

File No. 140645

Committee Item No. 4

Board Item No. 43

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date June 30, 2014

Board of Supervisors Meeting

Date 7/15/14

Cmte Board

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Completed by: Andrea Ausberry Date June 26, 2014

Completed by: AA Date 7.2.14

[Resolution of Intention - Establishing the Transbay Transit Center Community Facilities District]

Resolution of Intention to establish City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith.

WHEREAS, Under the Mello-Roos Community Facilities Act of 1982, as amended, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code (the "Mello-Roos Act"), this Board of Supervisors is authorized to establish a community facilities district and to act as the legislative body for a community facilities district; and

WHEREAS, This Board of Supervisors now desires to proceed with the establishment of a community facilities district in order to finance costs of public infrastructure necessary or incident to development within the proposed boundaries of the proposed community facilities district; and

WHEREAS, Pursuant to Mello-Roos Act Section 53339.2 this Board of Supervisors further desires to undertake proceedings to provide for future annexation of territory to the proposed community facilities district; now, therefore, be it

RESOLVED, That this Board of Supervisors proposes to conduct proceedings to establish a community facilities district pursuant to the Mello-Roos Act, and hereby determines that public convenience and necessity require that a future annexation area be established pursuant to the Mello-Roos Act; and, be it

FURTHER RESOLVED, That the name proposed for the community facilities district shall be "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"); and, be it

1 FURTHER RESOLVED, That the name proposed for the territory proposed to be
2 annexed into the CFD in the future shall be "City and County of San Francisco Community
3 Facilities District No. 2014-1 (Transbay Transit Center) (Future Annexation Area)" (the "Future
4 Annexation Area"); and, be it

5 FURTHER RESOLVED, That the proposed boundaries of the CFD and the Future
6 Annexation Area are as shown on the map of them on file with the Clerk of the Board of
7 Supervisors, which boundaries are hereby preliminarily approved and to which map reference
8 is hereby made for further particulars. The Clerk of the Board of Supervisors is hereby
9 directed to record, or cause to be recorded, the map of the boundaries of the CFD and the
10 Future Annexation Area in the office of the Assessor-Recorder within fifteen (15) days of the
11 date of adoption of this Resolution, but in any event at least fifteen (15) days prior to the public
12 hearing specified below; and, be it

13 FURTHER RESOLVED, That parcels within the Future Annexation Area shall be
14 annexed to the CFD only with the unanimous approval (each, a "Unanimous Approval") of the
15 owner or owners of each parcel or parcels when that parcel or those parcels are annexed,
16 without any requirement for further public hearings or additional proceedings; and, be it

17 FURTHER RESOLVED, That the type of public facilities proposed to be financed by
18 the CFD and the Future Annexation Area and pursuant to the Mello-Roos Act shall consist of
19 those listed as facilities on Exhibit A hereto and hereby incorporated herein (the "Facilities").
20 The Board of Supervisors hereby determines that the Facilities are necessary to meet
21 increased demands placed upon local agencies as the result of development occurring within
22 the CFD and the Future Annexation Area. The Facilities will be shared by property in the CFD
23 and property in the Future Annexation Area. The Board of Supervisors hereby finds and
24 determines that the public interest will not be served by allowing the property owners in the
25 CFD to enter into a contract in accordance with Mello-Roos Act Section 53329.5(a).

1 Notwithstanding the foregoing, the Board of Supervisors, on behalf of the CFD, hereby
2 authorizes the Controller or the Director of the Office of Public Finance (or designee of either),
3 subject to the prior review and approval of the City Attorney, to enter into one or more
4 contracts directly with any of the property owners with respect to the construction and/or
5 acquisition of the any portion of the Facilities; and, be it

6 FURTHER RESOLVED, That the Controller or the Director of the Office of Public
7 Finance (or designee of either), subject to the prior review and approval of the City Attorney,
8 is hereby authorized and directed to enter into joint community facilities agreements on behalf
9 of the CFD with any entity that will own or operate any of the Facilities, as may be necessary
10 to comply with the provisions of Mello-Roos Act Section 53316.2. The Board of Supervisors
11 hereby declares that such joint agreements will be beneficial to owners of property in the area
12 of the CFD; and, be it

13 FURTHER RESOLVED, That except to the extent that funds are otherwise available,
14 the City will levy a special tax (the "Special Tax") to pay directly for the Facilities and/or pay
15 the principal and interest on bonds of the City issued to finance the Facilities. The Special Tax
16 will be secured by recordation of a continuing lien against all non-exempt real property in the
17 CFD, will be levied annually within the CFD, and collected in the same manner as ordinary ad
18 valorem property taxes, or in such other manner as this Board of Supervisors or its designee
19 shall determine, including direct billing of the affected property owners. The proposed rate and
20 method of apportionment of the Special Tax among the parcels of real property within the
21 CFD in sufficient detail to allow each landowner within the proposed CFD to estimate the
22 maximum amount such owner will have to pay, are described in Exhibit B attached hereto and
23 hereby incorporated herein (the "Rate and Method"); and, be it

24 FURTHER RESOLVED, That the Special Tax shall not be levied in the CFD after the
25 final tax year specified in the Rate and Method, except that a Special Tax that was lawfully

1 levied in or before the final tax year and that remains delinquent may be collected in
2 subsequent years. Under no circumstances shall the Special Tax levied against any parcel in
3 the CFD and used for private residential purposes be increased as a consequence of
4 delinquency or default by the owner of any other parcel or parcels within the CFD by more
5 than 10 percent; and, be it

6 FURTHER RESOLVED, That this Board of Supervisors hereby finds that the provisions
7 of Mello-Roos Act Sections 53313.6, 53313.7 and 53313.9 (relating to adjustments to ad
8 valorem property taxes and schools financed by a community facilities district) are
9 inapplicable to the proposed CFD; and, be it

10 FURTHER RESOLVED, That as required by Mello-Roos Act Section 53339.3(d), the
11 Board of Supervisors hereby determines that the special tax proposed to pay for one or more
12 Facilities to be supplied within the Future Annexation Area will be equal to the special taxes
13 levied to pay for the same Facilities in the original area of the CFD; and, be it

14 FURTHER RESOLVED, That except as may otherwise be provided by law or by the
15 rate and method of apportionment of the Special Tax for the CFD, all lands owned by any
16 public entity, including the United States, the State of California and/or the City, or any
17 departments or political subdivisions thereof, shall be omitted from the levy of the Special Tax
18 to be made to cover the costs and expenses of the Facilities and the CFD. In the event that a
19 portion of the property within the CFD shall become for any reason exempt, wholly or in part,
20 from the levy of the Special Tax, this Board of Supervisors will, on behalf of the CFD, increase
21 the levy to the extent necessary upon the remaining property within the CFD which is not
22 exempt in order to yield the required debt service payments and other annual expenses of the
23 CFD, if any, subject to the provisions of the rate and method of apportionment of the Special
24 Tax; and, be it

1 FURTHER RESOLVED, That the levy of the Special Tax shall be subject to the
2 approval of the qualified electors of the CFD at a special election. The proposed voting
3 procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed
4 CFD, with each owner having one vote for each acre or portion of an acre such owner owns in
5 the CFD; and, be it

6 FURTHER RESOLVED, That a special tax shall be levied in the Future Annexation
7 Area only with the Unanimous Approval of the owner or owners of each parcel or parcels at
8 the time that parcel or those parcels are annexed, without any requirement for further public
9 hearings or additional proceedings; and, be it

10 FURTHER RESOLVED, That it is the intention of this Board of Supervisors, acting as
11 the legislative body for the CFD, to cause bonds and other debt (as defined in the Mello-Roos
12 Act) of the City to be issued for the CFD pursuant to the Mello-Roos Act to finance in whole or
13 in part the construction and/or acquisition of the Facilities. The bonds and other debt shall be
14 in the aggregate principal amount of not to exceed \$1,400,000,000, shall be issued in such
15 series and bear interest payable semi-annually or in such other manner as this Board of
16 Supervisors shall determine, at a rate not to exceed the maximum rate of interest as may be
17 authorized by applicable law at the time of sale of such bonds and other debt, and shall
18 mature not to exceed forty (40) years from the date of the issuance thereof; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors hereby reserves the right and
20 authority to allow any interested owner of property in the CFD, subject to the provisions of
21 Mello-Roos Act Section 53344.1 and such other conditions as the Board of Supervisors may
22 impose and any applicable prepayment penalties associated with bonds or other debt issued
23 or incurred by the CFD, to tender bonds in full payment or part payment of any installment of
24 special taxes or the interest or penalties thereon which may be due or delinquent, but for
25 which a bill has been received; and, be it

1 FURTHER RESOLVED, That the City's Director of the Office of Public Finance, as the
2 officer having charge and control of the Facilities in and for the CFD, or the designee of such
3 officers, is hereby directed to study said proposed Facilities and to make, or cause to be
4 made, and file with the Clerk of the Board of Supervisors a report in writing, (the "CFD
5 Report") presenting the following:

6 (a) A description of the Facilities by type which will be required to adequately meet
7 the needs of the CFD.

8 (b) An estimate of the fair and reasonable cost of the Facilities including the cost of
9 acquisition of lands, rights-of-way and easements, any physical facilities required in
10 conjunction therewith and incidental expenses in connection therewith, including the costs of
11 the proposed bond financing and all other related costs as provided in Mello-Roos Act Section
12 53345.3 ; and, be it

13 FURTHER RESOLVED, That the CFD Report shall be made a part of the record of the
14 public hearing specified below; and, be it

15 FURTHER RESOLVED, Tuesday, September 2, 2014, at 2:00 p.m. or as soon as
16 possible thereafter, in the Board of Supervisors Chambers, 1 Dr. Carlton B. Goodlett Place,
17 San Francisco, California, be, and the same are hereby appointed and fixed as the time and
18 place when and where this Board of Supervisors will conduct a public hearing on the
19 establishment of the CFD and the Future Annexation Area and consider and finally determine
20 whether the public interest, convenience and necessity require the formation of the CFD, the
21 Future Annexation Area and the levy of the Special Tax; and, be it

22 FURTHER RESOLVED, That the Clerk of the Board of Supervisors is hereby directed
23 to cause notice of the public hearing to be given by publication one time in a newspaper
24 published in the area of the CFD and the Future Annexation Area. The publication shall be
25 completed at least seven days before the date of the public hearing specified above. The

1 Clerk of the Board of Supervisors may also cause notice of the hearing to be given to each
2 property owner within the CFD by first class mail, postage prepaid, to each such owner's
3 addresses as it appears on the most recent tax records of the City or as otherwise known to
4 the Clerk of the Board of Supervisors to be correct. Such mailing shall be completed not less
5 than 15 days before the date of the public hearing. The notice shall be substantially in the
6 form specified in Mello-Roos Act Section 53322, with the form summarizing the provisions
7 hereof hereby specifically approved; and, be it

8 FURTHER RESOLVED, That the Mayor, Controller, Director of the Office of Public
9 Finance, City Attorney, Clerk of the Board of Supervisors and all other officers and agents of
10 the City are hereby authorized and directed to take all actions necessary or advisable to give
11 effect to the transactions contemplated by this Resolution; and, be it

12 FURTHER RESOLVED, That this Resolution shall in no way obligate the Board of
13 Supervisors of the City to form the CFD. The formation of the CFD shall be subject to the
14 approval of this Board of Supervisors by resolution following the holding of the public hearing
15 referred to above; and, be it

16 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.

17
18 APPROVED AS TO FORM:
19 DENNIS J. HERRERA, City Attorney

20 By: Kenneth Lee for
21 Mark D. Blake
22 Deputy City Attorney
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EXHIBIT A

CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)

DESCRIPTION OF FACILITIES TO BE FINANCED BY THE CFD

City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "CFD") will pay or finance all or a portion of the costs of the following facilities (the "Facilities"). The Facilities will be constructed, whether or not acquired in their completed states, pursuant to the plans and specifications approved by the City and County of San Francisco (the "City") or other applicable public agencies.

FACILITIES

I. Streetscape and Pedestrian Improvements

Primary Streets (Mission, Howard, Folsom, Fremont, 1st, 2nd, New Montgomery):

Improve existing primary streets in the Transit Center District, including Mission, Howard, Folsom, Fremont, 1st, 2nd, and New Montgomery Streets. Improvements would include sidewalk widening to accommodate additional pedestrian traffic from new development and the Transbay Transit Center, pedestrian and streetscape amenities, bicycle facilities, transit upgrades such as dedicated transit lanes, boarding islands, enhanced shelters and curb extensions to serve transit stops, and roadway circulation, parking, and loading changes. Recommended changes to Primary Streets would be informed by traffic studies to be funded by the CFD.

