

File No. 221123

Committee Item No. 1

Board Item No. \_\_\_\_\_

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee  
Board of Supervisors Meeting

Date December 7, 2022  
Date \_\_\_\_\_

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Completed by: Brent Jalipa Date December 1, 2022

Completed by: Brent Jalipa Date \_\_\_\_\_

[Appropriation - \$4,711,123 in Tax Increment Revenue Bond Proceeds - Treasure Island Infrastructure and Revitalization Financing District - FY2022-2023]

**Ordinance appropriating \$4,711,123 from the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) No. 1 Tax Increment Revenue Bonds and appropriating to the affordable housing project in the Mayor’s Office of Housing and Community Development in Fiscal Year (FY) 2022-2023.**

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

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

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2022-2023.

**SOURCES Appropriation**

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
10583 SR	10039542 – 0001	493068 OTI Fr	Transfer in Treasure	\$4,711,123
Treasure Island	Treasure Isl IRFD	2S/TIF-Tax Incrm	Island Increment	
IRFD 2022B /	2022B House -	Finc	Tax Bond 2022B	
232065 MYR	Housing Proceeds		Housing Project	
Housing &	Pool / 22338			
Community	Treasure Isl IRFD			
Dev	2022B House			

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
<b>Total SOURCES Appropriation</b>				<b>\$4,711,123</b>

Section 2. The uses of funding outlined below are herein appropriated to reflect the projected uses of funding for the Treasure Island Infrastructure and Revitalization Financing District in FY 2022-2023.

**USES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
10583 SR	10039542 – 0001	539200 Loans Issued	Treasure Island	\$4,711,123
Treasure Island	Treasure Isl IRFD	by the City	Infrastructure and	
IRFD 2022B /	2022B House -		Revitalization	
232065 MYR	Housing Proceeds		Financing District	
Housing &	Pool / 22338			
Community	Treasure Isl IRFD			
Dev	2022B House			
<b>Total USES Appropriation</b>				<b>\$4,711,123</b>



<b>Item 1</b> <b>File 22-1123</b>	<b>Department:</b> Controller’s Office
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed ordinance would appropriate \$4,711,123 from the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) No. 1 tax increment revenue bonds to the Mayor’s Office of Housing and Community Development (MOHCD) in FY 2022-23 for affordable housing.

**Key Points**

- The Treasure Island/Yerba Buena Development Project (Project) is part of the Treasure Island Development Authority’s (TIDA) ongoing project to transition Treasure Island and a portion of Yerba Buena Island from a former military base to a residential and commercial development. The City provides funding for certain public improvements and affordable housing through tax increment revenue bonds issued by the Treasure Island IRFD, among other funding sources.
- In April 2022, the Board of Supervisors approved the issuance and sale of one or more series of tax increment revenue bonds not to exceed \$30 million. In September 2022, the Treasure Island IRFD No.1 sold two series of tax increment revenue bonds totaling \$29,390,000, including \$24,270,000 Series A (Facilities) and \$5,120,000 Series B (Housing).
- Approximately \$4,711,123 of the Series B Bond proceeds were deposited in the Housing Project Fund and are anticipated to finance a portion of the 78 Johnson Street Project (now called Star View Court), a 100% affordable housing project on Treasure Island.
- The Board of Supervisors previously approved a loan agreement between MOHCD and Mercy Housing California 82, L.P., a California limited partnership, in an amount not to exceed \$33,452,317 to provide permanent gap financing for the 78 Johnson Street Project. The loan amount included a TIDA IRFD bridge loan of up to \$5.0 million to be repaid by IRFD bond proceeds, when available.

**Fiscal Impact**

- The proposed ordinance would appropriate \$4,711,123 from the issuance of Treasure Island IRFD No. 1 tax increment revenue bonds to MOHCD in FY 2022-23 for affordable housing.
- Under the City’s loan agreement with Mercy Housing California 83, L.P., bond proceeds would replace a portion of the 2019 General Obligation Bond funds, which partially funded the City’s \$33,452,317 loan for the 78 Johnson Street project, now called Star View Court.

**Recommendation**

- Approve the proposed ordinance.

**MANDATE STATEMENT**

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

**BACKGROUND**

The Treasure Island/Yerba Buena Development Project (Project) is part of the Treasure Island Development Authority’s (TIDA) ongoing project to transition Treasure Island and a portion of Yerba Buena Island from a former military base to a residential and commercial development. The City provides funding for certain public improvements and affordable housing through tax increment revenue bonds issued by the Treasure Island Infrastructure and Revitalization Financing District, among other funding sources.

