.

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: 
MARK D. BLAKE
Deputy City Attorney

DRAFT BOS Policy Guidelines - 01/31/11

Guiding the Use of Infrastructure Finance Districts in San Francisco

The guidelines are organized into two sets of criteria: (1) "Minimum Threshold Criteria" that must be satisfied for future IFDs to be formed by the Board of Supervisors (Board) and (2) "Strategic Criteria" that should be considered by the Board but are not preconditions to forming an IFD. The guidelines do not apply to any existing Redevelopment Area (state IFD law prohibits it) or to any property owned and/or managed by the Port of San Francisco.¹

These guidelines supplement existing state law limitations on the use of IFDs. Under state law, IFDs can finance the purchase, construction, expansion, improvement, seismic retrofit or rehabilitation of any real or other tangible property that qualifies as a "public facility" with an estimated useful life of 15 years or longer (and any administrative, planning and design work directly related to delivery of the public facility). Public facilities funded by an IFD do not need to be located within the boundaries of the IFD. In addition, public facilities funded by an IFD must have "communitywide significance" and provide benefits to an area larger than the area of the IFD. IFD law also states that the area of the IFD should be substantially undeveloped; that the creation of the IFD should not ordinarily lead to the removal of existing dwelling units; and that certain relocation requirements apply if any dwelling units are removed or destroyed in the course of private development or public works construction within the IFD area. Finally, IFD law requires the publication and circulation of an Infrastructure Financing Plan at least 60 days prior to any election to create an IFD. The Infrastructure Financing Plan must include a specific list of public facilities to be funded, precise enough to derive a reasonable estimated construction and maintenance budget.

Minimum Threshold Criteria:

- 1. Limit to areas that are rezoned as part of an Area Plan or Development Agreement and also adopted as a Priority Development Area (PDA).** PDAs are officially-designated infill development opportunity areas. To be eligible for designation by the Association of Bay Area Governments, an area must be near existing or planned fixed transit or comparable bus service, and be zoned for increased housing densities. PDA designations inform regional agencies, like the Metropolitan Transportation Commission, which areas within a jurisdiction are willing to accept regional growth. Accordingly, Planned PDAs are eligible for additional capital infrastructure funds, planning grants, and technical assistance. Linking creation of future IFDs to PDA areas will allow the City to leverage IFD increment to increase its chances of receiving matching regional, state or federal infrastructure or transportation grants.²

¹ The Port has over \$1B in deferred maintenance and plans to apply different IFD policies to assist in its capital repair and maintenance efforts, and IFD law contains provisions unique to land under Port jurisdiction. The Port plans to independently utilize state IFD law to finance capital improvements that address this need. Planned projects will preserve important historic resources and generate economic activity far in excess of the value of the IFD. The Port's proposed use of IFD law more closely resembles a traditional Redevelopment Tax Increment Finance (TIF) "pump-priming" strategy where increment revenues are used on the front-end to build infrastructure that will attract new private investment to create jobs, small business opportunities, serve as regional assets and attract visitors and residents to the waterfront. Accordingly, the Port's IFD policy would not necessarily be predicated on up-zonings that result in net fiscal benefits to the General Fund.

² One source of capital funding for Planned PDAs is through *Transportation 2035*, the regional transportation plan, which doubles funding to \$2.2 billion for the Metropolitan Transportation Commission's (MTC's) Transportation for Livable Communities Program. MTC recently approved expanding the program eligibility for the TLC program;

2. **Limit formation of IFDs to “IFD Study Areas” where rezoning is projected to result in a net fiscal benefit to the General Fund (GF) as determined by the Controller’s Office.** For purposes of this policy, an “IFD Study Area” is defined as all rezoned land within a 1/2-mile buffer surrounding any proposed IFD boundaries. To determine whether a rezoning will generate a net fiscal benefit, the Controller’s Office will calculate the GF revenue (less any new GF costs) expected to result from projected growth associated within (1) the larger rezoned area and (2) that portion of the rezoned area located within the IFD Study Area. The Controller will then subtract the GF revenues (less any GF costs) expected to result from the projected growth that could have occurred within (1) the larger rezoned area and (2) the IFD Study Area under the original zoning over the 30-year term of the proposed IFD. If the result within the IFD Study Area is greater than zero, there is a net fiscal benefit. Based on this formula, future IFDs will likely be limited to areas that receive substantial & quantifiable upzoning in the form of (1) net increases in height, bulk, and density that result in greater developable FAR than prior “baseline” zoning, (2) changes in permitted land uses that increase property values, or (3) permit streamlining that increases the certainty and speed of entitlements.
3. **Restrict the maximum cumulative increment available to no more than 50% of the total projected increment over the 30-year term of the IFD, and in no event allow an IFD’s cumulative share of increment to exceed the total projected net fiscal benefit generated within the IFD over its 30-year term.** This guarantees that any diversion of increment will always be less than the net fiscal benefit for the GF. This policy does not prohibit the “front-loading” of increment in the beginning years of an IFD to allow for bonding and the accelerated construction of public facilities. “Net fiscal benefit” is determined by estimating the change in GF revenue within IFD boundaries resulting from reasonable 30-year development projections less any GF costs associated with the corresponding increase in Service Population resulting from such growth projections and any proposed IFD increment diversion. Any remaining GF revenues are considered a “net fiscal benefit.”
4. **Limit to projects that address infrastructure deficiencies in the general area of the IFD.** Because the City has not developed universally-applied and objective citywide standards for assessing the sufficiency (or deficiency) of neighborhood-serving infrastructure, Board-adopted planning documents (like Area Plans) that qualitatively and/or quantitatively describe such deficiencies will suffice until new citywide standards are adopted at a later date. After the adoption of a new IFD policy, the Capital Planning Committee, in coordination with the Planning Department and the Area Plan Infrastructure Finance Committee, should develop and recommend Board approval of standards for assessing neighborhood infrastructure deficiencies in the following areas: (i) parks & open space improvements; (ii) “Better Streets” streetscape & pedestrian safety improvements; (iii) bicycle network improvements; (iv) transit-supportive improvements; and (v) publicly-owned community center and/or child-care facilities. These standards would prevent the use of IFD funds for public facilities that far exceed citywide norms for cost and quality. In areas with previously approved Area Plans that included public infrastructure commitments, these new criteria would be applied to help prioritize spending in direct collaboration with any existing Community Advisory Committees (CACs) or resident’s associations.
5. **Limit use of IFD monies to individual infrastructure projects with a long-term maintenance commitment.** Once an IFD is established, limit appropriations to

