

File No. 231128

Committee Item No. 5

Board Item No. 3

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date January 10, 2024

Board of Supervisors Meeting

Date January 30, 2024

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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Completed by: Brent Jalipa

Date January 4, 2024

Completed by: Brent Jalipa

Date January 11, 2024

1 [Appropriation - ~~\$1,540,000~~ \$1,350,239 in Tax Increment Revenue Bond Proceeds in
2 Treasure Island Infrastructure and Revitalization Financing District - FY2023-2024

3 **Ordinance appropriating ~~\$1,540,000~~ \$1,350,239 from the issuance of Treasure**
4 **Island Infrastructure and Revitalization Financing District (IRFD) Series 2023B Tax**
5 **Increment Revenue Bonds to the affordable housing project in the Mayor’s Office**
6 **of Housing and Community Development; and placing these amounts on**
7 **Controller’s Reserve in Fiscal Year (FY) 2023-2024.**

8
9 Note: Additions are *single-underline italics Times New Roman*;
10 deletions are *strikethrough italics Times New Roman*.
11 Board amendment additions are double underlined.
12 Board amendment deletions are ~~strikethrough normal~~.

13 Be it ordained by the People of the City and County of San Francisco:

14 Section 1. The sources of funding outlined below are herein appropriated to
15 reflect the funding available in Fiscal Year 2023-2024.

16 **SOURCES Appropriation**

	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
1					
2					
3	10584 SR Treasure	10040481 – 0001	493068 OTI	Transfer in	\$1,540,000
4	Island IRFD 2023B	Treasure Isl IRFD	Fr 2S/TIF-	Treasure Island	<u>\$1,350,239</u>
5	/ 232065 MYR	2023B House -	Tax Incrm	Increment Tax	
6	Housing &	Housing Proceeds	Finc	Bond 2023B	
7	Community Dev	Pool / 22608 -		Housing Project	
8		Treasure Isl IRFD			
9		2023B House			
10					
11					
12	Total SOURCES Appropriation				<u>\$1,540,000</u>
13					<u>\$1,350,239</u>
14					
15					

16 Section 2. The uses of funding outlined below are herein appropriated to reflect
17 the projected uses of funding for the Treasure Island Infrastructure and Revitalization
18 Financing District in FY 2023-2024.

19
20 **USES Appropriation**

21
22
23
24
25

	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
3	10584 SR Treasure	10040481 – 0001	539200 Loans	Treasure Island	\$1,540,000
4	Island IRFD 2023B /	Treasure Isl IRFD	Issued by City	Infrastructure	<u>\$1,350,239</u>
5	232065 MYR	2023B House -		and	
6	Housing &	Housing Proceeds		Revitalization	
7	Community Dev	Pool / 22608		Financing	
8		Treasure Isl IRFD -		District	
9		2023B House			
10					
11	Total USES Appropriation				\$1,540,000
12					<u>\$1,350,239</u>

13
14 Section 3. The Controller is authorized to record transfers between funds and
15 adjust the accounting treatment of sources and uses appropriated in this ordinance as
16 necessary to conform with Generally Accepted Accounting Principles and other laws.

17
18
19 APPROVED AS TO FORM: FUNDS AVAILABLE:
20 DAVID CHIU, City Attorney BEN ROSENFELD, Controller

21 By: /s/ ANNE PEARSON By: /s/ BEN ROSENFELD
22 Deputy City Attorney Controller

Item 5 File 23-1128	Department: Mayor’s Office of Housing & Community Development
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate \$1,540,000 from the issuance of Treasure Island Infrastructure and Revitalization Financing District Series 2023B Tax Increment Revenue Bonds to the Mayor’s Office of Housing and Community Development for affordable housing and place the amount on Controller’s Reserve in FY 2023-24.

Key Points

- Treasure Island Parcel 1C4.3 is owned by the Treasure Island Development Authority and will be developed into a 150-unit affordable housing development by Catholic Charities and the John Stewart Company.
- In November 2023, the Board of Supervisors authorized the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) tax increment revenue bonds in an amount not to exceed \$10.0 million with estimated proceeds of \$6.9 million for facilities (Series 2023A) and \$1.5 million for affordable housing (Series 2023B) for the proposed project (File 23-1131). A total of \$1,350,239 of the Series 2023B Bond proceeds were deposited into the 2023B Project Account of the Housing Project Fund for the proposed project at closing.

Fiscal Impact

- The proposed funding will be used to partially fund a \$4.5 million predevelopment loan to the John Stewart Company and Catholic Charities for the Treasure Island Parcel IC4.3 Project. Bond proceeds will be repaid by the IRFD with incremental property tax revenue generated by project areas within the IRFD.

