



# REPORT

## BALBOA RESERVOIR PROJECT

### FINDINGS OF FISCAL RESPONSIBILITY AND FEASIBILITY

Prepared for the City and County of San Francisco

Prepared by Berkson Associates

February 9, 2018



## TABLE OF CONTENTS

|   |    |
|---|----|
| EXECUTIVE SUMMARY.....  | 1  |
| 1. THE PROJECT & COSTS OF CONSTRUCTION.....                           | 5  |
| Construction Costs and Assessed Value                                 |    |
| 2. AVAILABLE FUNDING FOR THE PROJECT .....                            | 7  |
| Horizontal & Vertical Development of the Site                         |    |
| Funding of Affordable Housing   |    |
| Other Maintenance Funding   |    |
| 3. FISCAL ANALYSIS: INFRASTRUCTURE MAINTENANCE & PUBLIC SERVICES..... | 9  |
| Maintenance and Service Costs   |    |
| Public Revenues   |    |
| Development Impact Fees   |    |
| 4. DEBT LOAD TO BE CARRIED BY THE CITY AND THE SFPUC.....             | 17 |
| 5. BENEFITS TO THE CITY AND SFPUC.....                                | 17 |
| Fiscal Benefits   |    |
| Economic Benefits to the City   |    |
| Direct Financial Benefits to the City and SFPUC                       |    |
| New Public Facilities   |    |
| Other Benefits  |    |

### **Appendix A:** Fiscal Analysis



## FIGURES AND TABLES

|   |    |
|---|----|
| <b>Figure 1</b> Balboa Reservoir Project Areas .....                        | 2  |
| <b>Table 1</b> Summary of Construction Costs and Assessed Value .....       | 6  |
| <b>Table 2</b> Estimated Annual Net General Revenues and Expenditures ..... | 9  |
| <b>Table 3</b> Estimated One-Time Fees and Revenues .....                   | 10 |



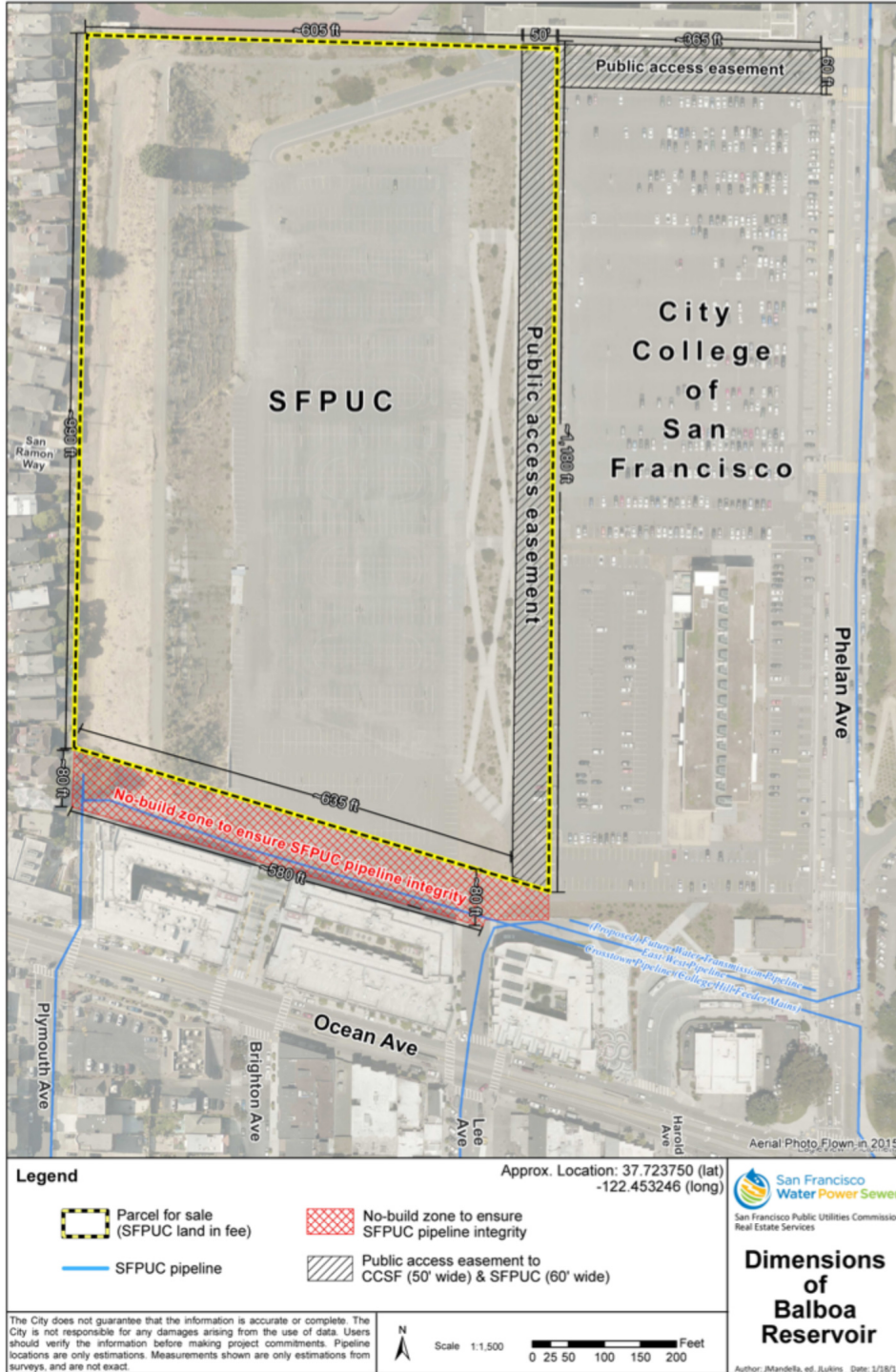
## EXECUTIVE SUMMARY

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors make findings of fiscal feasibility for certain development projects before the City's Planning Department may begin California Environmental Quality Act ("CEQA") review of those proposed projects. Chapter 29 requires consideration of five factors: (1) direct and indirect financial benefits of the project, including, to the extent applicable, cost savings and/or new revenues, including tax revenues generated by the proposed project; (2) the cost of construction; (3) available funding for the project; (4) the long term operating and maintenance cost of the project; and (5) debt load to be carried by the City department or agency.

This report provides information for the Board's consideration in evaluating the fiscal feasibility of a proposed development (the "Project") at the 17-acre Balboa Reservoir parcel shown in **Figure 1**. The City and County of San Francisco ("City"), under the jurisdiction of the San Francisco Public Utilities Commission ("SFPUC"), owns the parcel ("Site"). The City has entered into exclusive negotiations with a team of developers led by BRIDGE Housing Corporation and AvalonBay Communities (the "Development Team") to create a mixed-income housing project (the "Project") at the Site. The Development Team would purchase the Site and build a mix of apartments, condos and townhouses.

Up to half of the units will be affordable to a range of low, moderate, and middle-income households occupying apartments and the condo units. The first 33 percent of units will be affordable units funded by value created by the Project; the additional affordable units, or up to 17 percent of total units, will be funded by public sources that could potentially include tax credits and other state sources, project-generated sources, future bonds, or the proposed gross receipts tax increase. For the purpose of the current analysis, a scenario consisting of 1,100 units, consistent with the Development Team's initial proposal, is evaluated; it is anticipated that subsequent environmental analysis will consider a range of alternatives.

Figure 1 Balboa Reservoir Project Areas





All dollar amounts are expressed in terms of 2017 purchasing power, unless otherwise noted. Information and assumptions are based on data available as of February 2018. Actual numbers may change depending on Project implementation and future economic and fiscal conditions.

## FISCAL BENEFITS

The proposed Balboa Reservoir Project, if approved, will create approximately \$4 million in new, annual ongoing general tax revenues to the City. After deducting required baseline allocations, and preliminary estimates of direct service costs described in **Chapter 3**, the Project as proposed will generate about \$1.7 million annually to the City, in addition to about \$1 million in other dedicated and restricted revenues. The fiscal results are largely proportional to the number of units, assuming the mix of affordable units remains constant. A reduction in the number of units would reduce the magnitude of the potential benefits, but the net impact on the City General Fund would remain positive.

The Project will generate an additional \$400,000 annually to various other City funds (children's fund, libraries, open space), and \$600,000 annually to other restricted uses including SFMTA (parking taxes), public safety (sales taxes), and San Francisco Transportation Authority (sales taxes).

Additional one-time general revenues, including construction-related sales tax and construction gross receipts tax, total \$3.3 million.

Based on standard fee rates, development impact fees total an estimated \$23 million, although the City may agree to credit some of these fees back to the Project in consideration of public-serving improvements that the Project provides in kind. In addition, certain development fees, including childcare fees and bicycle facility in-lieu fees, could be offset by facilities constructed onsite, according to the City's standard impact fee policy. No affordable housing or jobs housing linkage fees are assumed due to the provision of affordable housing onsite.