1 **Living Streets (Beale, Main, and Spear Streets North of Folsom to Market Street):**

2 Improve Beale, Main, and Spear Streets from Folsom Street to Market Street by significantly
3 expanding the sidewalk on one side of each street to approximately 30 feet and reducing the
4 number of traffic lanes to one lane in either direction. Beale and Main Streets would feature a
5 bike lane in the direction of traffic. Within the widened sidewalks, the Living Streets would
6 include linear park space along the length of each block and provide additional open space
7 and pedestrian amenities. The enhancements would include pedestrian amenities, street
8 trees and landscaping, pedestrian lighting, street furniture, pocket parks, active uses, and
9 curb extensions.

10 **Alleys (Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Street):** Improve

11 Stevenson, Jessie, Minna, Natoma, Tehama, Clementina Streets and other alleys within the
12 project area. Alley improvements would include a variety of pedestrian improvements,
13 including sidewalk widening, landscaping, pedestrian lighting, and street furniture, and
14 potential redesign as single-surface shared pedestrian/vehicle ways.

15 **Fremont/Folsom Freeway Off-Ramp Realignment:** Realign the Fremont/Folsom Bay

16 Bridge off-ramp so that it creates a "T" intersection with Fremont Street. This would enhance
17 the safety of pedestrians crossing the off-ramp by standardizing the alignment of the off-ramp
18 and improve the conditions along Folsom Street, planned as a major pedestrian boulevard.

19 **Mid-block Crossings:** Analyze and build new crosswalks at various mid-block

20 locations in the Project Area. Mid-block crosswalks would include crosswalk striping at a
21 minimum. They may also include new traffic signals, curb extensions, and other pedestrian
22 safety features as appropriate.

23 **Signalization:** Upgrade or install traffic signals at approximately 25 intersections in the

24 Project Area. Traffic signal upgrades would be done in conjunction with overall circulation and
25 street improvements in the Project Area.

1 **Shaw Plaza:** Create a pedestrian-only open space that would primarily function as a
2 through connection from Mission Street to the Transbay Transit Center. The plaza would
3 include decorative paving, landscaping, signage, curb ramps, lighting, and drainage
4 improvements.

5 **Natoma Street:** Create a pedestrian plaza and link to the Transit Center between 1st
6 and 2nd Streets. The western two-thirds of Natoma Street between First and Second Streets
7 would be closed to vehicles. Service vehicles and deliveries may be able to access this
8 portion of Natoma Street during night and early morning hours before peak transit and retail
9 times. The eastern one-third of Natoma Street (nearest to First Street) would remain open to
10 vehicles to maintain access to parking and loading for existing buildings on the north side of
11 Howard Street. The pedestrian space would include a new curbless single-surface space
12 including decorative paving, pedestrian lighting, landscaping, and street furniture.

13 **Casual Carpool waiting area improvements:** Improve drop-off and pick-up zones at
14 casual carpool locations in the Project Area, including sufficient sidewalk waiting and
15 passenger loading/unloading space and amenities, including shelters, seating, informational
16 signage and other supportive services.

18 II. Transit and Other Transportation

19 **Transit Delay Mitigation:** Pay for the purchase of new transit vehicles to mitigate transportation
20 impacts attributable to increased Project Area congestion.

21 **BART Station Capacity:** Enhance capacity constraints at Embarcadero and
22 Montgomery Stations regarding crowding on platforms, vertical circulation, and the “dwell
23 time” required for trains to load and unload passengers, which would be exacerbated by the
24 additional transit riders brought on by new development and the Transbay Transit Center.
25 Potential capacity enhancement measures could include additional vertical circulation (e.g.

1 stairwells, escalators, and elevators), additional fare gates, improvements to the train control
2 system to allow for more frequent service, platform edge doors, and better real-time public
3 information displays on train arrivals at concourse and street levels.

4 **Congestion Charging Pilot:** Study, design and construct capital improvements
5 relating to a congestion charging pilot program, potentially including fare booths, signals,
6 electronic monitoring equipment, and the like. Conduct necessary analyses to inform the
7 appropriate triggers, mechanisms, and capital improvements required for a congestion pricing
8 pilot program to manage traffic volumes entering and exiting the CFD.

9 **Underground Pedestrian Connector:** Create an underground pedestrian tunnel
10 connecting the Transbay Transit Center with the Embarcadero BART/Muni Metro Station,
11 increasing circulation space available for pedestrians and creating a seamless link between
12 the two transit stations.

13 **Downtown Rail Extension (DTX):** Extend the Caltrain rail tracks to the new Transbay
14 Transit Center to accommodate Caltrain and California High Speed Rail, and construct the
15 train components of the Transit Center building including associated systems. The funding
16 would pay for the planning, engineering, right-of-way acquisition, and construction of the DTX.

17
18 **III. Public Open space**

19 **City Park:** Plan, design and construct public open space on the roof of the Transbay
20 Transit Center.

21 **City Park Connections:** Provide connections to the Transbay Transit Center's City
22 Park from adjacent private buildings or from public streets and plazas. Connections could
23 include sky bridges, or connections from ground level to park level, such as elevators,
24 escalators, funiculars, gondolas or similar means of conveying people to City Park.

1 Connections would be required to be publicly accessible during standard hours so that
2 members of the public could easily access City Park.

3 **2nd and Howard Public Plaza:** Create an approximately 0.5-acre open space at the
4 corner of 2nd and Howard Streets, on a grouping of parcels located on top of the future train
5 tunnel. The open space would serve as a major access point to the adjacent Transbay Transit
6 Center, including featuring a possible connection to the elevated City Park on the roof of the
7 Transit Center. The open space design would be determined through a public design process.

8 **Transbay Park:** Transbay Park would be a new approximately 1.1-acre park, located
9 between Main, Beale, Tehama, and Clementina Streets. The Park would provide a mix of
10 active and passive recreation spaces.

11 **Chinatown Open Space Improvements:** Improvements to multiple public open
12 spaces in Chinatown whose use would be increased by new development in the Project Area.
13 The open space improvements may include enhancements to Portsmouth Square, a new
14 open space at the Chinatown Central Subway Station, and improvements to other Chinatown
15 parks. Specific open space improvements would be determined through a public design
16 process.

17 **Other Downtown Open Space Improvements:** Improvements to multiple public open
18 spaces in Downtown, whose use would be increased by new development in the Project Area.
19 Specific locations for open space improvements have not been identified yet.

20 **Mission Square:** Public plaza at the entrance to the new Transbay Transit Center at
21 the corner of Fremont and Mission Streets. The plaza would create passive open space and
22 circulation space for people entering and exiting the Transit Center and the adjacent Transit
23 Tower development.

24 **Under-Ramp Park:** Under-Ramp Park would be a new system of open spaces, built
25 adjacent to and under the Bay Bridge off-ramps and bus ramps to the Transbay Transit

1 Center, between Harrison, Howard, First, and Second Streets. The Park would provide a mix
2 of active and passive recreation spaces.

3
4 The costs to be financed include the costs of the acquisition of right-of-way (including
5 right-of-way that is intended to be dedicated by the recording of a final map), the costs of
6 design, engineering and planning, the costs of any environmental or traffic studies, surveys or
7 other reports, costs related to landscaping and irrigation, soils testing, permits, plan check and
8 inspection fees, insurance, legal and related overhead costs, coordination and supervision
9 and any other costs or appurtenances related to any of the foregoing.

10 OTHER

11 The CFD may also finance any of the following:

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

15 2. Administrative fees of the City and the bond trustee or fiscal agent related to the
16 CFD and the bonds or other debt.

17 3. Reimbursement of costs related to the formation of the CFD advanced by the City,
18 the landowner(s) in the CFD, or any party related to any of the foregoing, as well as
19 reimbursement of any costs advanced by the City, the landowner(s) in the CFD or any party
20 related to any of the foregoing, for facilities, fees or other purposes or costs of the CFD.

21 4. The CFD may also pay in full all amounts necessary to eliminate any fixed
22 special assessment liens or to pay, repay, or defease any obligation to pay or any
23 indebtedness secured by any tax, fee, charge, or assessment levied within the area of the
24 CFD or may pay debt service on that indebtedness. In addition, tax revenues of the CFD may
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be used to make lease or debt service payments on any lease, lease-purchase contract, or certificate of participation used to finance facilities authorized to be financed by the CFD.

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2014-1 (TRANSBAY TRANSIT CENTER)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Taxable Parcel in the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage within Taxable Buildings, as described below. All Taxable Parcels in the CFD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

“**Administrative Expenses**” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City and TJPA carrying out duties with respect to CFD No. 2014-1 and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller’s Office and/or the City Treasurer and Tax Collector’s Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Tax, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TJPA in any way related to the establishment or administration of the CFD.

“**Administrator**” means the Director of the Office of Public Finance who shall be responsible for administering the Special Tax according to this RMA.

“**Affordable Housing Project**” means a residential or primarily residential project, as determined by the Zoning Authority, within which all Residential Units are Below Market Rate Units. All Land Uses within an Affordable Housing Project are exempt from the Special Tax, as provided in Section G and are subject to the limitations set forth in Section D.4 below.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land parcel.

“Apartment Building” means a residential or mixed-use Building within which none of the Residential Units have been sold to individual homebuyers.

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

“Authorized Facilities” means those public facilities authorized to be funded by the CFD as set forth in the CFD formation proceedings.

“Base Special Tax” means the Special Tax per square foot that is used to calculate the Maximum Special Tax that applies to a Taxable Parcel pursuant to Sections C.1 and C.2 of this RMA. The Base Special Tax shall also be used to determine the Maximum Special Tax for any Net New Square Footage added to a Taxable Building in the CFD in future Fiscal Years.

“Below Market Rate Units” or **“BMR Units”** means all Residential Units within the CFD that have a deed restriction recorded on title of the property that (i) limits the rental price or sales price of the Residential Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way restricts the current or future value of the unit.

“Board” means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2014-1.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, issued, incurred, or assumed by the CFD related to the Authorized Facilities.

“Building” means a permanent enclosed structure that is, or is part of, a Conditioned Project.

“Building Height” means the number of Stories in a Taxable Building, which shall be determined based on the highest Story that is occupied by a Land Use. If there is any question as to the Building Height of any Taxable Building in the CFD, the Administrator shall coordinate with the Zoning Authority to make the determination.

“Certificate of Exemption” means a certificate issued to the then-current record owner of a Parcel that indicates that some or all of the Square Footage on the Parcel has prepaid the Special Tax obligation or has paid the Special Tax for thirty Fiscal Years and, therefore, such Square Footage shall, in all future Fiscal Years, be exempt from the levy of Special Taxes in the CFD. The Certificate of Exemption shall identify (i) the Assessor’s Parcel number(s) for the Parcel(s) on which the Square Footage is located, (ii) the amount of Square Footage for which the

exemption is being granted, (iii) the first and last Fiscal Year in which the Special Tax had been levied on the Square Footage, and (iv) the date of receipt of a prepayment of the Special Tax obligation, if applicable.

“Certificate of Occupancy” or **“COO”** means the first certificate, including any temporary certificate of occupancy, issued by the City to confirm that a Building or a portion of a Building has met all of the building codes and can be occupied for residential and/or non-residential use. For purposes of this RMA, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the CFD; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Letter has been provided to the Administrator for the Building.

“CFD” or **“CFD No. 2014-1”** means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center).

“Child Care Square Footage” means, collectively, the Exempt Child Care Square Footage and Taxable Child Care Square Footage within a Taxable Building in the CFD.

“City” means the City and County of San Francisco.

“Conditioned Project” means a Development Project that, pursuant to Section 424 of the Planning Code, is required to participate in funding Authorized Facilities through the CFD and, therefore, is subject to the levy of the Special Tax when Buildings within the Development Project become Taxable Buildings.

“Converted Apartment Building” means a Taxable Building that had been designated as an Apartment Building within which one or more Residential Units are subsequently sold to a buyer that is not a Landlord.

“Converted For-Sale Unit” means, in any Fiscal Year, an individual Market Rate Unit within a Converted Apartment Building for which an escrow has closed, on or prior to June 30 of the preceding Fiscal Year, in a sale to a buyer that is not a Landlord.

“County” means the City and County of San Francisco.

“CPC” means the Capital Planning Committee of the City and County of San Francisco, or if the Capital Planning Committee no longer exists, “CPC” shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the CFD.