Recommendations

- Amend the proposed ordinance to reduce the appropriation amount from \$1,540,000 to \$1,350,239.
- Approve the ordinance, as amended.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Affordable Housing on Treasure Island

The City is funding the fourth affordable housing development on Treasure Island as part of the Treasure Island/Yerba Buena Island Redevelopment Plan. The Treasure Island/Yerba Buena Development Project (Project) is part of the Treasure Island Development Authority’s (TIDA) ongoing project to transition Treasure Island and a portion of Yerba Buena Island from a former military base to a residential and commercial development. In 2011, the Board of Supervisors approved the Development Agreement between the City and Treasure Island Community Development, LLC (TICD), the principal developer for the Treasure Island development project, and the Disposition and Development Agreement (DDA) between TIDA and TICD (Files 11-0226 and 11-0291).

The DDA’s Housing Plan requires approximately 8,000 new residential units, including up to 2,173 units (27 percent) affordable to low and moderate-income households. According to the Housing Plan, up to 1,866 units are 100 percent affordable housing projects, and the balance (307 units) are below market rate inclusionary rental or ownership units; of the 1,866 affordable housing units, a minimum of 435 are reserved for homeless households, including 250 replacement units for current Treasure Island households who were formerly homeless and who will be displaced by the Treasure Island/Yerba Buena Development Project. The 250 replacement units must be developed before any new affordable units are developed.

Existing Residents of Market Rate Housing

Households residing in market rate housing on Treasure Island at the time the DDA was executed are entitled to transition benefits in the form of: (a) a Transition Unit in one of the affordable housing projects (regardless of income) and moving services; (b) a lump sum payment; or (c) down payment assistance. As of October 2023, TIDA estimated that 153 households were eligible for a Transition Unit. Transition Units are not income restricted at initial occupancy but become income restricted after all eligible households have received transition benefits. Transition Unit rents are based on tenants’ current rents and annually adjusted according to allowable rent increases by the Rent Board. Once all legacy households have exercised their transition benefits and to not live in the Transition Units, rent will be based on 30 percent of income.

In addition, households residing in market rate housing who moved to Treasure Island after the DDA was executed (and before December 2019) receive preference for affordable housing lottery units if they qualify based on income.

Treasure Island Parcel IC4.3

The DDA allows the master developer and TIDA to select development partners for the Treasure Island/Yerba Buena Island Development Project. In 2018, four nonprofits,¹ who are all members of One Treasure Island,² were authorized to develop affordable housing projects, including selecting development partners.³ Catholic Charities CYO of the Archdiocese of San Francisco and the John Stewart Company were selected by One Treasure Island, and approved by TIDA, to lease and develop parcel IC4.3.

Parcel IC4.3 is owned by TIDA and will be developed into an affordable housing development, which includes 150 units, including 30 transitional units for households relocating from housing that was previously owned by the Navy on Treasure Island, 60 replacement units for HomeRise One Treasure Island units for households that were previously homeless, 59 new affordable lottery units, and one staff unit.⁴ The project will also include a childcare center. Construction is planned to begin in late 2026 and to be completed by mid-2028 according to TIDA staff in consultation with MOHCD.

Treasure Island Tax Increment Revenue Bonds Series 2023B

In November 2023, the Board of Supervisors authorized the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) tax increment revenue bonds in an amount not to exceed \$10.0 million with estimated proceeds of \$6.9 million for facilities (Series 2023A) and \$1.5 million for affordable housing (Series 2023B) for the proposed project (File 23-1131). According to the Controller's Office of Public Finance staff, on December 14, 2023, the Treasure Island IRFD sold the tax increment revenue bonds totaling \$9,210,000 in principal, including \$7,615,000 for facilities (Series 2023A) and \$1,595,000 for affordable housing (Series 2023B). A total of \$1,350,239 of the Series 2023B Bond proceeds were deposited into the 2023B Project Account of the Housing Project Fund for the proposed project at closing.

¹ The four non-profit supportive housing operators selected by the master developer were Swords to Plowshares, HomeRise (formerly Community Housing Partnership), Catholic Charities, and HealthRight360.

² One Treasure Island (One TI) (formerly known as the Treasure Island Homeless Development Initiative or TIHDI), is a California nonprofit public benefit corporation that was formed in June 1994 to provides pathways for economic advancement for lower-income and formerly homeless San Franciscans. One Treasure Island is a membership organization committed to fostering an equitable, inclusive, and thriving community for all Treasure Island residents, employees, businesses, and visitors emphasizing inclusion by lower-income households and those who have experienced homelessness.