eligible program categories now include streetscapes, as well as non-transportation infrastructure improvements, transportation demand management, and density incentives.

infrastructure projects that have an identified source of funding for ongoing maintenance and operations. This commitment could be in the form of a General Fund appropriation or through public-private financing mechanisms, such as a Master HOA or a Community Benefit District agreeing to maintain a public park, or through formation of a supplemental property tax assessment district, like a Mello-Roos Community Facilities District.

6. **Require that all increment generated within future IFDs flows directly to the General Fund unless and until specifically appropriated by the Board for deposit into the Special Fund of the IFD.**

Strategic Criteria:

- **In general, limit IFDs to parcels without any occupied residential use.** The City may want to exclude parcels that contain existing occupied residential structures. This is because IFD law requires an actual voter-based election if there are 12 or more registered voters within the proposed boundaries of an IFD. If there are less than 12 registered voters, the law only requires a weighted vote of the property owners, which, in general, should reduce the complexity and time required for forming a district. On the other hand, there may be circumstances where a voter-based election may be both desirable and manageable.
- **Use IFDs strategically to leverage non-City resources.** As noted in Threshold Criteria #1 above, IFDs should be used as a tool to leverage additional regional, state and federal funds, thereby serving a purpose beyond earmarking General Fund resources for needed infrastructure. For example, IFDs may prove instrumental in securing matching federal or state dollars for transportation projects.
- **For future IFDs in newly rezoned areas, require that “best-practices” citizen participation procedures be put in place to help City agencies prioritize implementation of IFD-funded public facilities.** This could be achieved through establishing CACs or other official public stakeholder groups.
- **Develop an annual evaluation process, with specific quantitative and qualitative criteria for monitoring the performance of the Pilot IFD.**

Draft IFD Policies & Rincon Hill Pilot IFD

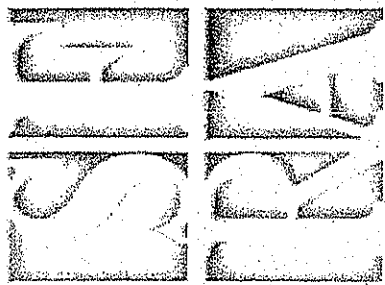
February 2, 2011

Presentation to Budget & Finance Committee



Office of Economic and Workforce Development

*C



San Francisco Redevelopment Agency

OVERVIEW



BDS-11
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Capital Planning Committee

Amy L. Brown, Acting City Administrator, Chair

MEMORANDUM

January 31, 2011

To: Supervisor David Chiu, Board President
From: Amy L. Brown, Acting City Administrator and Capital Planning Committee Chair *Amy L. Brown*
Copy: Members of the Board of Supervisors
Angela Calvillo, Clerk of the Board
Capital Planning Committee
Regarding: Recommendations of the Capital Planning Committee on the Rincon Hill Infrastructure Financing District (IFD) and Policy Guidelines for Establishing IFDs

In accordance with Section 3.21 of the Administrative Code, on January 31, 2011, the Capital Planning Committee (CPC) finalized its recommendations on the following items. The CPC's recommendations are set forth below as well as a record of the members present.

1. Board File Number 110036. Resolution adopting guidelines for the establishment and use of IFDs in the City and County of San Francisco.

Recommendation: The Committee recommends approval by the Board of Supervisors (the "Board") of this resolution if the policy guidelines and Infrastructure Financing Plan (IFP) are amended to include the General Fund default option as the method for allocating tax increment to the IFD.

Comments: The CPC recommends approval of this item by a vote of 9-0. The Committee recommends Committee members or representatives in favor include Amy Brown, Acting City Administrator; Dawn Kamalanathan, Recreation and Parks Department; Ed Harrington, General Manager San Francisco Public Utilities Commission; John Rahaim, Planning Director; Ed Reiskin, Director of Public Works; Ben Rosenfield, Controller; Judson True, Board President's Office; Cindy Nichol, San Francisco International Airport; and Greg Wagner, Mayor's Budget Director.

2. Board File Numbers 101557-101563

Ordinance and resolutions creating an IFD in Rincon Hill, adopting an IFP, calling for a special election for the IFD in Rincon Hill, and authorizing the issuance of bonds for the IFD in Rincon Hill.

Recommendation:

The Committee recommends approval by the Board of Supervisors of the legislation in Board File Numbers 101557-101563 (the "Legislation") if the Legislation complies with the policy guidelines identified in Board File Number 110036.

Comments:

The CPC recommends approval of these items by a vote of 9-0.

Committee members or representatives in favor include Amy Brown, Acting City Administrator; Ed Harrington, San Francisco Public Utilities Commission; Dawn Kamalanathan, Recreation and Parks Department; Cindy Nichol, San Francisco International Airport; John Rahaim, Planning Department; Ed Reiskin, Department of Public Works; Ben Rosenfield, Office of the Controller; Judson True, Board President's Office; and Greg Wagner, Mayor's Budget Office.