“Development Project” means a residential, non-residential, or mixed-use development that includes one or more Buildings that are planned and entitled in a single application to the City.

“Exempt Child Care Square Footage” means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Zoning Authority to be reserved for one or more licensed child care facilities. If a prepayment is made in association with any Taxable Child Care Square Footage, such Square Footage shall also be deemed Exempt Child Care Square Footage beginning in the Fiscal Year following receipt of the prepayment.

“Exempt Parking Square Footage” means the Square Footage of parking within a Taxable Building that, pursuant to Sections 151.1 and 204.5 of the Planning Code, is estimated to be needed to serve Land Uses within a building in the CFD, as determined by the Zoning Authority. If a prepayment is made in association with any Taxable Parking Square Footage, such Square Footage shall also be deemed Exempt Parking Square Footage beginning in the Fiscal Year following receipt of the prepayment.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“For-Sale Residential Square Footage” or **“For-Sale Residential Square Foot”** means Square Footage that is or is expected to be part of a For-Sale Unit. The Zoning Authority shall make the determination as to the For-Sale Residential Square Footage within a Taxable Building in the CFD. For-Sale Residential Square Foot means a single square-foot unit of For-Sale Residential Square Footage.

“For-Sale Unit” means (i) in a Taxable Building that is not a Converted Apartment Building: a Market Rate Unit that has been, or is available or expected to be, sold, and (ii) in a Converted Apartment Building, a Converted For-Sale Unit. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

“Indenture” means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2014-1 Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Initial Annual Adjustment Factor” means, as of July 1 of any Fiscal Year, the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator’s Capital Planning Group and used to calculate the annual adjustment to the City’s development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to Section 409(b) of the Planning Code, as may be amended from time to time. If changes are made to the office responsible for calculating the annual adjustment, the name of the inflation index, or the date on which the development fee adjustment takes effect, the Administrator shall continue to rely on whatever annual adjustment factor is applied to the City’s development impact fees in order to calculate adjustments to the Base Special Taxes pursuant to Section D.1 below. Notwithstanding the foregoing, the Base Special Taxes shall, in no Fiscal Year, be increased or decreased by more than four percent (4%) of the amount in effect in the prior Fiscal Year.

“Initial Square Footage” means, for any Taxable Building in the CFD, the aggregate Square Footage of all Land Uses within the Building, as determined by the Zoning Authority upon issuance of the COO.

“IPIC” means the Interagency Plan Implementation Committee, or if the Interagency Plan Implementation Committee no longer exists, “IPIC” shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the CFD.

“Land Use” means residential, office, retail, hotel, parking, or child care use. For purposes of this RMA, the City shall have the final determination of the actual Land Use(s) on any Parcel within the CFD.

“Landlord” means an entity that owns at least twenty percent (20%) of the Rental Units within an Apartment Building or Converted Apartment Building.

“Market Rate Unit” means a Residential Unit that is not a Below Market Rate Unit.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Taxable Parcel in the CFD in any Fiscal Year, as determined in accordance with Section C below.

“Net New Square Footage” means any Square Footage added to a Taxable Building after the Initial Square Footage in the Building has paid Special Taxes in one or more Fiscal Years.

“Office/Hotel Square Footage” or **“Office/Hotel Square Foot”** means Square Footage that is or is expected to be: (i) Square Footage of office space in which professional, banking, insurance, real estate, administrative, or in-office medical or dental activities are conducted, (ii) Square Footage that will be used by any organization, business, or institution for a Land Use that does not meet the definition of For-Sale Residential Square Footage Rental Residential Square Footage, or Retail Square Footage, including space used for cultural, educational, recreational, religious, or social service facilities that is not Public Property, (iii) Taxable Child Care Square Footage, (iv) Square Footage in a residential care facility that is staffed by licensed medical professionals, and (v) any other Square Footage within a Taxable Building that is not Public Property and does not fall within the definition provided for other Land Uses in this RMA. Notwithstanding the foregoing, street-level retail bank branches, real estate brokerage offices, and other such ground-level uses that are open to the public shall be categorized as Retail Square Footage pursuant to the Planning Code. Office/Hotel Square Foot means a single square-foot unit of Office/Hotel Square Footage.

For purposes of this RMA, “Office/Hotel Square Footage” shall also include Square Footage that is or is expected to be part of a non-residential structure that constitutes a place of lodging, providing temporary sleeping accommodations and related facilities. All Square Footage that shares an Assessor’s Parcel number within such a non-residential structure, including Square Footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses shall be categorized as Office/Hotel Square Footage. If there are separate Assessor’s Parcel numbers for these other uses, the Administrator shall apply the Base Special Tax for Retail Square Footage to determine the Maximum Special Tax for Parcels on which a restaurant, gift shop, spa, or other retail use is located or anticipated, and the Base Special Tax for

Office/Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on which other uses in the building are located. The Zoning Authority shall make the final determination as to the amount of Office/Hotel Square Footage within a building in the CFD.

“Planning Code” means the Planning Code of the City and County of San Francisco, as may be amended from time to time.

“Proportionately” means, for Taxable Parcels that are not Taxable Public Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Taxable Parcels that are not Taxable Public Property. For Taxable Public Property, “Proportionately” means that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Parcels of Taxable Public Property.

“Public Property” means any property within the boundaries of CFD No. 2014-1 that is owned by the federal government, the State of California, the City, or other public agency.

“Rental Residential Square Footage” or **“Rental Residential Square Foot”** means Square Footage that is or is expected to be used for one or more of the following uses: (i) Rental Units, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals. The Zoning Authority shall make the determination as to the amount of Rental Residential Square Footage within a Taxable Building in the CFD. Rental Residential Square Foot means a single square-foot unit of Rental Residential Square Footage.

“Rental Unit” means (i) all Market Rate Units within an Apartment Building, and (ii) all Market Rate Units within a Converted Apartment Building that have yet to be sold to an individual homeowner or investor. “Rental Unit” shall not include any Residential Unit which has been purchased by a homeowner or investor and subsequently offered for rent to the general public. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

“Retail Square Footage” or **“Retail Square Foot”** means Square Footage that is or, based on the Certificate of Occupancy, will be Square Footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to restaurants, bars, entertainment venues, health clubs, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, all Taxable Parking Square Footage in a Building, and all street-level retail bank branches, real estate brokerages, and other such ground-level uses that are open to the public, shall be categorized as Retail Square Footage for purposes of calculating the Maximum Special Tax pursuant to Section C below. The Zoning Authority shall make the final determination as to the amount of Retail Square Footage within a Taxable Building in the CFD. Retail Square Foot means a single square-foot unit of Retail Square Footage.

“Residential Unit” means an individual townhome, condominium, live/work unit, or apartment within a Building in the CFD.

“Residential Use” means (i) any and all Residential Units within a Taxable Building in the CFD, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, and (iii) a residential care facility that is not staffed by licensed medical professionals.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) create and/or replenish reserve funds for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Facilities. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (ii) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay such costs as determined by the Administrator.

“Square Footage” means, for any Taxable Building in the CFD, the net saleable or leasable square footage of each Land Use on each Taxable Parcel within the Building, as determined by the Zoning Authority. If a building permit is issued to increase the Square Footage on any Taxable Parcel, the Administrator shall, in the first Fiscal Year after the final building permit inspection has been conducted in association with such expansion, work with the Zoning Authority to recalculate (i) the Square Footage of each Land Use on each Taxable Parcel, and (ii) the Maximum Special Tax for each Taxable Parcel based on the increased Square Footage. The final determination of Square Footage for each Land Use on each Taxable Parcel shall be made by the Zoning Authority.

“Story” or **“Stories”** means a portion or portions of a Building, except a mezzanine as defined in the City Building Code, included between the surface of any floor and the surface of the next floor above it, or if there is no floor above it, then the space between the surface of the floor and the ceiling next above it.

“Taxable Building” means, in any Fiscal Year, any Building within the CFD that is, or is part of, a Conditioned Project, and for which a Certificate of Occupancy was issued and a Tax

Commencement Authorization was received by the Administrator on or prior to June 30 of the preceding Fiscal Year. If only a portion of the Building is a Conditioned Project, as determined by the Zoning Authority, that portion of the Building shall be treated as a Taxable Building for purposes of this RMA.

“Tax Commencement Authorization” means a written authorization issued by the Administrator upon the recommendations of the IPIC and CPC in order to initiate the levy of the Special Tax on a Conditioned Project that has been issued a COO.

“Taxable Child Care Square Footage” means the amount of Square Footage determined by subtracting the Exempt Child Care Square Footage within a Taxable Building from the total net leasable square footage within a Building that is used for licensed child care facilities, as determined by the Zoning Authority.

“Taxable Parcel” means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or Section G below. If, in any Fiscal Year, a Special Tax is levied on only Net New Square Footage in a Taxable Building, only the Parcel(s) on which the Net New Square Footage is located shall be Taxable Parcel(s) for purposes of calculating and levying the Special Tax pursuant to this RMA.

“Taxable Parking Square Footage” means Square Footage of parking in a Taxable Building that is determined by the Zoning Authority not to be Exempt Parking Square Footage.

“Taxable Public Property” means any Parcel of Public Property that had been a Taxable Parcel in a prior Fiscal Year, and for which the Special Tax obligation was not prepaid when the public agency took ownership of the Parcel.

“TJPA” means the Transbay Joint Powers Authority.

“Zoning Authority” means either the City Zoning Administrator, the Executive Director of the San Francisco Office of Community Investment and Infrastructure, or an alternate designee from the agency or department responsible for the approvals and entitlements of a project in the CFD. If there is any doubt as to the responsible party, the Administrator shall coordinate with the City Zoning Administrator to determine the appropriate party to serve as the Zoning Authority for purposes of this RMA.

B. DATA FOR CFD ADMINISTRATION

On or after July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels in the CFD. In order to identify Taxable Parcels, the Administrator shall confirm which Buildings in the CFD have been issued both a Tax Commencement Authorization and a COO.

The Administrator shall also work with the Zoning Authority to confirm: (i) the Building Height for each Taxable Building , (ii) the For-Sale Residential Square Footage, Rental Residential

Square Footage, Office/Hotel Square Footage, and Retail Square Footage on each Taxable Parcel, (iii) if applicable, the number of BMR Units and aggregate Square Footage of BMR Units within the Building, (iv) whether any of the Square Footage on a Parcel is subject to a Certificate of Exemption, (v) whether there is Taxable Public Property in the CFD, and (vi) the Special Tax Requirement for the Fiscal Year. In each Fiscal Year, the Administrator shall also keep track of how many Fiscal Years the Special Tax has been levied on each Parcel within the CFD. If there is Initial Square Footage and Net New Square Footage on a Parcel, the Administrator shall separately track the duration of the Special Tax levy in order to ensure compliance with Section F below.

In any Fiscal Year, if it is determined by the Administrator that (i) a parcel map or condominium plan for a portion of property in the CFD was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), and (ii) the Assessor does not yet recognize the newly-created parcels, the Administrator shall calculate the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor's Parcel that was subdivided by recordation of the parcel map or condominium plan.