³ TIDA and TIHDI (now One Treasure Island, or One TI) entered into a Base Closure Homeless Assistance Agreement, commonly referred to as the TIHDI Agreement. The Agreement grants TIHDI Member Organizations the right to develop 435 new units on Treasure Island and promises to provide them with developable lots for that purpose. An exhibit to the TIHDI Agreement was TIHDI Transition Housing Plan which provides for the programs and residents of the One TI member organization operated existing housing that will be transitioned to the new buildings on TIDA ground-leased lots.

⁴ The current project concept includes unit sizes ranging from studios to four bedrooms.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$1,540,000 from the issuance of Treasure Island Infrastructure and Revitalization Financing District Series 2023B Tax Increment Revenue Bonds to the Mayor’s Office of Housing and Community Development for affordable housing and place the amount on Controller’s Reserve in FY 2023-24.

We recommend that the Board of Supervisors amend the ordinance to reduce the appropriation amount to \$1,350,239 to reflect the amount of bond proceeds for the affordable housing project.

FISCAL IMPACT

The proceeds of the 2023B Housing Bonds are expected to be used by TIDA and MOHCD to finance a forgivable loan to the John Stewart Company and Catholic Charities for the Treasure Island Parcel IC4.3 Project. According to MOHCD staff, bond proceeds would fund architectural design (excluding the childcare center), California Debt Limit Allocation Committee (CDLAC) and California Debt and Investment Advisory Commission (CDIAC) fees, and predevelopment loan interest fees. Bond proceeds will be repaid by the IRFD with incremental property tax revenue generated by project areas within the IRFD.

The Affordable Housing Loan Committee approved a predevelopment loan of up to \$4.5 million for the project in November 2023. The loan will be funded by \$3.0 million from the Low Moderate Income Housing Asset Fund, with the remaining amount from 2023B Housing Bond proceeds. According to MOHCD staff, the predevelopment loan is currently being drafted.

Estimated Total Project Budget

According to MOHCD staff, the project is anticipated to close on the construction and gap funding in November 2026. According to the MOHCD loan evaluation for the predevelopment loan, the current estimated total budget is \$158.4 million, or approximately \$1.06 million per unit. However, the loan evaluation notes that the project budget is based on a conceptual design that is infeasible due to site constraints, which also has to accommodate the project’s childcare center. The project sponsor will refine the conceptual design using predevelopment loan funds.

The current estimated MOHCD and TIDA subsidy is \$50.5 million (including predevelopment), including an estimated \$15.5 million from IRFD bond proceeds and other TIDA sources. Other funding sources are expected to be Low Income Housing Tax Credits, California Department of Housing and Community Development (HCD) programs, Federal Housing Loan Bank Affordable Housing Program grant funds, private loan funds, and developer equity. Preliminary analysis suggests that the project would not be competitive for the HCD’s multifamily housing loan program, however the project sponsor will evaluate other state funding opportunities during predevelopment. If the project does not receive state funding, additional gap funding may be needed. Given the anticipated City funding for this project, the gap loan will likely require Board of Supervisors’ approval.

RECOMMENDATIONS

1. Amend the proposed ordinance to reduce the appropriation amount from \$1,540,000 to \$1,350,239.
2. Approve the ordinance, as amended.

From: [Conine-Nakano, Susanna \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#); [Rosenfield, Ben \(CON\)](#); [GIVNER, JON \(CAT\)](#)
Cc: [Paulino, Tom \(MYR\)](#); [Katz, Bridget \(CON\)](#); [Van Degna, Anna \(CON\)](#); [Dahl, Bryan \(BOS\)](#)
Subject: Mayor -- Ordinance -- Appropriating \$1.54M Tax Increment Revenue Bonds (Housing)
Date: Tuesday, October 31, 2023 3:53:35 PM
Attachments: [2. Supplemental Appropriation Ordinance -\\$1.54M TI IRFD Bonds \(Housing\).pdf](#)
[Supplemental Appropriation Ordinance -\\$1,540,000 MOHCD Treasure Island IRFD Bonds - CON & CAT Approval.pdf](#)
[Supplemental Appropriation Ordinance - MOHCD Treasure Island IRFD Bonds 8.28.23.docx](#)

Hello Clerks,

Attached for introduction to the Board of Supervisors is an Ordinance appropriating \$1,540,000 from the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) Series 2023B Tax Increment Revenue Bonds to the affordable housing project in the Mayor's Office of Housing and Community Development and placing these amounts on Controller's Reserve in Fiscal Year (FY) 2023-24.

Please note that Supervisor Dorsey is a co-sponsor of this legislation.

Best,
Susanna

Susanna Conine-Nakano
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City & County of San Francisco
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San Francisco, CA 94102
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