The new general revenues will fund direct services needed by the Project, including police and fire/EMS services, and maintenance of roads dedicated to the City. Other services, including maintenance and security of parks and open space, will be funded directly by tenants of the Project. The estimated \$1.7 million in net City general revenues, after deducting service costs and Charter-mandated baseline allocations of general revenues, will be available to the City to fund improved or expanded Citywide infrastructure, services and affordable housing. **Chapter 3** further describes fiscal revenue and expenditure estimates.



## ECONOMIC BENEFITS

The Project will provide a range of direct and indirect economic benefits to the City. These benefits include a range of economic benefits such as new jobs, economic activity, and increased public and private expenditures as described in **Chapter 5** and summarized below:

- Over \$560 million of construction activity and approximately 2,800 construction-related job-years during development, in addition to indirect and induced jobs.
- Approximately 1,100 new residential units, including up to 550 permanently affordable units. This housing is critical to economic growth in San Francisco and the region.

The Project will also create a small number of permanent non-construction jobs onsite related to parking facilities, landscape maintenance, and various services associated with the residential units.

## DIRECT FINANCIAL BENEFITS TO THE SFPUC

The SFPUC, which has exclusive jurisdiction over the Site, will benefit financially from the sale of the Site. The land sale price will be negotiated to reflect the final development and public benefits program. The SFPUC may also realize increased revenues by providing power to the Project's residents.

## NEW PUBLIC FACILITIES

The Project will construct parks and open spaces available to the general public. The Project also includes a childcare center that will be accessible by the public as well as the Project's residents.

## OTHER BENEFITS

The Project may fall within the Ocean Avenue Community Benefits District (CBD), which assesses property owners to provide funding for a range of services within the neighborhood, including maintenance and cleaning of public rights of way, sidewalk operations and public safety, and District identity and streetscape improvements. Parcels within the CBD pay for and receive these services as participants in the CBD. The CBD's applicability and associated tax rate will be determined prior to project approvals.





# 1. THE PROJECT & COSTS OF CONSTRUCTION

The Project will be constructed in two phases with Site preparation and construction planned to begin as early as 2021, Phase 1 units leased and sold as early as 2023, and Phase 2 units leased and sold by 2025, according to current plans. The Project and its development costs total at least \$560 million, as described below. The Development Team will be responsible for planning, construction, marketing and operating the Project. The Development Team will reimburse the City for its costs incurred during the Project planning and environmental review process, including City staff costs. **Chapter 2** describes sources of funding to pay for development costs.

## PROJECT DESCRIPTION

The Balboa Reservoir Site is an approximately 17-acre parcel that the City owns under the SFPUC's jurisdiction. The Site is located in the central southern portion of San Francisco, bounded by City College of San Francisco's Ocean Campus to the east, Riordan High School to the north, the Westwood Park neighborhood to the west, and the Avalon Ocean Avenue apartments to the south.

Plans for the Site's development envision a mixed-income housing Project. The Development Team would purchase the Site and build a mix of apartments, condos and townhouses.

**Residential** – This fiscal analysis assumes a scenario consisting of 1,100 total residential units. This scenario is based on the Development Team's response to the SFPUC Request for Proposals; environmental analysis will evaluate a range of units that may differ from the scenario in this report, and the Project's final unit count may also differ accordingly.

**Affordable Housing** – The Project proposes 50 percent of total units to be affordable, including 18 percent affordable to low-income households,<sup>1</sup> and 15 percent affordable to moderate-income households<sup>2</sup>, for a subtotal of 33 percent affordable housing units. An additional 17 percent of units are proposed to be affordable to a combination of low, moderate, and middle-income households.

**Parking** – The fiscal analysis evaluates 1,010 parking spaces. Of the total spaces, 500 will be constructed in a parking garage and shared with the City College community.

---

<sup>1</sup> Low-income rents would not exceed 55% of Area Median Income (AMI), and low-income for-sale prices would not exceed 80% of AMI.

<sup>2</sup> Moderate-income rents and sales prices would not exceed 120% of AMI.





## CONSTRUCTION COSTS AND ASSESSED VALUE

**Table 1** summarizes development costs totaling at least \$560 million,<sup>3</sup> which will be phased through buildout by 2025 depending on future market conditions. Taxable assessed value is estimated based on development cost, with affordable rental housing exempted from property taxes if serving households who earn no more than 80% of AMI . These costs and values provide the basis for estimates of various fiscal tax revenues and economic impacts.

**Table 1 Summary of Construction Costs and Assessed Value**

| <b>Item</b>                             | <b>Development Cost</b> |
|---|-------------------------|
| <u>Residential Buildings (1)</u>        |                         |
| Townhouses (Market-rate)                | \$60,598,000            |
| Condos (Affordable)                     | \$15,360,000            |
| Apartments (Market-rate)                | \$169,412,000           |
| Apartments (Moderate)                   | \$87,818,000            |
| Apartments (Low-income)                 | <u>\$88,031,000</u>     |
| Subtotal, Residential Buildings         | \$421,219,000           |
| <u>Other</u>                            |                         |
| Parking - shared (500 spaces)           | \$13,830,000            |
| Infrastructure (2)                      | \$38,000,000            |
| Other Costs (3)                         | <u>\$86,787,000</u>     |
| <b>Total</b>                            | <b>\$559,836,000</b>    |
| <b>(less) Property Tax-Exempt</b>       |                         |
| Low-income Rental Units (up to 80% AMI) | <b>(\$88,031,000)</b>   |
| <b>Net Taxable Assessed Value</b>       | <b>\$471,805,000</b>    |

(1) Includes building hard costs, residential parking, and site development. Site acquisition and community benefits are to be negotiated and are not included.

(2) Master infrastructure includes utilities, roads, grading, parks and open space.

(3) "Other Costs" include soft costs (eg legal, design, finance, furnishings and fixtures).

Permits & Fees not included for purposes of A.V. estimates. 2/9/18

<sup>3</sup> Hard and soft development costs; land costs, community benefits and other mitigations are to be negotiated and are not estimated.

## 2. AVAILABLE FUNDING FOR THE PROJECT

As described in the prior chapter, development costs are anticipated to total \$560 million or more over the course of Project buildout. Several financing mechanisms and sources will assure funding of these costs and development of the Project.

### HORIZONTAL & VERTICAL DEVELOPMENT OF THE SITE

The Development Team will be responsible for funding all horizontal Site improvements, infrastructure and public facilities needed to serve the Project, and vertical building construction with the exception of a portion of the affordable housing, as described in the section that follows. In addition to Developer equity and private financing, Project-based sources of funding and/or reimbursement could include (but may not be not limited to) the following:

- **Net sales proceeds and lease revenues** -- Revenues generated by the Project will help to fund improvements and repay private sources of investment and debt.
- **Mello-Roos Community Facilities District (CFD)** -- Bond proceeds secured by CFD special taxes may help to fund infrastructure costs. CFD special taxes not required for CFD debt service may fund horizontal Site development costs on a “pay-as-you-go” basis.
- **State sources** – No direct City subsidy will be used to build the 33% of the Project’s total housing units that must be paid for by the Project. However, the Developer may access non-competitive state funding such as 4% tax credits and tax-exempt bonds

### FUNDING OF AFFORDABLE HOUSING

As described above, 33% of the Project’s total housing units will be affordable housing paid for by the Project, such as with Developer equity or revenues generated by the market-rate portion of the Project, or non-competitive state sources. This baseline 33% rate is based on Proposition K (2015), which set the expectation that housing on property sold by the City will have no less than this amount of affordable housing.

Up to an additional 17% of the Project’s total housing units will be affordable housing paid for with non-Project funds. The Development Team’s initial proposal estimated that a subsidy of approximately \$26 million would be required to provide approximately 187 additional affordable housing units, although this cost is subject to change as a result of changes in construction costs, availability of state funding, the low income housing tax credit market, and the Project’s unit count or affordable housing program.



Funding sources for this additional affordable housing could potentially include:

- **Gross Receipts Tax.** In June, 2018, San Francisco voters will consider a ballot measure that would raise funds for affordable housing by increasing the gross receipts tax rate for commercial space. If this measure is approved, the Project would be eligible to utilize a portion of the new affordable housing funds.
- **Project-Generated Sources.** As determined by fiscal feasibility analysis, the Project will generate net new General Fund revenue of approximately \$1.7 million. A portion of this revenue could be reinvested back into the Project; the mechanism for this reinvestment could be an infrastructure financing district, an affordable housing investment plan pursuant to AB 1598, or a direct transfer from the City.
- **State Sources.** The Project could apply for one of several funding sources administered at the state level, such as the California's Affordable Housing and Sustainable Communities program and certain low income housing tax credit programs.
- **Bond Revenue.** In November, 2018, California voters will consider a \$4 billion state affordable housing bond. In addition, local affordable housing bonds are likely to be proposed in San Francisco in upcoming years; most recently, in 2015, San Francisco voters approved a \$310 million affordable housing bond.