C. DETERMINATION OF THE MAXIMUM SPECIAL TAX

1. *Base Special Tax*

Once the Building Height of, and Land Use(s) within, a Taxable Building have been identified, the Base Special Tax to be used for calculation of the Maximum Special Tax for each Taxable Parcel within the Building shall be determined based on reference to the applicable table(s) below:

FOR-SALE RESIDENTIAL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$4.71 per For-Sale Residential Square Foot
6 – 10 Stories	\$5.02 per For-Sale Residential Square Foot
11 – 15 Stories	\$6.13 per For-Sale Residential Square Foot
16 – 20 Stories	\$6.40 per For-Sale Residential Square Foot
21 – 25 Stories	\$6.61 per For-Sale Residential Square Foot
26 – 30 Stories	\$6.76 per For-Sale Residential Square Foot
31 – 35 Stories	\$6.88 per For-Sale Residential Square Foot
36 – 40 Stories	\$7.00 per For-Sale Residential Square Foot
41 – 45 Stories	\$7.11 per For Sale Residential Square Foot
46 – 50 Stories	\$7.25 per For-Sale Residential Square Foot
More than 50 Stories	\$7.36 per For-Sale Residential Square Foot

RENTAL RESIDENTIAL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$4.43 per Rental Residential Square Foot
6 – 10 Stories	\$4.60 per Rental Residential Square Foot
11 – 15 Stories	\$4.65 per Rental Residential Square Foot
16 – 20 Stories	\$4.68 per Rental Residential Square Foot
21 – 25 Stories	\$4.73 per Rental Residential Square Foot
26 – 30 Stories	\$4.78 per Rental Residential Square Foot
31 – 35 Stories	\$4.83 per Rental Residential Square Foot
36 – 40 Stories	\$4.87 per Rental Residential Square Foot
41 – 45 Stories	\$4.92 per Rental Residential Square Foot
46 – 50 Stories	\$4.98 per Rental Residential Square Foot
More than 50 Stories	\$5.03 per Rental Residential Square Foot

OFFICE/HOTEL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
1 – 5 Stories	\$3.45 per Office/Hotel Square Foot
6 – 10 Stories	\$3.56 per Office/Hotel Square Foot
11 – 15 Stories	\$4.03 per Office/Hotel Square Foot
16 – 20 Stories	\$4.14 per Office/Hotel Square Foot
21 – 25 Stories	\$4.25 per Office/Hotel Square Foot
26 – 30 Stories	\$4.36 per Office/Hotel Square Foot
31 – 35 Stories	\$4.47 per Office/Hotel Square Foot
36 – 40 Stories	\$4.58 per Office/Hotel Square Foot
41 – 45 Stories	\$4.69 per Office/Hotel Square Foot
46 – 50 Stories	\$4.80 per Office/Hotel Square Foot
More than 50 Stories	\$4.91 per Office/Hotel Square Foot

RETAIL SQUARE FOOTAGE

<i>Building Height</i>	<i>Base Special Tax Fiscal Year 2013-14*</i>
N/A	\$3.18 per Retail Square Foot

* *The Base Special Tax rates shown above for each Land Use shall escalate as set forth in Section D.1 below.*

2. Determining the Maximum Special Tax for Taxable Parcels

Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the

Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the following steps to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building:

- Step 1.* Determine the Building Height for the Taxable Building for which a Certificate of Occupancy was issued.
- Step 2.* Determine the For-Sale Residential Square Footage and/or Rental Residential Square Footage for all Residential Units on each Taxable Parcel, as well as the Office/Hotel Square Footage and Retail Square Footage on each Taxable Parcel.
- Step 3.* ***For each Taxable Parcel that includes only For-Sale Units***, multiply the For-Sale Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 4.* ***For each Taxable Parcel that includes only Rental Units***, multiply the Rental Residential Square Footage by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 5.* ***For each Taxable Parcel that includes only Residential Uses other than Market Rate Units***, net out the Square Footage associated with any BMR Units and multiply the remaining Rental Residential Square Footage (if any) by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 6.* ***For each Taxable Parcel that includes only Office/Hotel Square Footage***, multiply the Office/Hotel Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 7.* ***For each Taxable Parcel that includes only Retail Square Footage***, multiply the Retail Square Footage on the Parcel by the applicable Base Special Tax from Section C.1 to determine the Maximum Special Tax for the Taxable Parcel.
- Step 8.* ***For Taxable Parcels that include multiple Land Uses***, separately determine the For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, and/or Retail Square Footage. Multiply the Square Footage of each Land Use by the applicable Base Special Tax from Section C.1, and sum the individual amounts to determine the aggregate Maximum Special Tax for the Taxable Parcel for the first succeeding Fiscal Year.

3. *Determining the Maximum Special Tax for Taxable Public Property*

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied to the Taxable Parcel prior to the Parcel becoming Public Property.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. *Annual Escalation of Base Special Tax*

The Base Special Tax rates identified in Section C.1 are applicable for fiscal year 2013-14. Beginning July 1, 2014 and each July 1 thereafter, the Base Special Taxes shall be adjusted by the Initial Annual Adjustment Factor. The Base Special Tax rates shall be used to calculate the Maximum Special Tax for each Taxable Parcel in a Taxable Building for the first Fiscal Year in which the Building is a Taxable Building, as set forth in Section C.2 and subject to the limitations set forth in Section D.3.

2. *Adjustment of the Maximum Special Tax*

After a Maximum Special Tax has been assigned to a Parcel for its first Fiscal Year as a Taxable Parcel pursuant to Section C.2 and Section D.1, the Maximum Special Tax shall escalate for subsequent Fiscal Years beginning July 1 of the Fiscal Year after the first Fiscal Year in which the Parcel was a Taxable Parcel, and each July 1 thereafter, by two percent (2%) of the amount in effect in the prior Fiscal Year. In addition to the foregoing, the Maximum Special Tax assigned to a Taxable Parcel shall be increased in any Fiscal Year in which the Administrator determines that Net New Square Footage was added to the Parcel in the prior Fiscal Year.

3. *Converted Apartment Buildings*

If an Apartment Building in the CFD becomes a Converted Apartment Building, the Administrator shall rely on information from the County Assessor, site visits to the sales office, data provided by the entity that is selling Residential Units within the Building, and any other available source of information to track sales of Residential Units. In the first Fiscal Year in which there is a Converted For-Sale Unit within the Building, the Administrator shall determine the applicable Base Maximum Special Tax for For-Sale Residential Units for that Fiscal Year. Such Base Maximum Special Tax shall be used to calculate the Maximum Special Tax for all Converted For-Sale Units in the Building in that Fiscal Year. In addition, this Base Maximum Special Tax, escalated each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year, shall be used to calculate the Maximum Special Tax for all future Converted For-Sale Units within the Building. Solely for purposes of calculating Maximum Special Taxes for Converted For-Sale Units within the Converted Apartment Building, the adjustment of Base Maximum Special Taxes set forth in Section D.1. shall not apply. All Rental Residential Square Footage within the Converted Apartment Building shall continue to be subject to the Maximum Special Tax for Rental Residential Square Footage until such time as the units become Converted

For-Sale Units. The Maximum Special Tax for all Taxable Parcels within the Building, shall escalate each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year.

4. *BMR Unit/Market Rate Unit Transfers*

If, in any Fiscal Year, the Administrator determines that a Residential Unit that had previously been designated as a BMR Unit no longer qualifies as such, the Maximum Special Tax on the new Market Rate Unit shall be established pursuant to Section C.2 and adjusted, as applicable, by Sections D.1 and D.2. If a Market Rate Unit becomes a BMR Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit, the Maximum Special Tax on such Residential Unit shall not be decreased unless: (i) a BMR Unit is simultaneously redesignated as a Market Rate Unit, and (ii) such redesignation results in a Maximum Special Tax on the new Market Rate Unit that is greater than or equal to the Maximum Special Tax that was levied on the Market Rate Unit prior to the swap of units. If, based on the Building Height or Square Footage, there would be a reduction in the Maximum Special Tax due to the swap, the Maximum Special Tax that applied to the former Market Rate Unit will be transferred to the new Market Rate Unit regardless of the Building Height and Square Footage associated with the new Market Rate Unit.

5. *Changes in Land Use on a Taxable Parcel*

If any Square Footage that had been taxed as For-Sale Residential Square Footage, Rental Residential Square Footage, Office/Hotel Square Footage, or Retail Square Footage in a prior Fiscal Year is rezoned or otherwise changes Land Use, the Administrator shall apply the applicable subsection in Section C.2 to calculate what the Maximum Special Tax would be for the Parcel based on the new Land Use(s). If the amount determined is greater than the Maximum Special Tax that applied to the Parcel prior to the Land Use change, the Administrator shall increase the Maximum Special Tax to the amount calculated for the new Land Uses. If the amount determined is less than the Maximum Special Tax that applied prior to the Land Use change, there will be no change to the Maximum Special Tax for the Parcel. Under no circumstances shall the Maximum Special Tax on any Taxable Parcel be reduced, regardless of changes in Land Use or Square Footage on the Parcel, including reductions in Square Footage that may occur due to demolition, fire, water damage, or acts of God. In addition, if a Taxable Building within the CFD that had been subject to the levy of Special Taxes in any prior Fiscal Year becomes all or part of an Affordable Housing Project, the Parcel(s) shall continue to be subject to the Maximum Special Tax that had applied to the Parcel(s) before they became part of the Affordable Housing Project. All Maximum Special Taxes determined pursuant to Section C.2 shall be adjusted, as applicable, by Sections D.1 and D.2.

6. *Prepayments*

If a Parcel makes a prepayment pursuant to Section H below, the Administrator shall issue the owner of the Parcel a Certificate of Exemption for the Square Footage that was used to determine the prepayment amount, and no Special Tax shall be levied on the Parcel in future Fiscal Years unless there is Net New Square Footage added to a Building on the Parcel. Thereafter, a Special Tax calculated based solely on the Net New Square Footage on the Parcel shall be levied for up to thirty Fiscal Years, subject to the limitations set forth in Section F below. Notwithstanding the

foregoing, any Special Tax that had been levied against, but not yet collected from, the Parcel is still due and payable, and no Certificate of Exemption shall be issued until such amounts are fully paid. If a prepayment is made in order to exempt Taxable Child Care Square Footage on a Parcel on which there are multiple Land Uses, the Maximum Special Tax for the Parcel shall be recalculated based on the exemption of this Child Care Square Footage which shall, after such prepayment, be designated as Exempt Child Care Square Footage and remain exempt in all Fiscal Years after the prepayment has been received.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied according to the steps outlined below:

- Step 1:* The Special Tax shall be levied Proportionately on each Taxable Parcel that is not Taxable Public Property up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Taxable Parcels that are not Taxable Public Property is equal to the Special Tax Requirement;
- Step 2:* If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax assigned to each Parcel.

F. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2014-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected from the first Fiscal Year in which a Parcel is designated as a Taxable Parcel until the principal and interest on all Bonds have been paid, the City's costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. Notwithstanding the foregoing, the Special Tax shall not be levied on any Square Footage in the CFD for more than thirty Fiscal Years, except that a Special Tax that was lawfully levied in or before the final Fiscal Year and that remains delinquent may be collected in subsequent Fiscal Years. After a Building or a particular block of Square Footage within a Building (i.e., Initial Square Footage vs. Net New Square Footage) has paid the Special Tax for thirty Fiscal Years, the then-current record owner of the Parcel(s) on which that Square Footage is located shall be issued a Certificate of Exemption for such Square Footage. Notwithstanding the foregoing, the Special Tax shall cease to be levied, and a Release of Special Tax Lien shall be recorded against all Parcels in the CFD that are still subject to the Special Tax, after the Special Tax has been levied in the CFD for seventy-five Fiscal Years.

Pursuant to Section 53321 (d) of the Act, the Special Tax levied against Residential Uses shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Public Property, except Taxable Public Property, (ii) Square Footage for which a prepayment has been received and a Certificate of Exemption issued, (iii) Below Market Rate Units except as otherwise provided in Sections D.3 and D.4, (iv) Affordable Housing Projects, including all Residential Units, Retail Square Footage, and Office Square Footage within buildings that are part of an Affordable Housing Project, except as otherwise provided in Section D.4, (v) Exempt Child Care Square Footage, , and (vi) Parcels in the CFD that are not yet Taxable Parcels.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation applicable to Square Footage in a building may be fully prepaid as described herein, provided that a prepayment may be made only if (i) the Parcel is a Taxable Parcel, and (ii) there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. Any prepayment made by a Parcel owner must satisfy the Special Tax obligation associated with all Square Footage on the Parcel that is subject to the Special Tax at the time the prepayment is calculated. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for the Square Footage on such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount for a Taxable Parcel shall be calculated as follows:

- Step 1:* Determine the Square Footage of each Land Use on the Parcel.
- Step 2:* Determine how many Fiscal Years the Square Footage on the Parcel has paid the Special Tax, which may be a separate total for Initial Square Footage and Net New Square Footage on the Parcel. If a Special Tax has been levied, but not yet paid, in the Fiscal Year in which the prepayment is being calculated, such Fiscal Year will be counted as a year in which the Special Tax was paid, but a Certificate of Exemption shall not be issued until such Special Taxes are received by the City's Office of the Treasurer and Tax Collector.
- Step 3:* Subtract the number of Fiscal Years for which the Special Tax has been paid (as determined in Step 2) from 30 to determine the remaining number of Fiscal Years for which Special Taxes are due from the Square Footage for

which the prepayment is being made. This calculation would result in a different remainder for Initial Square Footage and Net New Square Footage within a building.