**Infrastructure and Revitalization Financing District Bonds**

State Infrastructure and Revitalization Financing District (IRFD) law allows for a portion of property tax revenues to be allocated to IRFDs to pay for public improvements. In 2017, the Board of Supervisors approved the formation of the Treasure Island IRFD No. 1, adopted the Infrastructure Financing Plan, and authorized the issuance of up to \$780 million in tax increment bonds to finance eligible project costs (Files 16-1120 and 16-1121).<sup>1</sup> Each bond issuance (of the \$780 million total authorized) is subject to Board of Supervisors’ approval of the terms of sale and related documents.

In April 2022, the Board of Supervisors approved the issuance and sale of one or more series of tax increment revenue bonds not to exceed \$30 million. In September 2022, the Treasure Island IRFD No.1 sold two series of tax increment revenue bonds totaling \$29,390,000, including \$24,270,000 Series A (Facilities) and \$5,120,000 Series B (Housing). Approximately \$4,711,123 of the Series B Bond proceeds were deposited in the Housing Project Fund and are anticipated to finance a portion of the 78 Johnson Street Project (now called Star View Court), a 100% affordable housing project on Treasure Island. Remaining bond proceeds<sup>2</sup> are shown in Exhibit 1 below.

<sup>1</sup> In February 2022, the Board of Supervisors approved the addition of territory to the IRFD and amendments to the Infrastructure Financing Plan (File 21-1196).

<sup>2</sup> Approximately \$22,446,334 of the Series A Bond proceeds were deposited in the Facilities Project Fund and were used to finance or reimburse expenditures on public improvements for the project incurred by the developer, such as geotechnical work on Treasure Island. Remaining Series A and B Bond proceeds included deposits to debt service reserve accounts associated with each series and funds to cover bond issuance costs, including the Underwriters’ discount, and legal and consultant fees.

*Housing Bond Proceeds Requiring Appropriation*

According to Bridget Katz, Development Finance Specialist at the Controller's Office of Public Finance, at the time the legislation authorizing bond issuance was approved by the Board of Supervisors, the Controller's Office was still confirming the appropriation process given that this was the City's first IRFD bond. Subsequently, the Controller's Office and TIDA determined that \$4,711,123 in Housing Project funds require appropriation to the Mayor's Office of Housing and Community Development (MOHCD) for expenditure (subject to approval by the Board of Supervisors), but remaining bond proceeds (shown in Exhibit 1 below) do not require appropriation because they would be expended by the IRFD directly and not by a City department.<sup>3</sup>

Exhibit 1 below shows the sources and uses of the 2022 Facilities and Housing Bonds.

**Exhibit 1: 2022 Facilities and Housing Bonds Sources and Uses**

<b>Sources</b>	<b>2022A Facilities Bonds</b>	<b>2022B Housing Bonds</b>	<b>Total Bonds</b>
Principal Amount	\$24,270,000	\$5,120,000	\$29,390,000
Premium	793,085	150,092	943,177
<b>Total Sources</b>	<b>\$25,063,085</b>	<b>\$5,270,092</b>	<b>\$30,333,177</b>
<b>Uses</b>			
Facilities Project Fund	22,446,334		22,446,334
Housing Project Fund		4,711,123*	4,711,123
Debt Service Reserve Funds	1,579,750	334,500	1,914,250
Costs of Issuance	1,037,001	224,469	1261470
<b>Total Uses</b>	<b>\$25,063,085</b>	<b>\$5,270,092</b>	<b>\$30,333,177</b>

Source: Official Statement for 2022 Facilities and Housing Bonds

\*Amount requiring appropriation to MOHCD. All other uses were expended by the IRFD.

**78 Johnson Street Project (now called Star View Court)**

The proposed project will be a seven-story building, with 138 units, including 23 one-bedroom units, 60 two-bedroom units, 40 three-bedroom units, 14 four-bedroom units, and one manager's unit. The 137 units (excluding the manager's unit) include 71 replacement units for Catholic Charities' One Treasure Island units supported by a Continuum of Care contract, 23 non-income restricted units for existing Treasure Island residents, and 43 new affordable lottery units.

<sup>3</sup> According to the IRFD bond closing documents, the Director of Public Finance is the authorized party to make payments from bond proceeds on behalf of the IRFD. According to Development Finance Specialist Katz, it is the practice of the Office of Public Finance to also require the TIDA Director to counter-authorize all payments from the IRFD project fund proceeds. Disbursements from the Facilities project fund proceeds are also reviewed by an external consultant and include signatures from other relevant parties, such as the developer and the Department of Public Works. The Office of Public Finance expects that disbursements from the Housing project fund proceeds will be signed by a representative from MOHCD.