## OTHER MAINTENANCE FUNDING

In addition to the public tax revenues generated to fund public services and road maintenance, as described in the **Chapter 3** fiscal analysis, CFD special taxes (or HOA fees) will be paid by property owners to fund a range of public services including onsite parks and open space maintenance and operation.



### 3. FISCAL ANALYSIS: INFRASTRUCTURE MAINTENANCE & PUBLIC SERVICES

Development of the Project will create new public infrastructure including streets, parks and open space that will require ongoing maintenance. **Table 2** summarizes total annual general revenues created by the Project, and net revenues available after funding the Project's service costs. The fiscal results are largely proportional to the number of units, assuming the mix of affordable units remains constant. A reduction in the number of units would reduce the magnitude of the potential benefits and an increase in the number of units would increase their magnitude, but in either case the net impact on the City General Fund would remain positive.

**Table 2 Estimated Annual Net General Revenues and Expenditures**

| Item   | Annual Amount                  |
|--|--------------------------------|
| <b>Annual General Revenue</b>                        |                                |
| Property Taxes (1)                                   | \$2,682,000                    |
| Property Tax in Lieu of VLF                          | \$567,000                      |
| Property Transfer Tax                                | 391,000                        |
| Sales Tax  | 261,000                        |
| Parking Tax (City 20% share)                         | 95,000                         |
| Gross Receipts Tax                                   | <u>63,000</u>                  |
| <b>Subtotal, General Revenue</b>                     | <b>\$4,059,000</b>             |
| (less) 20% Charter Mandated Baseline                 | <u>(\$811,800)</u>             |
| <b>Revenues to General Fund above Baseline</b>       | <b>\$3,247,200</b>             |
| <b>Public Services Expenditures</b>                  |                                |
| Parks and Open Space                                 | <i>Project's taxes or fees</i> |
| Roads (maintenance, street cleaning)                 | 76,000                         |
| Police (2)   | 855,000                        |
| Fire (2)   | <u>607,000</u>                 |
| <b>Subtotal, Services</b>                            | <b>\$1,538,000</b>             |
| <b>NET Annual General Revenues</b>                   | <b>\$1,709,200</b>             |
| <hr/>  |                                |
| <b>Annual Other Dedicated and Restricted Revenue</b> |                                |
| Property Tax to Other SF Funds (1)                   | \$413,000                      |
| Parking Tax (MTA 80% share)                          | \$380,000                      |
| Public Safety Sales Tax                              | \$130,000                      |
| SF Cnty Transportation Auth'y Sales Tax              | <u>\$130,000</u>               |
| <b>Subtotal</b>                                      | <b>\$1,053,000</b>             |
| <b>TOTAL, Net General + Other SF Revenues</b>        | <b>\$2,762,200</b>             |
| <b>Other Revenues</b>                                |                                |
| Property Tax to State Education Rev. Fund (ERAF)     | <b>\$1,195,000</b>             |

(1) Property tax to General Fund at 57%. Other SF funds include the Childrens' Fund, Library Fund, and Open Space Acquisition.

(2) Police and Fire costs based on Citywide avg. cost per resident and per job.

2/9/18



As noted in the prior **Table 2**, certain service costs will be funded through special taxes or assessments paid by new development and managed by a master homeowners association (HOA). Other required public services, including additional police, fire and emergency medical services (EMS), as well as the maintenance of any new roads that are built by the Project and transferred to the City, will be funded by increased General Fund revenues from new development. MUNI/transportation services may also be affected and will be offset by a combination of service charges, local, regional and State funds.

**Table 3** summarizes development impact fees and other one-time revenues during construction. The impact fee revenue will be dedicated and legally required to fund infrastructure and facilities targeted by each respective fee. Credits may be provided against certain fees to the extent that the Project builds qualifying infrastructure and public facilities onsite, for example, bicycle parking and childcare facilities. The City may also agree to credit some of these fees back to the Project in consideration of public-serving improvements that the Project provides in kind. Certain impact fee revenues may be used Citywide to address needs created by new development. No affordable housing in-lieu fees or jobs housing linkage fees are assumed due to the Project providing affordable units equal to 50 percent of total units.

**Table 3 Estimated Impact Fees and One-Time Revenues**

| Item                                    | Total Amount        |
|---|---------------------|
| <b>City Development Impact Fees (1)</b> |                     |
| Balboa Park Community Infrastructure    | \$9,371,000         |
| Jobs Housing Linkage (2)                | na                  |
| Affordable Housing (3)                  | provided onsite     |
| Child Care (4)                          | \$2,308,000         |
| Bicycle Parking In-lieu                 | provided onsite     |
| Transportation Sustainability Fee       | <u>\$11,315,000</u> |
|   | <b>\$22,994,000</b> |
| <b>Other Fees</b>                       |                     |
| San Francisco Unified School District   | <b>\$3,957,000</b>  |
| <b>Other One-Time Revenues</b>          |                     |
| Construction Sales Tax (1% Gen'l Fund)  | \$1,419,000         |
| Gross Receipts Tax During Construction  | <u>\$1,892,000</u>  |
| Total: Other One-Time Revenues          | <b>\$3,311,000</b>  |

(1) Impact fee rates as of Jan. 1, 2018. Refer to Table A-3 for additional detail.  
 (2) Linkage fee (commercial uses only) assumed offset by Project's affordable housing.  
 (3) Affordable housing will be provided on site.  
 (4) Child Care impact fee may be waived in consideration for the Project's on-site childcare center.

2/9/18

## MAINTENANCE AND SERVICE COSTS

Actual costs will depend on the level of future service demands, and Citywide needs by City departments at the time of development and occupancy.

### **Public Open Space**

The Project will include at least 4.0 acres of public parks and open spaces. The parks consist of a large open space of approximately 2 acres, and at least 1.5 acres, along with “gateway” green spaces to serve as gathering places that unite the Site with the surrounding neighborhoods.

The Recreation and Parks Department (RPD) may express interest in assuming ownership and/or operations and maintenance responsibilities for the proposed large open space, subject to agreement between the Project developer and the City. The developer may engage in discussions with RPD about potentially entering into such an arrangement as part of the Development Agreement. However, absent such an arrangement, the Project will fund the parks and open spaces’ ongoing operating costs, including administration, maintenance, and utility costs using CFD services special taxes (or HOA fees) paid by property owners. A master homeowners association would be responsible for managing maintenance activities, as well as the programming of recreation activities not otherwise provided by the City. Specific service needs and costs will be determined based on the programming of the parks.

### **Police**

The Project Site is served by the SFPD’s Ingleside Station. The addition of the Project’s new residents would likely lead the Ingleside Police District to request additional staffing. Over the past several decades, the SFPD has kept staffing levels fairly constant and manages changing service needs within individual districts by re-allocating existing capacity. If needed to serve new residents associated with the Project, additional officers would most likely be reassigned from other SFPD districts and/or hired to fill vacancies created by retirements.<sup>4 5</sup> For purposes of this analysis, the Project’s police service cost is estimated using the City’s current per capita service rate.

### **Fire and EMS**

The San Francisco Fire Department (SFFD) deploys services from the closest station with available resources, supplemented by additional resources based on the nature of the call. SFFD

---

<sup>4</sup> Carolyn Welch, San Francisco Police Department, telephone interview, December 22, 2017.

<sup>5</sup> Jack Hart, San Francisco Police Department, telephone interview, January 3, 2017.

anticipates that it will require additional resources to serve the Site and its vicinity as that area's population grows, but it has not yet determined the anticipated costs.<sup>6</sup> The costs in this report have been estimated based on Citywide averages.

#### **SFMTA**

Using the City's Transportation Demand Management (TDM) Ordinance as a guide, the Project will include a TDM program that encourages the use of sustainable modes of transportation for residents and visitors. This approach will increase demand for and revenues to local public transit service, which includes the J, K, and M MUNI light rail lines and the 8, 29, 43, 49, and 88X bus lines. The Project will also be required to pay the Transportation Sustainability Fee and/or provide equivalent in-kind transportation benefits, as well as provide transportation mitigation measures required as a result of the environmental review process. Specific impacts on transit services, costs, and cost recovery will be studied and determined by the final development program, TDM plan, and environmental review findings.

#### **Department of Public Works (DPW)**

The Project will create new rights of way to provide access into and out of the Site and circulation within it. These improvements may be accepted by the City, provided that they are designed to standards approved by applicable City agencies, in which case DPW would be responsible for cleaning and maintaining them. Based on the anticipated type and intensity of these proposed rights of way, DPW is estimating annual maintenance costs<sup>7</sup>. For purposes of the current analysis, a Citywide average cost per mile of road provides an estimated cost.