- Step 4:* Separately for Initial Square Footage and Net New Square Footage, and separately for each Land Use on the Parcel, multiply the amount of Square Footage by the applicable Maximum Special Tax that would apply to such Square Footage in each of the remaining Fiscal Years, taking into account the 2% escalator set forth in Section D.2, to determine the annual stream of Maximum Special Taxes that could be collected in future Fiscal Years.
- Step 5:* For each Parcel for which a prepayment is being made, sum the annual amounts calculated for each Land Use in Step 4 to determine the annual Maximum Special Tax that could have been levied on the Parcel in each of the remaining Fiscal Years.
- Step 6.* Calculate the net present value of the future annual Maximum Special Taxes that were determined in Step 5 using, as the discount rate for the net present value calculation, the true interest cost (TIC) on the Bonds as identified by the Office of Public Finance. If there is more than one series of Bonds outstanding at the time of the prepayment calculation, the Administrator shall determine the weighted average TIC based on the Bonds from each series that remain outstanding. The amount determined pursuant to this Step 6 is the required prepayment for each Parcel. Notwithstanding the foregoing, if at any point in time the Administrator determines that the Maximum Special Tax revenue that could be collected from Square Footage that remains subject to the Special Tax after the proposed prepayment is less than 110% of debt service on Bonds that will remain outstanding after defeasance or redemption of Bonds from proceeds of the estimated prepayment, the amount of the prepayment shall be increased until the amount of Bonds defeased or redeemed is sufficient to reduce remaining annual debt service to a point at which 110% debt service coverage is realized.

Once a prepayment has been received by the City, a Certificate of Exemption shall be issued to the owner of the Parcel indicating that all Square Footage that was the subject of such prepayment shall be exempt from Special Taxes.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Taxes and any security for any Bonds.

J. SPECIAL TAX APPEALS

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section J shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.



SAN FRANCISCO PLANNING DEPARTMENT

Transbay Transit Center Community Facilities (Mello-Roos) District

BOARD INTRODUCTION: JUNE 3, 2014

1650 Mission St.
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San Francisco,
CA 94103-2479

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STAFF REPORT

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

BACKGROUND

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

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

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

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

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

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

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

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

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

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

SUMMARY OF ACTIONS AND TIMELINE

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

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

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

SUMMARY OF DRAFT DOCUMENTS (1ST LEGISLATIVE ACTION)

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

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

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

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

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

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

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

Boundary Map (Attachment B)

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

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

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

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

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

Joint Community Facilities Agreement (Attachment C & D)

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

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

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

REVENUE PROJECTIONS

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

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

EXPENDITURE PLAN

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

TJPA Projects

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

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

Streetscape and Transportation

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

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

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

Open Space

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

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

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

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

RECOMMENDATION

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

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

ATTACHMENTS

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

Proposed Boundaries of
 City and County of San Francisco
 Community Facilities District No. 2014-1
 (Transbay Transit Center)
 State of California

1. Filed in the office of the Clerk of the Board of Supervisors of the City and County of San Francisco this _____ day of _____, 20____.

Clerk of the Board of Supervisors

2. I hereby certify that the within map showing proposed boundaries of City and County of San Francisco Community Facilities District No. 2013-1 (Transbay Transit Center), State of California, was approved by the Board of Supervisors of the City and County of San Francisco, at a meeting thereof, held on the _____ day of _____, 20____ by its Resolution No. _____.

County Clerk

3. Filed this _____ day of _____, 20____, at the hour of _____ o'clock _____ m, in Book _____ of Maps of Assessment and Community Facilities Districts at Page _____ in the office of the County Assessor-Recorder in the City and County of San Francisco, State of California.

County Recorder
 City and County of San Francisco

LEGEND

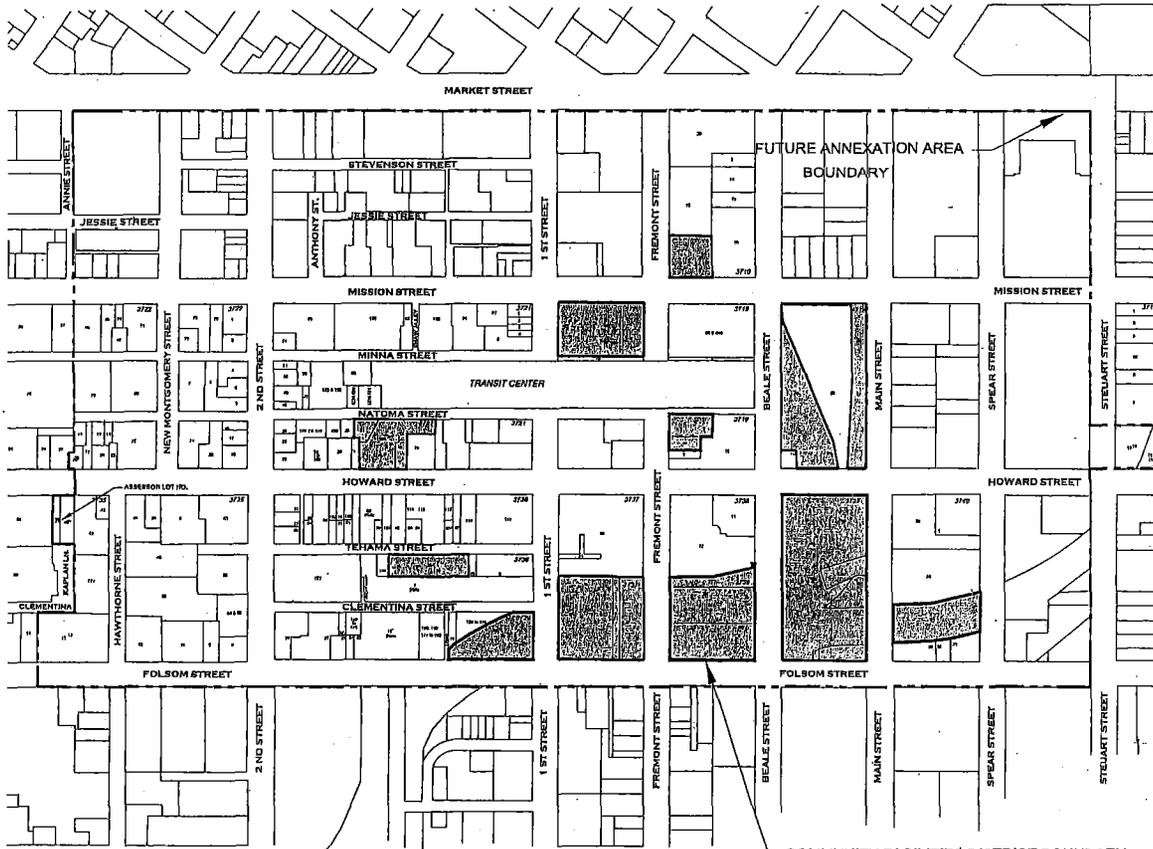
 PROPERTY WITHIN THE CFD BOUNDARY

 FUTURE ANNEXATION BOUNDARY LINE

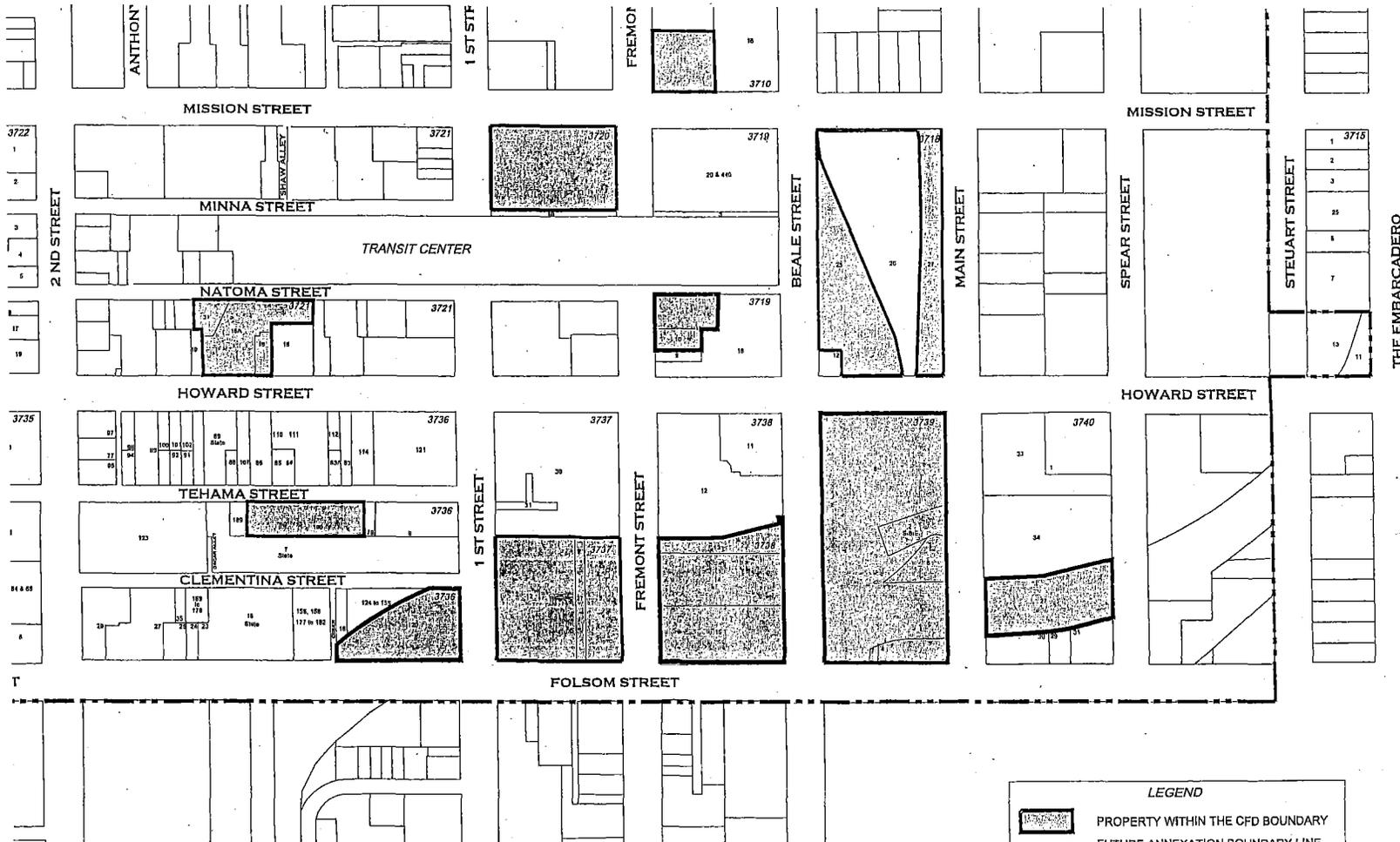
COMMUNITY FACILITIES DISTRICT BOUNDARY,
 SEE SHEET 2

1" = 250'

2545



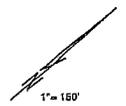
Proposed Boundaries of
 City and County of San Francisco
 Community Facilities District No. 2014-1
 (Transbay Transit Center)



2546

LEGEND

-  PROPERTY WITHIN THE CFD BOUNDARY
-  FUTURE ANNEXATION BOUNDARY LINE
- 3740 ASSESSORS BLOCK NUMBER
- 34 ASSESSORS LOT NUMBER



GCG
 GOODWIN CONSULTING GROUP

JOINT COMMUNITY FACILITIES AGREEMENT

For

CITY AND COUNTY OF SAN FRANCISCO Community Facilities District No. 2014-1 (Transbay Transit Center)

THIS JOINT COMMUNITY FACILITIES AGREEMENT (this "**Agreement**"), dated as of _____, 2014, is by and between the City and County of San Francisco (the "**City**") and the Transbay Joint Powers Authority (the "**TJPA**")

BACKGROUND

A. The City is conducting proceedings for the establishment of a community facilities district, which the parties expect to be named "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "**CFD**"), under the Mello-Roos Community Facilities Act of 1982, as amended, Part 1 (commencing with Section 53311) of Division 2 of Title 5 of the California Government Code (the "**Act**");

B. The CFD is proposed to be established for the purpose of financing certain public capital facilities (the "**Facilities**"), as more completely described in Exhibit A to Resolution No. ____ of the Board of Supervisors of the City, which was adopted by the Board of Supervisors on _____, 2014 (the "**Resolution of Intention**").

C. A portion of the Facilities will be owned and operated by the TJPA (the "**Transbay Facilities**"). The Transbay Facilities are (i) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Transbay Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Transit Center building and associated systems (the "**Downtown Rail Extension**") and (ii) the planning, design, engineering and construction of open space on the roof of the Transbay Transit Center (the "**City Park**").