Construction began shortly after the construction loan closed in May 2022 and is expected to be completed by March 2024 according to a November 1, 2022 Office of Public Finance memo to the Board of Supervisors.

The project's area median incomes (AMI) range from 60 percent MOHCD defined AMI up to 85 percent MOHCD AMI for the new affordable lottery units.

#### *IRFD Bridge Loan*

In April 2022, the Board of Supervisors approved a loan agreement between MOHCD and Mercy Housing California 82, L.P., a California limited partnership, in an amount not to exceed \$33,452,317 to provide permanent gap financing for the project (File 22-0347). The loan amount included a TIDA IRFD bridge loan of up to \$5.0 million. Under the terms of the loan agreement, IRFD bond proceeds, when available, would repay the IRFD bridge loan and replace a portion of the 2019 General Obligation Bond<sup>4</sup> funds, which partially funded the City loan.

### **DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would appropriate \$4,711,123 from the issuance of Treasure Island IRFD No. 1 tax increment revenue bonds to MOHCD in FY 2022-23 for affordable housing.

### **FISCAL IMPACT**

The proposed ordinance would appropriate \$4,711,123 from the issuance of Treasure Island IRFD No. 1 tax increment revenue bonds to MOHCD in FY 2022-23 for affordable housing. Under the City's loan agreement with Mercy Housing California 83, L.P., bond proceeds would replace a portion of the \$26,915,497 in 2019 General Obligation Bond funds, which partially funded the City's \$33,452,317 loan for the 78 Johnson Street project, now called Star View Court.

### **RECOMMENDATION**

Approve the proposed ordinance.

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<sup>4</sup> In November 2019, San Francisco voters approved Proposition A, which provided for the issuance of up to \$600 million in general obligation funds to finance the acquisition, rehabilitation, and construction of affordable housing.





**OFFICE OF THE CONTROLLER**  
**CITY AND COUNTY OF SAN FRANCISCO**

Ben Rosenfield  
Controller

Todd Rydstrom  
Deputy Controller

Anna Van Degna  
Director of Public Finance

## MEMORANDUM

**TO:** Honorable Members, Board of Supervisors, as legislative body of City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) (the "Treasure Island IRFD" or the "IRFD")

**FROM:** Anna Van Degna, Director of the Controller's Office of Public Finance  
Bridget Katz, Controller's Office of Public Finance  
Bob Beck, Director of the Treasure Island Development Authority

**DATE:** **Tuesday, November 1, 2022**

**SUBJECT:** Ordinance Appropriating \$4,711,123 Tax Increment Revenue Bond Proceeds for the Treasure Island Infrastructure and Revitalization Financing District No. 1

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### **Recommended Actions**

We respectfully request that the Board of Supervisors ("Board"), in its capacity as the legislative body of the Treasure Island IRFD, consider for review and approval the supplemental appropriation ordinance (the "Ordinance") appropriating \$4,711,123 of City and County of San Francisco ("City") Infrastructure and Revitalization Financing District No. 1 (Treasure Island) Tax Increment Revenue Bonds, Series 2022B (Housing Increment) ("Bonds").

### **Prior Board Actions**

On April 19, 2022 the Board approved and on April 28, 2022 the Mayor signed Resolution No. 161-22, Resolution of the Treasure Island IRFD Authorizing the Issuance and Sale of one or more series of Tax Increment Revenue Bonds Not to Exceed \$30,000,000, approving related documents and approving bonds for purposes of Internal Revenue Code Section 147(f).

Related to the project to be funded by the Bonds, on April 26, 2022 the Board approved and on April 28, 2022 the Mayor signed Resolution No. 163-22 and Resolution No. 164-22.

Resolution No. 163-22 authorized the Treasure Island Development Authority (the "Authority") to execute a Standard Agreement and other related documents with the State of California Department of Housing and Community Development ("HCD") under the California Housing Accelerator Program which the Standard Agreement includes an award not to exceed \$55,601,514 as a loan to Mercy Housing California 82, L.P. ("Developer"), as sole borrower, for construction of a development affordable to low- and moderate-income families at Treasure Island Parcel C3.1, located at Avenue C (old address)/78 Johnson (new address) for a term of five years to commence upon execution of the Standard Agreement by HCD.

## 2 | Ordinance Appropriating \$4,711,123 Tax Increment Revenue Bonds from the Treasure Island IRFD

Resolution No. 164-22 approved and authorized the execution of a Loan Agreement with Mercy Housing California 82, L.P., a California limited partnership, in an amount not to exceed \$33,452,317 for a minimum term of 57 years to finance the construction of a 138-unit multifamily rental housing development (plus one staff unit) for low and moderate income families located at 6th Street at Avenue C (old address)/78 Johnson Street (new address) ("Treasure Island Parcel C3.1"); and adopting findings that the Loan Agreement is consistent with the General Plan, and the priority policies of Planning Code, Section 101.1.