The Project may also include some smaller roads and access points that would remain private, in which case the City would not be responsible for their ongoing operation and maintenance. Instead, special taxes paid by owners of Project buildings, for example as participants in a services CFD, could fund their maintenance. The services budget would be sized to pay for ongoing maintenance of facilities as well as periodic "life cycle" costs for repair and replacement of facilities.

---

<sup>6</sup> Olivia Scanlon, San Francisco Fire Department, telephone interview, February 8, 2018.

<sup>7</sup> Bruce Robertson, Department of Public Works, correspondence with City Project staff.





## PUBLIC REVENUES

New tax revenues from the Project will include ongoing annual revenues and one-time revenues, as summarized in the prior tables. The revenues represent direct, incremental benefits of the Project. These tax revenues will help fund public improvements and services within the Project and Citywide. The following sections describe key assumptions and methodologies employed to estimate each revenue.

### **Charter Mandated Baseline Requirements**

The City Charter requires that a certain share of various General Fund revenues be allocated to specific programs. An estimated 20 percent of revenue is shown deducted from General Fund discretionary revenues generated by the Project (in addition to the share of parking revenues dedicated to MTA, shown separately). While these baseline amounts are shown as a deduction, they represent an increase in revenue as a result of the Project to various City programs whose costs aren't necessarily directly affected by the Project, resulting in a benefit to these services.

### **Property Taxes**

Property tax at a rate of 1 percent of value will be collected from the land and improvements constructed by the Project.<sup>8</sup> The City receives up to \$0.65 in its General Fund and special fund allocations, of every property or possessory interest tax dollar collected. The State's Education Revenue Augmentation Fund (ERAF) receives \$0.25 of every property tax dollar collected.

The remaining \$0.10 of every property tax dollar collected, beyond the City's \$0.65 share and the \$0.25 State ERAF share, is distributed directly to other local taxing entities, including the San Francisco Unified School District, City College of San Francisco, the Bay Area Rapid Transit District and the San Francisco Bay Area Air Quality Management District. These distributions will continue and will increase as a result of the Project.

Upon the sale of a parcel, building, or individual unit constructed at the Project, the taxable value will be assessed at the new transaction price. The County Assessor will determine the assessed values; the estimates shown in this analysis are preliminary and may change depending on future economic conditions and the exact type, amount and future value of development.

---

<sup>8</sup> Ad valorem property taxes supporting general obligation bond debt in excess of this 1 percent amount and other assessments are excluded for purposes of this analysis. Such taxes require separate voter approval and proceeds are payable only for uses approved by the voters.



Certain properties, including non-profits providing low-income rental housing, are exempt from property tax.

It is likely that property taxes will also accrue during construction of infrastructure and individual buildings, depending on the timing of assessment and tax levy. These revenues have not been estimated.

#### **Property Tax In-Lieu of Vehicle License Fees**

In prior years, the State budget converted a significant portion of Motor Vehicle License Fee (VLF) subventions into property tax distributions; previously these revenues were distributed by the State using a per-capita formula. Under the current formula, these distributions increase over time based on assessed value growth within a jurisdiction. Thus, these City revenues will increase proportionate to the increase in the assessed value added by the new development.

#### **Sales Taxes**

The City General Fund receives 1 percent of taxable sales. New residents will generate taxable sales to the City. In addition to the 1 percent sales tax received by every city and county in California, voter-approved local taxes dedicated to transportation purposes are collected. Two special districts, the San Francisco County Transportation Authority and the San Francisco Public Financing Authority (related to San Francisco Unified School District) also receive a portion of sales taxes (0.50 and 0.25 percent, respectively) in addition to the 1 percent local General Fund portion. The City also receives revenues from the State based on sales tax for the purpose of funding public safety-related expenditures.

#### **Sales Taxes from Construction**

During the construction phases of the Project, one-time revenues will be generated by sales taxes on construction materials and fixtures purchased in San Francisco. Sales tax will be allocated directly to the City and County of San Francisco in the same manner as described in the prior paragraph. Construction sales tax revenues may depend on the City's collection of revenues pursuant to a sub-permit issued by the State.

#### **Transient Occupancy Tax (TOT)**

Hotel Room Tax (also known as Transient Occupancy Tax or TOT) will be generated when hotel occupancies are enhanced by the residential uses envisioned for the Project, such as when friends and relatives come to San Francisco to visit Project residents but choose to stay at hotels. The City currently collects a 14 percent tax on room charges. However, given that no hotels are envisioned for the Project (out-of-town visitors to the Site will likely stay at hotels elsewhere in the City), the impact will not be direct and is excluded from this analysis.

**Parking Tax**

The City collects tax on parking charges at garages, lots, and parking spaces open to the public or dedicated to commercial users. The tax is 25 percent of the pre-tax parking charge. The revenue may be deposited to the General Fund and used for any purpose, however as a matter of City policy the SFMTA retains 80 percent of the parking tax revenue; the other 20 percent is available to the General Fund for allocation to special programs or purposes. This analysis assumes that parking spaces envisioned for the Project's 500-space shared parking garage will generate parking tax; no parking tax is assumed from the residential-only parking spaces. Off-site parking tax revenues that may be generated by visitors or new residents are not included.

**Property Transfer Tax**

The City collects a property transfer tax ranging from \$2.50 on the first \$500 of transferred value on transactions up to \$250,000 to \$15.00 per \$500 on transactions greater than \$25 million.

The fiscal analysis assumes that commercial apartment property sells once every ten to twenty years, or an average of about once every 15 years. For estimating purposes, it is assumed that sales are spread evenly over every year, although it is more likely that sales will be sporadic. An average tax rate has been applied to the average sales transactions to estimate the potential annual transfer tax to the City. Actual amounts will vary depending on economic factors and the applicability of the tax to specific transactions.

The for-sale units can re-sell independently of one another at a rate more frequent than rental buildings. This analysis conservatively assumes that the average condominium or townhouse will be sold to a new owner every ten years, on average.

**Gross Receipts Tax**

Commercial activity, including residential rental property, generates gross receipts taxes. Actual revenues from future gross receipt taxes will depend on a range of variables, including the amount of rental income. This analysis assumes the current gross receipts tax rate of 0.3% (applicable to revenues in the \$2.5 million to \$25 million range).

## DEVELOPMENT IMPACT FEES

The Project will generate a number of one-time City impact fees including:

- **Balboa Park Community Infrastructure** (Planning Code Sec. 422) -- These fees "shall be used to design, engineer, acquire, improve, and develop pedestrian and streetscape improvements, bicycle infrastructure, transit, parks, plazas and open space, as defined in the

Balboa Park Community Improvements Program with the Plan Area. Funds may be used for childcare facilities that are not publicly owned or "publicly-accessible."<sup>9</sup>

- **Jobs Housing Linkage** (Planning Code Sec. 413)-- These fees apply only to commercial uses and are assumed to be offset by the affordable housing provided onsite.
- **Affordable Housing** (Planning Code Sec. 415) –All affordable housing will be provided on the Site, and therefore the Project will be exempt from the fees.
- **Child Care** (Planning Code Sec. 414, 414A) – A fee per square foot is charged to residential uses. It is likely that all or some portion of these fees will be offset and reduced by the value of childcare facilities constructed onsite.
- **Bicycle Parking In-lieu Fee** (Planning Code Sec. 430) -- This fee is assumed to be offset by facilities provided onsite.
- **Transit Sustainability Fee (TSF)** (Planning Code Sec. 411A) – This fee, effective December 25, 2015, replaced the Transit Impact Development Fee. It is a fee per square foot paid by residential and non-residential uses.

In addition to the impact fees charged by the City, utility connection and capacity charges will be collected based on utility consumption and other factors. Other fees will include school impact fees to be paid to the San Francisco Unified School District. The Project will also pay various permit and inspection fees to cover City costs typically associated with new development projects.

---

<sup>9</sup> San Francisco Planning Code, Article 4, Sec. 422.5(b)(1) Balboa Park Community Improvements Fund, Use of Funds.

## 4. DEBT LOAD TO BE CARRIED BY THE CITY AND THE SFPUC

No debt is anticipated to be incurred by the City or the SFPUC in connection with the Project. However, public financing or other non-Project sources will be required to achieve the target affordable housing rate of 50%, as described above. The City could potentially issue bonds in conjunction with several of these sources, subject to regulatory and/or voter approval, but a number of other financing options would allow the City to avoid issuing new debt.

## 5. BENEFITS TO THE CITY AND SFPUC

The Project will provide a range of direct and indirect benefits to the City and the SFPUC. These benefits include tax revenues that exceed service costs, as well as a range of other economic benefits such as new jobs, economic activity, and increased public and private expenditures.