D. It is anticipated that the City will issue, for and on behalf of the CFD, one or more series of bonds or incur other form(s) of indebtedness (collectively, the "**Bonds**") secured by special taxes to be levied on non-exempt property located within the boundaries of the CFD (the "**Special Taxes**" or "**Special Tax**"). Pursuant to Section 53316.2 of the Act, the City may finance through the CFD the Transbay Facilities only pursuant to a joint community facilities agreement between the City and the TJPA.

E. The City and the TJPA have determined that it would be of benefit to the residents of each of their respective jurisdictions to enter into this Agreement to provide for the financing of the Transbay Facilities by the City through the CFD.

AGREEMENTS

In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the sufficiency of which is hereby acknowledged, the City and the TJPA agree as follows:

1. Agreement. This Agreement constitutes a "joint community facilities agreement", within the meaning of Section 53316.2 of the Act pursuant to which the CFD will be authorized to finance the acquisition and construction of the Transbay Facilities.

2. Apportionment.

a. "Special Tax Proceeds," as used in this Section, refers to (i) the Special Tax revenues from a property for which a Tax Commencement Authorization has been issued; (ii) proceeds of Bonds that have already been issued and proceeds of Bonds that are being considered for issuance by the CPC, the Director of Public Finance and the Board of Supervisors; and (ii) the Special Tax revenues from a property in the CFD on which an entitled or approved project is located.

b. Except as set forth below, during such time as the CFD is entitled to levy and collect Special Taxes, issue Bonds and spend Bond proceeds, the City Shall make available approximately 82.6% of the Special Tax Proceeds (the "**82.6% Allocation Percentage**") to finance the Transbay Facilities.

c. Issuance of Tax Commencement Authorizations and Bonds; Role of IPIC, CPC, Director of Public Finance and Board of Supervisors. The City's Director of Public Finance shall make the final determinations with respect to the following:

(i) The timing and frequency of the issuance of Tax Commencement Authorizations as defined in the Rate and Method of Apportionment of Special Tax for the CFD (the "**RMA**"). The issuance of Tax Commencement Authorizations does not need to be approved by the Board of Supervisors.

(ii) The timing and amount of the issuance of Bonds, subject to approval of the Board of Supervisors.

Prior to making its determinations on these items, the Director of Public Finance shall consider the recommendations of the TJPA, the Interagency Plan Implementation Committee ("**IPIC**") and the Capital Planning Committee ("**CPC**").

The IPIC and the CPC shall not recommend, and the Director of Public Finance shall not authorize, the issuance of a Tax Commencement Authorization or recommend to the Board of Supervisors the issuance of Bonds unless (A) the recommendations and determinations are consistent with the allocation percentages determined in accordance with this Agreement and (B) the percentage of current and foreseeable Special Tax Proceeds that will be available to finance the Transbay Projects is consistent with the allocation percentage determined in accordance with this agreement.

c. Budget and Appropriation. The expenditure of Special Tax Proceeds under this Agreement shall be subject to the budget and appropriation process

described in Charter Sections 9.100 ("Budget Process Ordinances"), 9.103 ("Adoption of Appropriation Ordinances") and 3.105 ("Controller; City Services Auditor").

d. Amendment. If changes are planned in one or more of the Transbay Facilities such that the TJPA concludes that 82.6% of the Special Tax Proceeds is no longer necessary to finance one or more of the Transbay Facilities and that it may be appropriate to reallocate the percentage of Special Tax Proceeds that will be available to finance the Facilities, then the parties will meet and confer about the changes and determine whether to recommend to the CPC a change in the percentage of foreseeable Special Tax Proceeds among all of the authorized Facilities. CPC shall recommend to the Board of Supervisors any such change in the 82.6% Allocation Percentage as recommended by the parties. If the changes recommended by the CPC are approved by the Board of Supervisors, then the parties will amend this Agreement to reflect the change.

e. Five-Year Forecasts. The Office of Public Finance will annually prepare a five-year forecast of Special Tax Proceeds and planned Tax Commencement Authorizations. The IPIC will develop a five-year plan for proposed appropriations/expenditures of forecasted Special Tax Proceeds to evaluate and adjust the use of the Special Tax Proceeds to achieve the 82.6% Allocation Percentage to Transbay Facilities, or other subsequently agreed-upon allocation pursuant to Section 2.d, unless the IPIC has otherwise been directed by the parties. The IPIC will recommend this five-year plan to the CPC and the Director of Public Finance.

f. Limitation. The parties acknowledge that the CFD will pledge Special Tax revenues as security for the Bonds issued for the CFD and that the marketability of the Bonds depends upon the clarity of such pledge. Accordingly, the parties agree that nothing in this Section 2 shall be construed to limit the use of Special Tax revenues to pay debt service on Bonds, regardless of the purpose for which the Bond proceeds were spent.

3. Bond Proceeds. If the CFD is formed, the Board of Supervisors of the City, acting as the legislative body of the CFD, may, in its sole discretion, authorize the issuance of Bonds. The TJPA has no right to compel the formation of the CFD or the issuance of the Bonds.

If and to the extent the Bonds are issued, the City will cause the deposit of Bonds proceeds allocable to contribute toward the cost of the Transbay Facilities (the "**Allocated Bonds Proceeds**") into a separate account established by the bond indenture or other similar agreement related to the Bonds (the "**Allocated Bonds Proceeds Account**"). The City shall be responsible for investment and disbursement of the moneys in the Allocated Bonds Proceeds Account. The City makes no representation that the Allocated Bonds Proceeds will be sufficient to finance the construction of the Transbay Facilities and the City shall have no liability to the TJPA if such Allocated Bonds Proceeds are insufficient for such purpose.

Upon receipt of a disbursement request from the TJPA, pursuant to which the TJPA represents that it has incurred an obligation to expend the requested amount on capital costs of the Transbay Facilities, the City will direct that monies in the Allocated Bonds Proceeds Account be disbursed to or on behalf of and at the direction of the TJPA.

4. Construction of Other Local Agency Facilities. The TJPA covenants to provide for the construction of the Transby Facilities pursuant to plans and specifications approved by the

TJPA. The TJPA covenants that it will construct the Transbay Facilities in compliance with applicable provisions of California and federal law, including but not limited to the Act. The City shall have no responsibility for construction of the Transbay Facilities.

5. Reporting and Communications. The City's Department of Public Works and the TJPA will enter into a written agreement pursuant to which the Department of Public Works will be responsible for providing project management oversight with respect to the design and construction of the Facilities and the use of the Special Tax Proceeds to pay for the construction of the Facilities. The Department of Public Works' project management costs will be funded through the City's portion of the Special Tax Proceeds. The City and the TJPA agree that as long as the design and construction of the Transbay Facilities has not been completed and Special Tax Proceeds are still available to pay for all or a portion of the costs of the design and construction of the Transbay Facilities, the TJPA will provide a written report to the Department of Public Works about the status of the Transbay Facilities and available financing sources to pay for the costs of the Transbay Facilities by no later than 30 days after the last day of each quarter of each fiscal year, and the written report shall be acceptable in form and substance to the Department of Public Works.

6. Federal Tax Matters. The TJPA hereby makes the following covenants regarding its proposed use of the Allocated Bonds Proceeds and the Other Local Agency Facilities:

a. Expenditure of Allocated Bonds Proceeds. To assist the City in complying with federal tax law matters in connection with the issuance of any Bonds, the TJPA agrees that, at or before the issuance of a Series of Bonds that will finance Transbay Facilities, the TJPA will execute and deliver such certifications and covenants as may be reasonably required for the City's bond counsel to conclude that interest on such Bonds will be excluded from gross income for federal income tax purposes.

b. Private Business Tests; Private Loan Financing Test. The TJPA shall assure that the Allocated Bonds Proceeds are not used so as to cause the Bonds to satisfy the private business tests of section 141(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or the private loan financing test of section 141(c) of the Code.

c. Ongoing Reporting. To enable the City to comply with the City's arbitrage calculation, reporting and payment obligations with respect to the Bonds, the TJPA agrees to allow the City to inspect the records relating to the investment and expenditure of the Allocated Bonds Proceeds at any reasonable time upon reasonable notice.

7. Ongoing Operation and Maintenance. The City and the TJPA agree that the TJPA shall be solely responsible for the maintenance and operation of the Transbay Facilities.

8. Indemnification.

a. Indemnification by the City. The City shall assume the defense of, indemnify and save harmless, the TJPA, its officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of the City with respect to this Agreement; provided, however, that the City shall not be required to indemnify any

person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

b. Indemnification by the Other Local Agency. The TJPA shall assume the defense of, indemnify and save harmless, the City, its officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of the TJPA with respect to this Agreement, and the design, engineering, construction, operation and maintenance of the Transbay Facilities; provided, however, that the TJPA shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

9. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. This Agreement may not be assigned by either of the parties thereto.

11. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement thereafter.

12. Amendments. Amendments to this Agreement shall be made only by written instrument executed by each of the parties hereto.

13. Notices. Under this Agreement, notices shall be sent by first class mail or messenger as follows:

To the City:

Director of the Office of Public Finance
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 336
San Francisco, California, 94102

To the TJPA:

Executive Director
Transbay Joint Powers Authority
201 Mission Street, Suite 2100
San Francisco, CA 94105

14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first-above written.

CITY AND COUNTY OF SAN FRANCISCO

By: _____

Its: _____

TRANSBAY JOINT POWERS AUTHORITY

By: _____

Its: _____

JOINT COMMUNITY FACILITIES AGREEMENT

For

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)**

THIS JOINT COMMUNITY FACILITIES AGREEMENT (this "**Agreement**"), dated as of _____, 2013, is by and between the City and County of San Francisco (the "**City**") and Bay Area Rapid Transit District (the "**Other Local Agency**")

BACKGROUND

A. The City is conducting proceedings for the establishment of a community facilities district, which the parties expect to be named "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "**CFD**"), under the Mello-Roos Community Facilities Act of 1982, as amended, Part 1 (commencing with Section 53311) of Division 2 of Title 5 of the California Government Code (the "**Act**");

B. The CFD is proposed to be established for the purpose of financing certain public capital facilities (the "**Facilities**"), as more completely described in Exhibit A to Resolution No. ____ of the Board of Supervisors of the City, which was adopted by the Board of Supervisors on _____, 2014 (the "**Resolution of Intention**").

C. A portion of the Facilities will be owned and operated by the Other Local Agency (the "**Other Local Agency Facilities**"). The Other Local Agency Facilities are described on Exhibit A to this Agreement, which exhibit is incorporated herein.

D. It is anticipated that the City will issue, for and on behalf of the CFD, one or more series of bonds or incur other form(s) of indebtedness (collectively, the "**Bonds**") secured by special taxes to be levied on non-exempt property located within the boundaries of the CFD. Pursuant to Section 53316.2 of the Act, the City may finance through the CFD the Other Local Agency Facilities only pursuant to a joint community facilities agreement between the City and the Other Local Agency.

E. The City and the Other Local Agency have determined that it would be of benefit to the residents of each of their respective jurisdictions to enter into this Agreement to provide for the financing of the Other Local Agency Facilities by the City through the CFD.

AGREEMENTS

In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the sufficiency of which is hereby acknowledged, the City and the Other Local Agency agree as follows:

1. Agreement. This Agreement constitutes a "joint community facilities agreement", within the meaning of Section 53316.2 of the Act pursuant to which the CFD will be authorized to finance the acquisition and construction of the Other Local Agency Facilities.

2. Bond Proceeds. If the CFD is formed, the Board of Supervisors of the City, acting as the legislative body of the CFD, may, in its sole discretion, authorize the issuance of Bonds. The Other Local Agency has no right to compel the formation of the CFD or the issuance of the Bonds.

If and to the extent the Bonds are issued, the City will determine the amount of the Bonds proceeds allocable to contribute toward the cost of the Other Local Agency Facilities (the "Allocated Bonds Proceeds"), and shall cause the deposit of such Allocated Bonds Proceeds into a separate account established by the bond indenture or other similar agreement related to the Bonds (the "Allocated Bonds Proceeds Account"). The City shall be responsible for investment and disbursement of the moneys in the Allocated Bonds Proceeds Account. The City makes no representation that the Allocated Bonds Proceeds will be sufficient to finance the construction of the Other Local Agency Facilities and the City shall have no liability to the Other Local Agency if such Allocated Bonds Proceeds are insufficient for such purpose.