### **Treasure Island IRFD No.1 Tax Increment Revenue Bonds, Series 2022B (Housing Increment)**

The Treasure Island Infrastructure and Revitalization Financing District (IRFD) No. 1 Tax Increment Revenue Bonds, \$24,270,000 Series A (Facilities) and \$5,120,000 Series B (Housing) closed on September 8, 2022. Of the \$5,120,000 Series B Bonds, \$4,711,122.71 of bond proceeds were deposited in the Housing Project Fund are anticipated to be used by the Treasure Island Development Authority ("TIDA") and the Mayor's Office of Housing and Community Development ("MOHCD") to finance a forgivable loan for a portion of the affordable housing development by Mercy Housing California ("Mercy") on Treasure Island Parcel C3.1 (the "Affordable Housing Project") which includes 138 units consisting of 23 one-bedrooms, 60 two-bedrooms, 40 three-bedrooms, and 14 four-bedrooms plus one manager's unit. 71 of the units will be replacement units for Catholic Charities' One Treasure Island units supported by a Continuum of Care contract and 23 non-income restricted units (at initial occupancy and until all eligible households have received their benefit) for existing Treasure Island residents ("Legacy Residents"). The remaining 43 units will be new affordable lottery units with preferences for income qualifying Legacy Residents and Vested Residents currently living in market rate units on Treasure Island.

The Project's area median incomes ("AMI") based on household size range from 30% California Tax Credit Allocation Committee ("TCAC") AMI up to 60% TCAC AMI in the DAHLIA lottery units and up to 100% TCAC AMI in the 23 Transition Units.

In March 2021, the City's Affordable Housing Loan Committee recommended a gap loan for the Affordable Housing Project of \$33,452,317 and the loan amount included a TIDA IRFD bridge loan of \$5,000,000. The Board of Supervisors approved the gap loan on April 26, 2022 (File 220347/Resolution No. 164-22) and the Mayor executed the loan resolution and loan on April 28, 2022. The Affordable Housing Project construction loan closing that included the City and County of San Francisco acting through MOHCD, State of California Department of Housing and Community Development, and Citibank, N.A. occurred in May 25, 2022 and construction began soon after. Construction is currently expected to be completed by March 2024.

### **Request**

In order for MOHCD to access Bond proceeds to finance the Affordable Housing Project, we respectfully request the Board's consideration of the Ordinance.

## Anticipated Legislative Timeline

Milestones	Dates*
• Introduction of the Supplemental Appropriation Ordinance to the Board	November 1, 2022
• Budget and Finance Committee	December 7, 2022
• Board First Hearing of the Ordinance	December 13, 2022
• Board Second Hearing of the Ordinance	January 3, 2023

*\*Please note that dates are estimated unless otherwise noted.*

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna ([anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)) or Bridget Katz ([bridget.katz@sfgov.org](mailto:bridget.katz@sfgov.org)) if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors  
Andres Powers, Mayor's Office  
Tom Paulino, Mayor's Office, Liaison to the Board of Supervisors  
Ashley Groffenberger, Mayor's Budget Director  
Ben Rosenfield, Controller  
Carmen Chu, City Administrator  
Ken Bukowski, Deputy City Administrator  
Harvey Rose, Budget & Legislative Analyst  
Severin Campbell, Budget & Legislative Analyst  
Mark Blake, Deputy City Attorney  
Kenneth Roux, Deputy City Attorney

**From:** [Conine-Nakano, Susanna \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Paulino, Tom \(MYR\)](#); [Katz, Bridget \(CON\)](#); [GIVNER, JON \(CAT\)](#)  
**Subject:** Mayor -- Ordinance -- Treasure Island IRFD  
**Date:** Tuesday, November 1, 2022 4:19:47 PM  
**Attachments:** [Mayor -- Ordinance -- Treasure Island IRFD.zip](#)

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Hello Clerks,

Attached for introduction to the Board of Supervisors is an Ordinance appropriating \$4,711,123 from the issuance of Treasure Island Infrastructure and Revitalization Financing District (IRFD) No. 1 Tax Increment Revenue Bonds and appropriating to the affordable housing project in the Mayor's Office of Housing and Community Development in Fiscal Year (FY) 2022-23.

Best,  
Susanna

Susanna Conine-Nakano  
Office of Mayor London N. Breed  
City & County of San Francisco  
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San Francisco, CA 94102  
415-554-6147