### FISCAL BENEFITS

As described in **Chapter 3**, the Project is anticipated to generate a net \$1.7 million of annual general City tax revenues in excess of its estimated public service costs, in addition to about \$1 million in other dedicated and restricted revenues. These revenues would be available for expansion of local and/or Citywide services and public facilities. Approximately 20 percent of revenues are allocated to "Baseline" costs, which represents a benefit to the City.

### ECONOMIC BENEFITS TO THE CITY

**New Permanent Jobs** - The Project will create a small number of new jobs related to the parking facilities and services, childcare services at the childcare center, and landscape and other onsite maintenance services. The residential uses will also create janitorial and domestic service jobs. Because the Project is entirely residential, its economic "multiplier" effects are minimal.

**Temporary Jobs** - The construction of the Project will create short-term construction spending and construction jobs, estimated at 2,800 job-years.

**New Housing Supply** - Completion of approximately 1,100 residential units also will have the positive economic benefit of adding a significant amount to the City's total supply of housing. This provides increased access to housing for existing City residents, as well employees working within the City. Importantly, these approximately 1,100 units will include up to 550 units of affordable to low, moderate, and middle-income households, which are populations with acute housing needs in San Francisco.



## DIRECT FINANCIAL BENEFITS TO THE CITY AND SFPUC

The Project will result in several direct financial benefits:

**Proceeds from Property Sale** -- The sale of the property currently owned by the City will generate net proceeds. The SFPUC will receive fair market value for the sale of the property.

**Increased Sale of Public Power** -- The SFPUC may provide electrical power to the Project's residents, generating net revenues to the SFPUC.

## NEW PUBLIC FACILITIES

The Project will construct parks and open spaces, a shared parking garage, and a community room available to the general public. The Project also includes a childcare center that will be accessible by the public as well as the Project's residents. These facilities are expected to be utilized by the City College community and residents of surrounding neighborhoods.

## OTHER BENEFITS

The Project may participate in the Ocean Avenue Community Benefits District (CBD) that provides funding for a range of services within the neighborhood, including maintenance and cleaning of public rights of way, sidewalk operations and public safety, and District identity and streetscape improvements. The CBD's applicability and associated tax rate will be determined prior to project approvals.



## APPENDIX A: FISCAL ANALYSIS



**Table of Contents**  
**Balboa Reservoir**

**Table 1** Fiscal Results Summary, Ongoing Revenues and Expenditures

**Table 2** Fiscal Results Summary, One-Time Revenues

**Table A-1a** Project Description Summary

**Table A-1b** Project Description Summary – Affordable Units

**Table A-2** Population and Employment

**Table A-3** San Francisco City Development Impact Fee Estimate

**Table A-4** Assessed Value Estimate

**Table A-5** Property Tax Estimate

**Table A-6** Property Tax in Lieu of VLF Estimate

**Table A-7** Property Transfer Tax

**Table A-8** Sales Tax Estimates

**Table A-9** Parking Tax

**Table A-10** Gross Receipts Tax Estimates

**Table A-11** Rental Income for Gross Receipts Tax Estimates

**Table A-12** Estimated City Services Costs

**Table 1**  
**Fiscal Results Summary, Ongoing Revenues and Expenditures**  
**Balboa Reservoir**

| Item   | Annual<br>Amount               |
|--|--------------------------------|
| <b>Annual General Revenue</b>                        |                                |
| Property Taxes (1)                                   | \$2,682,000                    |
| Property Tax in Lieu of VLF                          | \$567,000                      |
| Property Transfer Tax                                | 391,000                        |
| Sales Tax  | 261,000                        |
| Parking Tax (City 20% share)                         | 95,000                         |
| Gross Receipts Tax                                   | <u>63,000</u>                  |
| <b>Subtotal, General Revenue</b>                     | <b>\$4,059,000</b>             |
| (less) 20% Charter Mandated Baseline                 | <u>(\$811,800)</u>             |
| <b>Revenues to General Fund above Baseline</b>       | <b>\$3,247,200</b>             |
| <b>Public Services Expenditures</b>                  |                                |
| Parks and Open Space                                 | <i>Project's taxes or fees</i> |
| Roads (maintenance, street cleaning)                 | 76,000                         |
| Police (2)   | 855,000                        |
| Fire (2)   | <u>607,000</u>                 |
| <b>Subtotal, Services</b>                            | <b>\$1,538,000</b>             |
| <b>NET Annual General Revenues</b>                   | <b>\$1,709,200</b>             |
| <hr/>  |                                |
| <b>Annual Other Dedicated and Restricted Revenue</b> |                                |
| Property Tax to Other SF Funds (1)                   | \$413,000                      |
| Parking Tax (MTA 80% share)                          | \$380,000                      |
| Public Safety Sales Tax                              | \$130,000                      |
| SF Cnty Transportation Auth'y Sales Tax              | <u>\$130,000</u>               |
| <b>Subtotal</b>                                      | <b>\$1,053,000</b>             |
| <b>TOTAL, Net General + Other SF Revenues</b>        | <b>\$2,762,200</b>             |
| <b>Other Revenues</b>                                |                                |
| Property Tax to State Education Rev. Fund (ERAF)     | <b>\$1,195,000</b>             |

(1) Property tax to General Fund at 57%. Other SF funds include the  
 Childrens' Fund, Library Fund, and Open Space Acquisition.

(2) Police and Fire costs based on Citywide avg. cost per resident and per job.

2/9/18

**Table 2**  
**Fiscal Results Summary, One-Time Revenues**  
**Balboa Reservoir**

| Item   | Total Amount        |
|--|---------------------|
| <b><u>City Development Impact Fees (1)</u></b> |                     |
| Balboa Park Community Infrastructure           | \$9,371,000         |
| Jobs Housing Linkage (2)                       | na                  |
| Affordable Housing (3)                         | provided onsite     |
| Child Care (4)                                 | \$2,308,000         |
| Bicycle Parking In-lieu                        | provided onsite     |
| Transportation Sustainability Fee              | <u>\$11,315,000</u> |
|  | <b>\$22,994,000</b> |
| <b><u>Other Fees</u></b>                       |                     |
| San Francisco Unified School District          | <b>\$3,957,000</b>  |
| <b><u>Other One-Time Revenues</u></b>          |                     |
| Construction Sales Tax (1% Gen'l Fund)         | \$1,419,000         |
| Gross Receipts Tax During Construction         | <u>\$1,892,000</u>  |
| Total: Other One-Time Revenues                 | <b>\$3,311,000</b>  |

(1) Impact fee rates as of Jan. 1, 2018. Refer to Table A-3 for additional detail.

(2) Linkage fee (commercial uses only) assumed offset by Project's affordable housing.

(3) Affordable housing will be provided on site.

(4) Child Care impact fee may be waived in consideration for the Project's on-site childcare center.

2/9/18

**Table A-1a  
Project Description Summary  
Balboa Reservoir**

| Item (1)                                     | Units, Sq.Ft., or Spaces |                  |
|--|--------------------------|------------------|
| Apartments                                   |                          |                  |
| Market Rate                                  |                          | 483 units        |
| Affordable                                   |                          | <u>502</u> units |
| Total, Apts                                  |                          | 985 units        |
| Condos and Townhouses                        |                          |                  |
| Market Rate Townhouses                       |                          | 67 units         |
| Affordable Condos                            |                          | <u>48</u> units  |
| Total, Condos and Townhouses                 |                          | 115 units        |
| Total, Residential                           |                          | units            |
| Market Rate                                  | 50%                      | 550 units        |
| Affordable                                   | 50%                      | <u>550</u> units |
|  |                          | 1,100 units      |
| Community Gathering Space                    |                          | 1,500 sq.ft.     |
| Childcare Center (capacity for 100 children) |                          | 5,000 sq.ft.     |
| Shared Garage                                |                          | 500 spaces       |
|  |                          | 175,000 sq.ft.   |

(1) Number of units and space are preliminary and for evaluation purposes only.  
Further analysis may consider different development program scenarios.