Upon receipt of a disbursement request from the Other Local Agency, pursuant to which the Other Local Agency represents that it has incurred an obligation to expend the requested amount on capital costs of the Other Local Agency Facilities, the City will direct that monies in the Allocated Bonds Proceeds Account be disbursed to or on behalf of and at the direction of the Other Local Agency.

3. Construction of Other Local Agency Facilities. The Other Local Agency covenants to provide for the construction of the Other Local Agency Facilities pursuant to plans and specifications approved by the Other Local Agency. The Other Local Agency covenants that it will construct the Other Local Agency Facilities in compliance with applicable provisions of California and federal law, including but not limited to the Act. The City shall have no responsibility for construction of the Other Local Agency Facilities.

4. Federal Tax Matters. The Other Local Agency hereby makes the following covenants regarding its proposed use of the Allocated Bonds Proceeds and the Other Local Agency Facilities:

a. Expenditure of Allocated Bonds Proceeds. To assist the City in complying with federal tax law matters in connection with the issuance of any Bonds, the Other Local Agency agrees that, at or before the issuance of a Series of Bonds that will finance Other Local Agency Facilities, the Other Local Agency will execute and deliver such certifications and covenants as may be reasonably required for the City's bond counsel to conclude that interest on such Bonds will be excluded from gross income for federal income tax purposes.

b. Private Business Tests; Private Loan Financing Test. The Other Local Agency shall assure that the Allocated Bonds Proceeds are not used so as to cause the Bonds to satisfy the private business tests of section 141(b) of the Internal Revenue

Code of 1986, as amended (the "Code"), or the private loan financing test of section 141(c) of the Code.

c. Ongoing Reporting. To enable the City to comply with the City's arbitrage calculation, reporting and payment obligations with respect to the Bonds, the Other Local Agency agrees to allow the City to inspect the records relating to the investment and expenditure of the Allocated Bonds Proceeds at any reasonable time upon reasonable notice.

5. Ongoing Operation and Maintenance. The City and the Other Local Agency agree that the Other Local Agency shall be solely responsible for the maintenance and operation of the Other Local Agency Facilities.

6. Indemnification.

a. Indemnification by the City. The City shall assume the defense of, indemnify and save harmless, the Other Local Agency, its officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of the City with respect to this Agreement; provided, however, that the City shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

b. Indemnification by the Other Local Agency. The Other Local Agency shall assume the defense of, indemnify and save harmless, the City, its officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of the Other Local Agency with respect to this Agreement, and the design, engineering, construction, operation and maintenance of the Other Local Agency Facilities; provided, however, that the Other Local Agency shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

7. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. This Agreement may not be assigned by either of the parties thereto.

9. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement thereafter.

10. Amendments. Amendments to this Agreement shall be made only by written instrument executed by each of the parties hereto.

11. Notices. Under this Agreement, notices shall be sent by first class mail or messenger as follows:

To the City:

Director of the Office of Public Finance
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California, 94102

To the Other Local Agency:

Bay Area Rapid Transit District
[address to come]

12. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first-above written.

CITY AND COUNTY OF SAN FRANCISCO

By: _____

Its: _____

BAY AREA RAPID TRANSIT DISTRICT, as
the Other Local Agency

By: _____

Its: _____

APPENDIX A
OTHER LOCAL AGENCY FACILITIES

REUBEN, JUNIUS & ROSE, LLP

June 30, 2014

Delivered by Hand

San Francisco Board of Supervisors
Land Use & Economic Development Committee
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Attn: Andrea Ausberry, Clerk

**Re: Resolution of Intention to Establish San Francisco Community Facilities
District No. 2014-1 (Transbay Transit Center);
Resolution of Intention to Incur Bonded Indebtedness in an Amount Not to
Exceed \$1,400,000,000 for the San Francisco Community Facilities
District No. 2014-1 (Transbay Transit Center)
Board of Supervisors File Nos. 140644 and 140645**

Dear Supervisors Cohen, Kim and Wiener:

The Office for Community Investment and Infrastructure (“OCII”) and the Transit Joint Powers Authority (“TJPA”), along with the City and County of San Francisco have proposed to create Community Facilities District No. 2014-1 (Transbay Transit Center) (the “CFD”). The CFD today is radically different from the one first authorized by the Board of Supervisors in 2012 when the Mello-Roos Special Tax was estimated to generate \$420,000,000+ of Net Present Value (“NPV”). Today’s CFD Resolution allows for bonded indebtedness up to \$1,400,000,000 and a NPV more than twice that which was expected in 2012. The current CFD proposal contains major deviations from and costly provisions not authorized by the Implementation Document (as defined below), and the substantial growth in bond proceeds arises out of increased special taxes and amounts based upon significant technical errors in property valuation. Additionally, significant infrastructure that the 2012 proposal was intended to finance has been excluded or materially changed. These problems are not entirely surprising since following the adoption of the Implementation Document in 2012 the CFD has been structured with no real input from the land owners. The purpose of this letter is to provide context on the CFD formation process, identify errors and inconsistencies in the CFD as currently proposed, and to continue to invite collaborative discussions about how best to address the issues.

James A. Reuben | Andrew J. Junius | Kevin H. Rose | Daniel A. Frattin
Sheryl Reuben¹ | David Silverman | Thomas Tunny | Jay F. Drake | John Keylin
Lindsay M. Petrone | Melinda A. Sarjapur | Kenda H. McIntosh | Jared Eigerman^{2,3} | John McInerney III²

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1. Also admitted in New York 2. Of Counsel 3. Also admitted in Massachusetts

I. The Transit Center District Formation Process.

In 2012, as part of the Transit Center District Plan (“TCDP”) formation process—which involved the City, property owners, developers, the TJPA, and other stakeholders—in 2012 the City adopted the TCDP Implementation Document (“Implementation Document”). The Implementation Document sets forth the TCDP’s public infrastructure program and funding sources, and explains how the development projects in the Plan Area will contribute to funding infrastructure improvements through the CFD taxes.

The Planning Commission adopted the Implementation Document on May 24, 2012, followed by the Board of Supervisors a few months later. The City then explicitly incorporated the Implementation Document into the Planning Code. Specifically, the Planning Code section authorizing the CFD provides that the CFD’s “purpose” is to provide the “sufficient funding” that “the City will require . . . to supplement other applicable impact fees for infrastructure, improvements and services *as described in the Transit Center District Implementation Document*, including but not limited to the Downtown Extension of rail into the Transit Center, street improvements, and acquisition and development of open spaces.” S.F. Planning Code § 424.8. The City’s actions underscored what all of the parties involved in forming the TCDP understood: that the Implementation Document would govern development within the TCDP and the use of the CFD tax funds.

With the respect to taxes and fees, the expectation has been accurate – except for the CFD. The Implementation Document sets forth various impact fees, including the Transit Center Open Space Fee and the Transit Center Transportation and Street Improvement Fee. The City continues to stand by those fees at the rates established in the Implementation Document, with minor inflation adjustments. It is only the CFD that the City has now taken a radically different tack. The before and after is stark.

The Implementation Document adopted unanimously in 2012 provides that development projects in the Plan Area will pay a special tax “equivalent to 0.55 percent of the assessed value of the affected property” and that “regardless of the ultimate methodology and tax structure, the final Special Tax assessed to each property will be calculated to be equivalent to 0.55 percent of property value.” The City even took it a step further, however, what the special tax would be per net square foot (see Table 5 of the Implementation Document). Project sponsors and property owners justifiably relied on the Implementation Document when calculating the value of land purchased from OCII and from private parties, and the City and other public bodies involved in the TCDP were well aware of such reliance.

For example, as part of the process for purchasing land from OCII, buyers were required to submit pro-forma financial analyses with their bids. These analyses clearly showed that buyers relied on rates in the Implementation Document when taking the cost of the CFD into account. OCII never objected to the buyers’ assumptions or suggested that the assumptions were in anyway incorrect. Indeed, OCII received land value consideration derived from these

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estimates. For those buyers that purchased property based on these pro formas, the land value was inflated because of the undervaluation of the ongoing tax liability.

In July 2013, more than a year after adopting the Implementation Document and just weeks before it was scheduled to be approved, the San Francisco Planning Department, OCII, and TJPA released the Transit Center Mello-Roos District's proposed legislation and associated special tax formula to project builders. The legislation effectively disregards the Implementation Document. The 2013 tax rates – the same as those currently being considered – were issued without any prior notice to or collaboration with owners, which is simply unheard of for a CFD of this scope and sophistication. And, despite the CFD guidelines in the Implementation Document, the CFD tax formula will, in many instances, impose special tax rates 30-50% higher than those found in the Implementation Document. In addition, between the 2013 RMA and the RMA attached to the current legislation, the definition of square footage was changed from net leasable/saleable square footage to gross square footage per Section 102.9 of the Planning Code (i.e., "Gross Floor Area"). This change increases the tax liability again, particularly for residential projects, which will see their annual tax increase by *an additional* 30-40%. The sum of these changes means that tax burdens will in all likelihood exceed 0.55% of a property's assessed valuation by a significant margin.

Moreover, in conjunction with this markedly different tax structure, the City has proposed radically changing the projects that the tax funds will support. Specifically, the City is abandoning a host of public infrastructure improvements throughout the Transit Center District. Facing hundreds of millions of dollars in cost overruns on construction of the Transit Center itself—a crisis that has forced the TJPA to eliminate a host of design features and indefinitely postpone construction of the Center's signature rooftop park—the City apparently intends to use the tax funds to make up the difference.

II. City's Response to Owners' Concerns.

Fourteen months after the 2012 TCDP formation and passage of the Implementation Document (see I. above), the City provided owners with a first draft of proposed CFD legislation along with the Rate and Method of Apportionment document ("RMA"). That 2013 legislation proposed increasing bonded indebtedness up to \$1,000,000,000 or roughly two times what was published in the Implementation Document 14 months earlier in 2012. That CFD legislation and RMA was crafted by the City without any input of owners who were expected to ultimately pay the tax. Although there had been no real collaboration, the City did postpone the consideration of that 2013 legislation until now. The 2014 legislation and tax formula is essentially identical to the 2013 drafts with the exception of significantly expanding the definition of square footage, while the owners' concerns have yet to be addressed. The owners' concerns fall into two main categories:

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1. The CFD tax rates were established based on a property valuation conducted by The Concord Group ("TCG Valuation")¹, but that TCG Valuation was flawed in numerous ways, as discussed in the pages that follow. The documented errors in the TCG Valuation result in the tax rates being set 30-50% higher than they should be. Furthermore, between the 2013 and 2014 RMA drafts, the definition of square footage, to which the CFD rates would be applied, was changed, resulting in substantial further increases in tax burdens, particularly for residential projects (total increases of up to +/- 75% vs. the 2012 Implementation Document).
2. The tax formula expands the parameters of the tax structure set forth in the Implementation Document by adding various embellishments not referenced in the Implementation Document, resulting in taxes being an additional 20% more than they should be.

The City's response to concerns regarding discrepancies between the Implementation Document and the proposed legislation has been to tell owners they should not have relied on the Implementation Document at all. This position is untenable.

The Implementation Document was adopted by the Planning Commission on May 24, 2012² and then by the Board of Supervisors a few months later.³ The Planning Code section authorizing the CFD and requiring annexation into the special tax district provides that the funding will be "as described in the Transit Center District Implementation Document."⁴ Simply, there were no other sources of information upon which property owners could rely on other than the Implementation Document, and the City and other public entities both invited and accepted such reliance. A rational owner could only expect that the valuation methodology and underlying assumptions, ultimately used to establish the CFD, would not deviate radically from the Implementation Document.

III. Significant Errors in Methodology Underlying CFD Tax Rates.

Setting aside the fundamental changes in methodology from the Implementation Document described above, the City's current proposed CFD rates contain significant math errors and incorrect assumptions which result in arbitrarily high values, and biases in valuation methodologies. Although the City and OCII have acknowledged at least one error in the CFD valuation methodology that artificially increased the CFD's tax rates significantly, they did not change the rates to reflect their admitted error. While not the full list, the following errors stand out as the most egregious, which have a substantial impact on projected valuation and therefore Mello-Roos special tax rates and annual payments:

- **Cyclical highs depicted as normal.** The City chose data from two high points in market cycles, 2007 and 2013, to project values for office buildings. In practice, buildings' tax basis changes regularly with the cyclical nature of the market, given the ability for

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owners to file Prop 8 appeals. As shown on the attached **Exhibit A**, the CFD would set the valuation at a sale price that has only been achieved twice in San Francisco history.