2/9/18

**Table A-1b**  
**Project Description Summary -- Affordable Units**  
**Balboa Reservoir**

| Housing Category                     | %           | Units (1)    |
|--------------------------------------|-------------|--------------|
|                                      | of Total    |              |
| <u>Baseline Affordable Apts.</u>     |             |              |
| Low-Income (Bridge/Mission <55% AMI) | 16%         | 174          |
| Moderate-Income (Bridge <120% AMI)   | 15%         | <u>165</u>   |
| Total Baseline Affordable            |             | 339          |
| <u>Baseline Affordable Condos</u>    |             |              |
| Low-Income (Habitat <80% AMI)        | 2%          | 24           |
| <b>Total Baseline Affordable</b>     | <b>33%</b>  | <b>363</b>   |
| <u>Additional Affordable Apts.</u>   |             |              |
| Low-Income (Bridge <20% & <55% AMI)  | 15%         | 163          |
| <u>Additional Affordable Condos</u>  |             |              |
| Moderate-Income (Habitat <105% AMI)  | 2%          | 24           |
| <b>Total Additional Affordable</b>   | <b>17%</b>  | <b>187</b>   |
| <b>Total Affordable</b>              | <b>50%</b>  | <b>550</b>   |
| Market-Rate Apts                     |             | 483          |
| Market-Rate Townhouses               |             | <u>67</u>    |
| Total, Market Rate                   | <b>50%</b>  | <b>550</b>   |
| <b>TOTAL UNITS</b>                   | <b>100%</b> | <b>1,100</b> |

(1) Number of units and space are preliminary and for evaluation purposes only;  
Further analysis may consider different development program scenarios.

2/9/18

**Table A-2  
Population and Employment  
Balboa Reservoir**

| <b>Item</b>   | <b>Assumptions</b>              | <b>Total</b>   |
|---|---------------------------------|----------------|
| Population  | 2.27 persons per unit (1)       | 2,497          |
| <b>Employment (FTEs)</b>                            |                                 |                |
| Residential (2)                                     | 27.9 units per FTE (2)          | 39             |
| Parking   | 270 spaces per FTE (2)          | <u>2</u>       |
| Total   |                                 | 41             |
| Construction (job-years) (5)                        | \$559,836,000 Construction cost | 2,754          |
| <b>TOTAL SERVICE POPULATION</b>                     |                                 |                |
| Residents   |                                 | 2,497          |
| Employees (excluding construction jobs)             |                                 | <u>41</u>      |
| Total Service Population (Residents plus Employees) |                                 | 2,538          |
| <b>CITYWIDE</b>                                     |                                 |                |
| Residents (3)                                       |                                 | 874,200        |
| Employees (4)                                       |                                 | <u>710,300</u> |
| Service Population (Residents plus Employees)       |                                 | 1,584,500      |

(1) ABAG 2015 estimate (citywide); actual Project density will vary depending on unit size and mix.

(2) Residential jobs include building management, janitorial, cleaning/repair, childcare, and other domestic services. Factors based on comparable projects.

(3) Cal. Dept. of Finance, Rpt. E-1, 2017

(4) BLS QCEW State and County Map, 2016Q3.

(5) Construction job-years based on IMPLAN job factors.

2/9/18

**Table A-3  
San Francisco City Development Impact Fee Estimate  
Balboa Reservoir**

| Item  |                 | Total<br>Sq.Ft. (1) | Total Fees          |
|---|-----------------|---------------------|---------------------|
| <b>Residential</b>                                      |                 |                     |                     |
|   | <b>Units</b>    |                     |                     |
| Market-Rate   | 550             | 605,000             |                     |
| Moderate-Income   | 189             | 189,000             |                     |
| Low-Income  | <u>361</u>      | <u>342,950</u>      |                     |
| <b>Total</b>  | 1,100           | 1,136,950           |                     |
| <b>Other</b>  |                 |                     |                     |
| Childcare Facility                                      | approximately   | 5,000               |                     |
| Shared Parking (2)                                      |                 | 175,000             |                     |
| <b>City Impact Fees (per gross building sq.ft.) (2)</b> |                 |                     |                     |
|   | <b>Fee Rate</b> |                     |                     |
| <b>Balboa Park Community Infrastructure</b>             |                 |                     |                     |
| Residential (3)   | \$11.32 /sq.ft. | 794,000             | \$8,988,080         |
| Non-Residential (3)                                     | \$2.13 /sq.ft.  | 180,000             | \$383,400           |
| Jobs Housing Linkage (4)                                | na              |                     | na                  |
| Affordable Housing (5)                                  | na              |                     | na                  |
| Child Care (6)  | \$2.03 /sq.ft.  | 1,136,950           | \$2,308,009         |
| Bicycle Parking In-lieu Fee (7)                         | na              |                     | na                  |
| <b>Transportation Sustainability Fee</b>                |                 |                     |                     |
| Residential (8)   | \$9.71 /sq.ft.  | 794,000             | \$7,709,740         |
| Non-Residential (3)                                     | \$20.03 /sq.ft. | 180,000             | <u>\$3,605,400</u>  |
| <b>Total</b>  |                 |                     | <b>\$22,994,629</b> |
| <b>Other Impact Fees (9)</b>                            |                 |                     |                     |
| San Francisco Unified School District                   | \$3.48 /sq.ft.  | 1,136,950           | <b>\$3,956,586</b>  |

(1) Residential fees assume approximately 950 to 1,100 sq.ft./unit. Mix of sizes will vary in final program.

(2) All impact fees are as of January 2018.

(3) Units affordable to a maximum 80% AML exempt from Balboa Park Community Infrastructure Fee.  
100% of non-residential assumed to be subject to TSF & Community Infrastructure Fee.

(4) Jobs Housing Linkage not applicable to residential.

(5) Plans anticipate affordable units sufficient to offset fee requirement.

(6) Child Care impact fee may be waived in consideration for the Project's on-site childcare facility.

(7) Bicycle facilities provided onsite, not subject to fee.

(8) Units affordable to a maximum 80% AML exempt from Transportation Sustainability Fee (TSF).

(9) Additional utility fees and charges will be paid, depending on final Project design.

Sources: City of San Francisco, and Berkson Associates.

2/9/18



**Table A-4  
Assessed Value Estimate  
Balboa Reservoir**

| <b>Item</b>                             | <b>Development Cost</b> |
|---|-------------------------|
| <u>Residential Buildings (1)</u>        |                         |
| Townhouses (Market-rate)                | \$60,598,000            |
| Condos (Affordable)                     | \$15,360,000            |
| Apartments (Market-rate)                | \$169,412,000           |
| Apartments (Moderate)                   | \$87,818,000            |
| Apartments (Low-income)                 | <u>\$88,031,000</u>     |
| Subtotal, Residential Buildings         | \$421,219,000           |
| <u>Other</u>                            |                         |
| Parking - shared (500 spaces)           | \$13,830,000            |
| Infrastructure (2)                      | \$38,000,000            |
| Other Costs (3)                         | <u>\$86,787,000</u>     |
| <b>Total</b>                            | <b>\$559,836,000</b>    |
| <b>(less) Property Tax-Exempt</b>       |                         |
| Low-income Rental Units (up to 80% AMI) | <b>(\$88,031,000)</b>   |
| <b>Net Taxable Assessed Value</b>       | <b>\$471,805,000</b>    |

(1) Includes building hard costs, residential parking, and site development. Site acquisition and community benefits are to be negotiated and are not included.

(2) Master infrastructure includes utilities, roads, grading, parks and open space.

(3) "Other Costs" include soft costs (eg legal, design, finance, furnishings and fixtures).

Permits & Fees not included for purposes of A.V. estimates.

2/9/18

**Table A-5  
Property Tax Estimate  
Balboa Reservoir**

| <b>Item</b>                            | <b>Assumptior</b> | <b>Total</b>         |
|--|-------------------|----------------------|
| <b>Taxable Assessed Value (1)</b>      |                   | <b>\$471,805,000</b> |
| <b>Gross Property Tax</b>              | 1.0%              | <b>\$4,718,000</b>   |
| <b>Allocation of Tax</b>               |                   |                      |
| General Fund                           | <b>56.84%</b>     | <b>\$2,682,000</b>   |
| Childrens' Fund                        | 3.75%             | \$177,000            |
| Library Preservation Fund              | 2.50%             | \$118,000            |
| Open Space Acquisition Fund            | <u>2.50%</u>      | <u>\$118,000</u>     |
| <b>Subtotal, Other Funds</b>           | <b>8.75%</b>      | <b>\$413,000</b>     |
| ERAF                                   | 25.33%            | \$1,195,000          |
| SF Unified School District             | 7.70%             | \$363,000            |
| Other                                  | <u>1.38%</u>      | <u>\$65,000</u>      |
|  | <b>34.41%</b>     | <b>\$1,623,000</b>   |
| <b>Total, 1%</b>                       | <b>100.00%</b>    | <b>\$4,718,000</b>   |
| Other (bonds, debt, State loans, etc.) | <b>17.23%</b>     | <b>\$813,000</b>     |
| <b>TOTAL</b>                           | <b>117.23%</b>    | <b>\$5,531,000</b>   |

Sources: City of San Francisco, and Berkson Associates

2/9/18

**Table A-6**  
**Property Tax in Lieu of VLF Estimate**  
**Balboa Reservoir**

| Item   | Total             |
|--|-------------------|
| Citywide Total Assessed Value (1)                                    | \$231,000,000,000 |
| Total Citywide Property Tax in Lieu of Vehicle License Fee (VLF) (2) | \$233,970,000     |
| Project Assessed Value   | \$559,836,000     |
| Growth in Citywide AV due to Project                                 | 0.24%             |
| <b>TOTAL PROPERTY TAX IN LIEU OF VLF (3)</b>                         | <b>\$567,000</b>  |

(1) Based on the CCSF FY2017 total assessed value, Office of the Assessor-Controller, July 21, 2017.

(2) City and County of San Francisco Annual Appropriation Ordinance for Fiscal Year Ending June 30, 2018, page 127.

(3) Equals the increase in Citywide AV due to the Project multiplied by the current Citywide Property Tax In Lieu of VLF. No assumptions included about inflation and appreciation of Project or Citywide assessed values.

Sources: City of San Francisco, and Berkson Associates

2/9/18

**Table A-7**  
**Property Transfer Tax**  
**Balboa Reservoir**

| Item   | Assumptions                          | Total            |
|--|--------------------------------------|------------------|
| <u>Annual Transfer Tax From Condo and Townhouses Sales</u> |                                      |                  |
| Assessed Value (AV)  | \$75,958,000                         |                  |
| Annual Transactions  | 10.0% (avg. sale once/10 years)(4)   | \$7,596,000      |
| Transfer Tax From Condos and Townhouses                    | \$3.40 /\$500 (1)                    | \$52,000         |
| <u>Market-Rate Apartments (5)</u>                          |                                      |                  |
| Assessed Value (AV)  | \$169,400,000                        |                  |
| Avg. Sales Value   | 6.7% (avg.sale once/15 years)(3),(4) | \$11,293,000     |
| Transfer Tax: Apartment Buildings (annual avg.)            | \$15.00 /\$500 (2)                   | \$339,000        |
| <b>TOTAL ONGOING TRANSFER TAX</b>                          |                                      | <b>\$391,000</b> |

(1) Rates range from \$2.50 per \$500 of value for transactions up to \$250k, \$3.40 up to \$1 million, to \$3.75 per \$500 of value for transactions from \$1 million to \$5 million; applies to sale of affordable and market-rate ownership units.

(2) Assumes rate applicable to sales > \$25 million for market-rate apartment buildings.

(3) Actual sales will be periodic and for entire buildings; revenues have been averaged and spread annually for the purpose of this analysis.

(4) Turnover rates are estimated averages based on analysis of similar projects; actual % and value of sales will vary annually.

(5) No transactions assumed for low-income and moderate-rate apartments owned by non-profits.

2/9/18

**Table A-8**  
**Sales Tax Estimates**  
**Balboa Reservoir**

| Item  | Low-Income Apts (<55% AMI) |                 | Moderate-Income Apts (<120% AMI) |                 | Low-Income Condos (<80% AMI) |                |
|---|----------------------------|-----------------|----------------------------------|-----------------|------------------------------|----------------|
|   | Assumptions                | Total           | Assumptions                      | Total           | Assumptions                  | Total          |
| <b>Taxable Sales From New Residential Uses</b>                        |                            |                 |                                  |                 |                              |                |
| Sale Price  |                            |                 |                                  |                 |                              |                |
| Average Annual Rent or Housing Payment (1)                            |                            |                 |                                  |                 |                              |                |
| Average Household Income  | 50% of AMI 2.27/hh         | \$47,700        | 110% of AMI 2.27/hh              | \$104,900       | 70% of AMI 2.27/hh           | \$66,700       |
| Average HH Retail Expenditure (3)                                     | 27%                        | \$12,900        | 27%                              | \$28,300        | 27%                          | \$18,000       |
| New Households  |                            | 337             |                                  | 165             |                              | 24             |
| Total New Retail Sales from Households                                |                            | \$4,347,000     |                                  | \$4,670,000     |                              | \$432,000      |
| New Taxable Retail Sales Captured in San Francisco (4)                | 80% of retail expend       | \$3,477,600     | 80% of retail expend             | \$3,736,000     | 80% of retail expend.        | \$345,600      |
| <b>Net New Sales Tax to GF From Residential Uses</b>                  | 1.0% tax rate              | <b>\$34,800</b> | 1.0% tax rate                    | <b>\$37,400</b> | 1.0% tax rate                | <b>\$3,500</b> |
| <b>TOTAL Sales Tax to General Fund (1%)</b>                           |                            | <b>\$34,800</b> |                                  | <b>\$37,400</b> |                              | <b>\$3,500</b> |
| <b>Annual Sales Tax Allocation</b>                                    |                            |                 |                                  |                 |                              |                |
| Sales Tax to the City General Fund                                    | 1.00% tax rate             | <b>\$34,800</b> | 1.00% tax rate                   | <b>\$37,400</b> | 1.00% tax rate               | <b>\$3,500</b> |
| <b>Other Sales Taxes</b>  |                            |                 |                                  |                 |                              |                |
| Public Safety Sales Tax   | 0.50% tax rate             | <b>\$17,400</b> | 0.50% tax rate                   | <b>\$18,700</b> | 0.50% tax rate               | <b>\$1,800</b> |
| San Francisco County Transportation Authority (6)                     | 0.50% tax rate             | <b>\$17,400</b> | 0.50% tax rate                   | <b>\$18,700</b> | 0.50% tax rate               | <b>\$1,800</b> |
| SF Public Financing Authority (Schools) (6)                           | 0.25% tax rate             | <b>\$8,700</b>  | 0.25% tax rate                   | <b>\$9,400</b>  | 0.25% tax rate               | <b>\$900</b>   |
| <b>One-Time Sales Taxes on Construction Materials and Supplies</b>    |                            |                 |                                  |                 |                              |                |
| Total Development Cost  |                            |                 |                                  |                 |                              |                |
| Direct Construction Costs (exc. land, profit, soft costs, fees, etc.) |                            |                 |                                  |                 |                              |                |
| Supply/Materials Portion of Construction Cost                         | 60.00%                     |                 |                                  |                 |                              |                |
| San Francisco Capture of Taxable Sales                                | 50.00%                     |                 |                                  |                 |                              |                |
| Sales Tax to San Francisco General Fund                               | 1.0% tax rate              |                 |                                  |                 |                              |                |

(1) Incomes from "2017 MAXIMUM INCOME BY HOUSEHOLD SIZE derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco". Affordable rents adjusted for average household size of 2.27.

(2) Avg. market rate apartment rent based on average for comparable project (AxioMetrics 12/17 survey).

Estimated townhouse sale price from Berkson Associates, August 2017, avg. for new detached homes in San Francisco.

(3) Based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.

(4) Estimated portion of sales assumed to be captured within the City based on analyses prepared for comparable projects.

**Table A-8**  
**Sales Tax Estimates**  
**Balboa Reservoir**

| Item   | Moderate-Income Townhouses (<105% AMI) |                | Market-Rate Apts    |                  | Market-Rate Townhouses |                 |
|--|--|----------------|---------------------|------------------|------------------------|-----------------|
|  | Assumptions                            | Total          | Assumptions         | Total            | Assumptions            | Total           |
| <b>Taxable Sales From New Residential Uses</b>         |  |                |                     |                  |                        |                 |
| Sale Price   |  |                |                     |                  | \$1,500,000 (2)        |                 |
| Average Annual Rent or Housing Payment (1)             |  |                | \$3,300 /unit (2)   | \$39,600         | \$7,300 per household  | \$87,600        |
| Average Household Income                               | 100% of AMI 2.27/hh                    | \$95,400       | 30%                 | \$132,000        | 30%                    | \$292,000       |
| Average HH Retail Expenditure (3)                      | 27%                                    | \$25,800       | 27%                 | \$35,600         | 27%                    | \$78,800        |
| New Households   |  | 24             |                     | 483              |                        | 67              |
| Total New Retail Sales from Households                 |  | \$619,000      |                     | \$17,195,000     |                        | \$5,280,000     |
| New Taxable Retail Sales Captured in San Francisco (4) | 80% of retail expenc                   | \$495,200      | 80% of retail expen | \$13,756,000     | 80% of retail expend.  | \$4,224,000     |
| <b>Net New Sales Tax to GF From Residential Uses</b>   | 1.0% tax rate                          | <b>\$5,000</b> | 1.0% tax rate       | <b>\$137,600</b> | 1.0% tax rate          | <b>\$42,200</b> |
| <b>TOTAL Sales Tax to General Fund (1%)</b>            |  | <b>\$5,000</b> |                     | <b>\$137,600</b> |                        | <b>\$42,200</b> |
| <b>Annual Sales Tax Allocation</b>                     |  |                |                     |                  |                        |                 |
| Sales Tax to the City General Fund                     | 1.00% tax rate                         | <b>\$5,000</b> | 1.00% tax rate      | <b>\$137,600</b> | 1.00% tax rate         | <b>\$42,200</b> |
| <b>Other Sales Taxes</b>                               |  |                |                     |                  |                        |                 |
| Public Safety Sales Tax                                | 0.50% tax rate                         | <b>\$2,500</b> | 0.50% tax rate      | <b>\$68,800</b>  | 0.50% tax rate         | <b>\$21,100</b> |
| San Francisco County Transportation Authority (6)      | 0.50% tax rate                         | <b>\$2,500</b> | 0.50% tax rate      | <b>\$68,800</b>  | 0.50% tax rate         | <b>\$21,100</b> |
| SF Public Financing Authority (Schools) (6)            | 0.25% tax rate                         | <b>\$1,300</b> | 0.25% tax rate      | <b>\$34,400</b>  | 0.25% tax rate         | <b>\$10,600</b> |

(1) Incomes from "2017 MAXIMUM INCOME BY HOUSEHOLD SIZE derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco". Affordable rents adjusted for average household size of 2.27.