- The City clearly recognizes the cyclical effect of interest rates when it calculates the bond sales proceeds, but ignores them in the building valuations. For its CFD bond sale calculations, the City projects higher interest rates in the future when the bonds will be sold, recognizing today's interest rates are the lowest in history and are not expected to be maintained in the future when the bonds will be sold, thereby setting reasonable expectations of bond proceeds over time. By contrast, in the building valuations the City projects that today's interest rates (and by extension capitalization rates) will be maintained in perpetuity, which significantly increases building valuations. The same assumption for the trend in interest rates should be applied to both the properties and the bond sales.
- **Ignoring the cost of the CFD tax itself.** The City failed to take into account the operating expense cost of the CFD tax itself, which artificially inflates income (or artificially reduces cost of ownership in the case of condos) and therefore property value. The City acknowledged this error but has failed to readjust its valuation accordingly.
- **Arbitrarily lowering operating expenses.** In its office building valuation used to set rates, the City arbitrarily and substantially lowered assumed operating expenses between its 2012 and 2013 analyses. This reduction in operating expenses resulted in a massive increase in projected values. The 2013 analysis assumed between \$11 and \$12 per square foot of operating expenses, including all property taxes and assessments (including the Mello). Assuming the RMA's stated Mello rate of +/- \$5 per square foot for a 50-story building, the remaining \$6-7 per square foot would barely cover property taxes, leaving nothing for the operations of the building itself (which typically run \$12-15 per square foot). Correcting this error would bring the 2013 projected values much closer in line with the City's own 2012 analysis. There is no reasonable explanation for this change in assumed expenses.
- **Applying rates to Gross Floor Area, not net rentable/saleable square footage:** The TCG Valuation calculated values based on net rentable square footage (in the case of office, retail, and rental residential) and net saleable square footage (in the case of for-sale residential) reflecting a fair attempt to tax only revenue-producing square footage. The City's CFD rates, which were drawn directly from the TCG Valuation's results (0.55% was applied to TCG's values to determine rates), should for consistency also be applied to net rentable/saleable square footage. This was the case in the 2013 version of the RMA, but the 2014 version applies rates to Gross Floor Area, which for residential projects in particular is much larger than net rentable/saleable square footage.

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In drafting the tax formula, the City was required to achieve the equivalent of 0.55% of the assessed value of the property in the CFD. The City has offered the TCG Valuation as a proxy for the assessed value of the property in the CFD, and it is that valuation that is multiplied by 0.55% to produce the special tax rates. The owners question the use of the TCG Valuation as being equivalent to assessed value, but there is no question that if such a valuation is used, it must be consistent with customary valuation standards. To accept an incorrect valuation is inconsistent with the Implementation Document and patently unfair to the owners. The valuation used to set the tax rates has to be calculated correctly in order to achieve the 0.55% equivalency that the Implementation Document requires. By implementing an incorrect valuation, the City is artificially increasing the tax rates in violation of the Implementation Document.

IV. Other Significant Changes from Implementation Document

Other provisions in the tax formula that was presented to the builders went beyond what is in the Implementation Document, each of which results in an increase in tax rates from the Implementation Document. For example:

A. There is nothing in the Implementation Document that discusses, authorizes, or directs that the tax rates increase annually prior to obtaining a Certificate of Occupancy (“COO”), yet the proposed tax formula imposes annual adjustments prior to the first COO up to 4% per year.

B. There is nothing in the Implementation Document that discusses, authorizes, or directs that the tax formula include a 2% escalator on the special taxes after the COO is received, yet the proposed tax formula has an annual 2% escalator, resulting in a 20% additional tax burden.

C. There is nothing in the Implementation Document that specifically requires that different tax rates be applied to buildings with different numbers of floors. In fact, Table 5 indicates the opposite.⁵ The result – increased tax rates not contemplated by the Implementation Document.

V. What Changed?

In the past year, construction of the Transit Center has gone hundreds of millions of dollars over-budget; the construction of the Transit Center’s signature rooftop park has been postponed indefinitely; and a host of design features to the Transit Center were eliminated for good.⁶ Additionally, despite assurances in the Implementation Document that the CFD funds would be used to construct a number of public infrastructure projects around the Transit Center District, it now appears the majority of these funds will initially be used only on the Transit Center itself. These changes, plus setting the tax rates based on errors in valuation methodology and additions to the tax formula, all result in significantly higher taxes being used for different facilities than contemplated by the Implementation Document.

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VI. Conclusion.

The legislation before this Committee is inconsistent with the CFD contemplated by the Implementation Document and adopted by the Board of Supervisors in 2012. The tax formula is based on a property valuation that contains errors, and the tax rates are applied to square footages inconsistent with both the Implementation Document and the analysis underlying the 2013 rates. The tax formula contains significant additions that are not found in the Implementation Document. These changes appear intended to artificially increase the CFD tax to address a project with significant cost overruns. As noted, the best illustration of this: in 2012, the Implementation Document projected net proceeds of \$420+ million (on a Net Present Value ("NPV") basis), but just one year later, in 2013, the CFD projected net proceeds of up to \$1 billion, and now, in 2014, CFD bond proceeds in the current legislation are proposed not to exceed \$1,400,000,000. To raise taxes by orders of magnitude over a two-year period - while simultaneously abandoning the infrastructure improvements they were intended to fund - is unreasonable and unfair.

Very truly yours,

REUBEN, JUNIUS & ROSE, LLP



James A. Reuben

¹ The Staff Report that accompanied the Resolution of Intention indicates that "rates were developed by the City's consultant, Goodwin Consulting Group, based on criteria set forth in the TCDP Implementation Document." It is clear from careful study of the 2013 RMA and the Concord Group's analysis that the rates were based on the Concord Group's work. We assume this is an error in the Staff Report.

² San Francisco Planning Commission Motion No. 18635.

³ San Francisco Board of Supervisors Ordinance No. 184-12.

⁴ San Francisco Planning Code, § 424.8.

⁵ Transit Center District Plan Program Implementation Document, Table 5, pg. 11 (adopted May 24, 2012, Plan. Commission Resolution No. 18635).

⁶ "Transbay Transit Center will open without signature park." J.K. Dineen, *SF Gate*, Wednesday, June 25, 2014.

One Bush Street, Suite 600
San Francisco, CA 94104

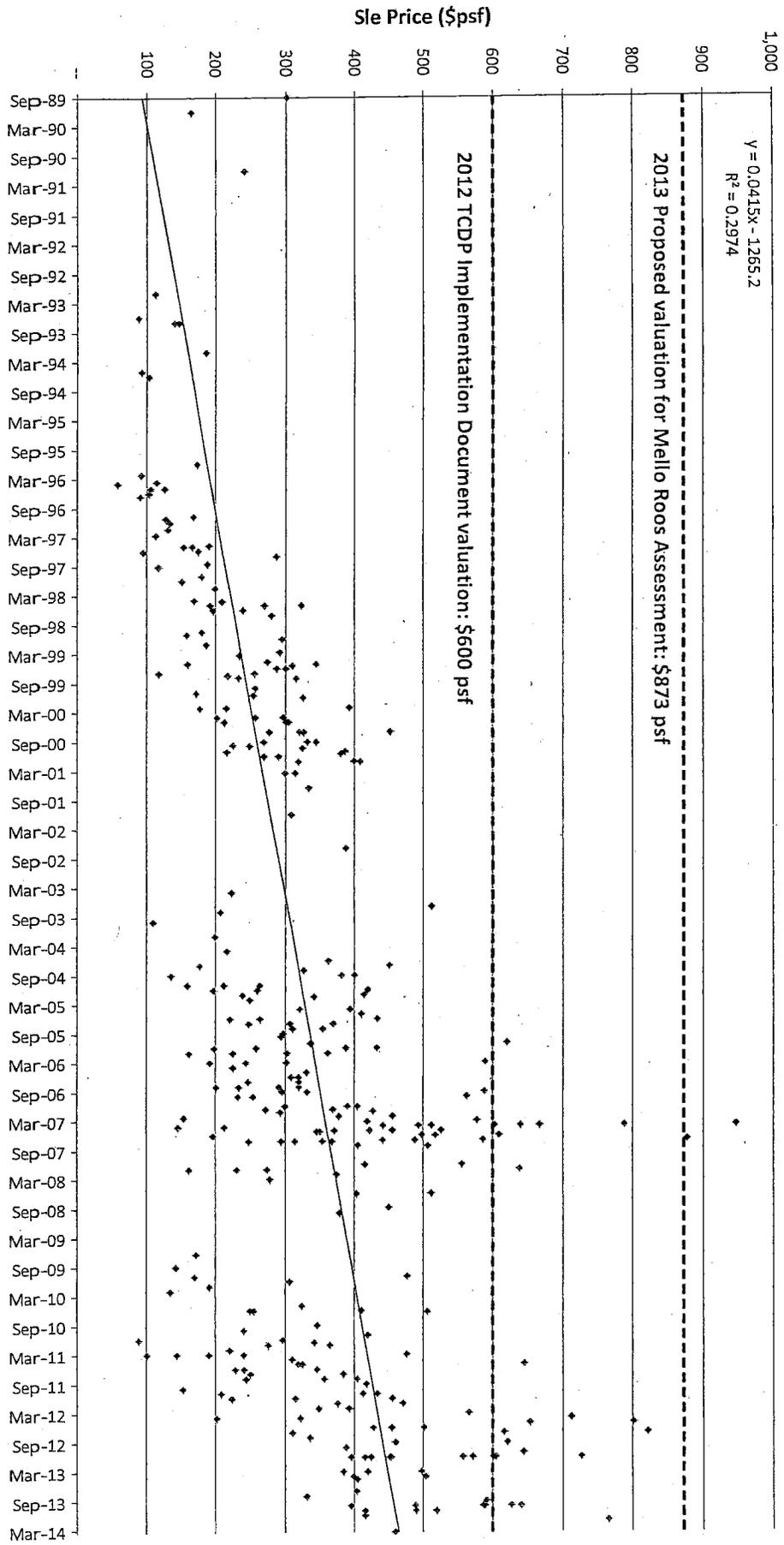
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San Francisco Office Sale History (Sept 1989 - Mar 2014)



BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Regina Dick-Endrizzi, Director
Christian Murdock, Commission Secretary
Small Business Commission, City Hall, Room 448

FROM: Alisa Miller, Clerk, Government Audit and Oversight Committee
Board of Supervisors

DATE: June 10, 2014

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Government Audit and Oversight Committee

The Board of Supervisors' Government Audit and Oversight Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 140644

Resolution of intention to incur bonded indebtedness in an amount not to exceed \$1,400,000,000 for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and other matters related thereto.

File No. 140645

Resolution of intention to establish City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and determining other matters in connection therewith.

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

_____ No Comment
_____ Recommendation Attached

Chairperson, Small Business Commission
2567

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ed Reiskin, Executive Director, Municipal Transportation Agency
Ben Rosenfield, City Controller
Nadia Sesay, Director, Office of Public Finance

FROM: Alisa Miller, Clerk, Government Audit and Oversight Committee
Board of Supervisors

DATE: June 10, 2014

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Mayor Lee, on June 3, 2014, which is being forwarded to your department for informational purposes.

File No. 140644

Resolution of intention to incur bonded indebtedness in an amount not to exceed \$1,400,000,000 for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and other matters related thereto.

File No. 140645

Resolution of intention to establish City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and determining other matters in connection therewith.

If you have any reports or comments to be considered with the proposed legislation, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Dillon Auyoung, Municipal Transportation Agency
Kate Breen, Municipal Transportation Agency
Janet Martinsen, Municipal Transportation Agency
Monique Zmuda, Office of the City Controller
Peg Stevenson, Office of the City Controller

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *ea* Mayor Edwin M. Lee *je*
RE: Resolution of Intention to Establish Community Facilities District—
Communities Facilities District No. 2014-1 (Transbay Transit Center)
DATE: June 3, 2014

Attached for introduction to the Board of Supervisors is the resolution of Intention to establish City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining others matters in connection therewith.

Please note this item is cosponsored by Supervisor Kim.

I request that this item be calendared in Government Audit and Oversight on June 26th.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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President, District 3
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DAVID CHIU
邱信福
市參事會主席

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PRESIDENTIAL ACTION

Date: 6/11/2014

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____
(Primary Sponsor)

Title. _____

Transferring (Board Rule No. 3.3)

File No. 140644, 140645 Mayor
(Primary Sponsor)

Title. Resolutions of Intention for Transbay Center

From: Government Audit & Oversight Committee

To: Land Use & Economic Development Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

David Chiu

David Chiu, President

2570 Board of Supervisors