(2) Avg. market rate apartment rent based on average for comparable project (AxioMetrics 12/17 survey).  
 Estimated townhouse sale price from Berkson Associates, August 2017, avg. for new detached homes in San Francisco.

(3) Based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.

(4) Estimated portion of sales assumed to be captured within the City based on analyses prepared for comparable projects.

**Table A-8**  
**Sales Tax Estimates**  
**Balboa Reservoir**

| Item  | TOTAL              |
|---|--------------------|
| <b>Taxable Sales From New Residential Uses</b>                  |                    |
| Sale Price  | na                 |
| Average Annual Rent or Housing Payment (1)                      | na                 |
| Average Household Income  | na                 |
| Average HH Retail Expenditure (3)                               | na                 |
| New Households  | 1,100              |
| Total New Retail Sales from Households                          |                    |
| New Taxable Retail Sales Captured in San Francisco (4)          |                    |
| <b>Net New Sales Tax to GF From Residential Uses</b>            | <b>\$260,500</b>   |
| <b>TOTAL Sales Tax to General Fund (1%)</b>                     | <b>\$260,500</b>   |
| <b>Annual Sales Tax Allocation</b>                              |                    |
| Sales Tax to the City General Fund                              | <b>\$260,500</b>   |
| <b>Other Sales Taxes</b>  |                    |
| Public Safety Sales Tax   | <b>\$130,300</b>   |
| San Francisco County Transportation Authority (6)               | <b>\$130,300</b>   |
| SF Public Financing Authority (Schools) (6)                     | <b>\$65,300</b>    |
| <b>One-Time Sales Taxes on Construction Materials and</b>       |                    |
| Total Development Cost  | \$559,836,000      |
| Direct Construction Costs (exc. land, profit, soft costs, fees) | \$473,049,000      |
| Supply/Materials Portion of Construction Cost                   | \$283,829,000      |
| San Francisco Capture of Taxable Sales                          | \$141,914,500      |
| Sales Tax to San Francisco General Fund                         | <b>\$1,419,000</b> |

(1) Incomes from "2017 MAXIMUM INCOME BY HOUSEHOLD SIZE derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco". Affordable rents adjusted for average household size of 2.27.

(2) Avg. market rate apartment rent based on average for comparable project (AxioMetrics 12/17 survey).

Estimated townhouse sale price from Berkson Associates, August 2017, avg. for new detached homes in San Francisco.

(3) Based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.

(4) Estimated portion of sales assumed to be captured within the City based on analyses prepared for comparable projects.

Source: Berkson Associates



**Table A-9  
Parking Tax  
Balboa Reservoir**

| <b>Item</b>   | <b>Assumption</b>      | <b>Total</b>     |
|---|------------------------|------------------|
| Garage Revenue (2)                                      |                        | \$1,900,000      |
| Spaces (shared garage) (1)                              |                        | 500              |
| <b><u>Parking Revenues</u></b>                          |                        |                  |
| Annual Total (2)  | \$3,800 per year/space | \$1,900,000      |
| <b><u>San Francisco Parking Tax (3)</u></b>             |                        |                  |
| Parking Tax Allocation to General Fund/Special Programs | 25% of revenue         | <b>\$475,000</b> |
| Parking Tax Allocation to Municipal Transp. Fund        | 20% of tax proceeds    | \$95,000         |
| Parking Tax Allocation to Municipal Transp. Fund        | 80% of tax proceeds    | \$380,000        |

(1) Shared spaces will be a mix of residents and City College parking.

(2) Based on estimated revenue from parking garage; actual hourly and daily revenue will vary depending on occupancy rates, turnover during the day, and long-term parking rates vs. hourly rates.

(3) 80 percent is transferred to the San Francisco Municipal Transportation Agency for public transit as mandated by Charter Section 16.110.

Source: Berkson Associates

2/9/18

**Table A-10**  
**Gross Receipts Tax Estimates**  
**Balboa Reservoir**

| Item                         | Total Gross Receipts | Gross Revenue Tier (1) |               |                |        | Gross Receipts Tax |
|------------------------------|----------------------|------------------------|---------------|----------------|--------|--------------------|
|                              |                      | up to \$1m             | \$1m - \$2.5m | \$2.5m - \$25m | \$25m+ |                    |
| <u>Business Income</u>       |                      |                        |               |                |        |                    |
| Subtotal                     |                      | na                     |               |                |        | na                 |
| <u>Rental Income (2)</u>     |                      |                        |               |                |        |                    |
| Parking                      | \$1,900,000          | 0.285%                 | 0.285%        | 0.300%         | 0.300% | \$5,700            |
| Residential                  | <u>\$19,127,000</u>  | 0.285%                 | 0.285%        | 0.300%         | 0.300% | <u>\$57,381</u>    |
| Subtotal                     | \$21,027,000         |                        |               |                |        | \$63,081           |
| <b>Total Gross Receipts</b>  | <b>\$21,027,000</b>  |                        |               |                |        | <b>\$63,081</b>    |
| <u>Project Construction</u>  |                      |                        |               |                |        |                    |
| Total Development Value (3)  | \$559,836,000        |                        |               |                |        |                    |
| Direct Construction Cost (4) | \$473,049,000        | 0.300%                 | 0.350%        | 0.400%         | 0.450% | <b>\$1,892,196</b> |

(1) This analysis applies highlighted tax rate in tier for each use.

(2) See tables referenced in Table A-11.

(3) Based on total development cost.

(4) Direct construction costs exclude soft costs, community benefits and land.

Source: Berkson Associates

2/9/18

**Table A-11**  
**Rental Income for Gross Receipts Tax Estimates**  
**Balboa Reservoir**

| Item                                      | Gross Sq.Ft.<br>Units, or Space | Annual<br>Avg. Rent | Total               |
|---|---------------------------------|---------------------|---------------------|
| Parking (excludes Gross Receipts Tax) (1) | 500 spaces                      |                     | \$1,900,000         |
| Market-Rate Apartments (2)                | 483 units                       | \$39,600            | <u>\$19,126,800</u> |
| <b>TOTAL</b>                              |                                 |                     | <b>\$21,026,800</b> |

(1) Refer to Table A-9 for additional parking detail.

(2) See Table A-8 for estimated market-rate apartment rents.

2/9/18

**Table A-12**  
**Estimated City Services Costs**  
**Balboa Reservoir**

| Item                                 | City<br>Total Budget | Cost per Service<br>Pop. (1) or Mile | Factor                 | Total<br>Cost      |
|--------------------------------------|----------------------|--------------------------------------|------------------------|--------------------|
| Citywide Service Population (1)      |                      |                                      | 1,584,500 service pop. |                    |
| Project Service Population (1)       |                      |                                      | 2,538 service pop.     |                    |
| Citywide DPW Miles of Road (4)       |                      |                                      | 981 miles              |                    |
| Miles of Road in Project (estimated) |                      |                                      | 0.66 miles             |                    |
| Fire Department (2)                  | \$378,948,000        | \$239                                | 2,538 service pop.     | \$607,000          |
| Police Department (3)                | \$533,899,000        | \$337                                | 2,538 service pop.     | \$855,000          |
| Roads (4)                            | \$112,200,000        | \$114,373                            | 0.66 miles             | <u>\$75,815</u>    |
| <b>TOTAL</b>                         |                      |                                      |                        | <b>\$1,462,000</b> |

(1) Service Population equals jobs plus residents (see Table A-2).

(2) Total fire budget (FY17-18 Adopted) excludes "Administration & Support Services", assuming no impact or additional administrative costs required due to Project.

(3) Total police budget (FY17-18 Adopted) excludes "Airport Police".

(4) Road costs (FY16-17) for \$52.1 mill. street resurfacing capital expenditures and \$60.1 mill. environmental services (pothole repair, sidewalks, graffiti, street sweeping, etc.).

Road miles from SFdata, <https://data.sfgov.org/City-Infrastructure/Miles-Of-Streets/5s76-j52p/data>

2/9/18