

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

November 6, 2015


TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: November 9, 2015 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File	Page
2	15-0995 Administrative Code – Establishing Mission Bay Transportation Improvement Fund, and Advisory Committee	1

<p>Item 2 File 15-0995</p>	<p>Department: Office of Community Infrastructure and Investment Office of Economic and Workforce Development</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance amends the Administrative Code to add a new Section 10.100-364 to establish the Mission Bay Transportation Improvement Fund to pay for additional services provided by San Francisco Municipal Transportation Agency (SFMTA), San Francisco Police Department (SFPD), and Department of Public Works (DPW) to the Warriors Project. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Golden State Warriors Arena, LLC (Warriors) plans to construct a multipurpose event center and retail and office project at 16th and Third Streets in the Mission Bay neighborhood (Warriors Project). The SFMTA, SFPD, and DPW will provide services to the neighborhood surrounding the Warriors Project. • The proposed ordinance establishes the Mission Bay Transportation Improvement Fund (Fund) as a category four fund, setting aside General Fund monies to pay for services provided by SFMTA, SFPD, and DPW to the Warriors Project. It is anticipated that the revenues to be realized from the Warriors Project will provide for the needed funding sources to the General Fund. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • SFMTA’s estimated costs to purchase four new light rail vehicles and make other transportation system improvements to accommodate the Warriors Project are \$55.3 million. Estimated revenues generated by the Warriors Project to pay these costs are \$25.4 million, resulting in a revenue shortfall of \$29.9 million. The estimated revenue shortfall of \$29.9 million will be financed through sale of SFMTA revenue bonds or other financing source. Annual debt service is projected to be paid from tax revenues generated by the Warriors Project. • SFMTA’s expenditures for transportation services to the Warriors Project will be paid by SFMTA fare and parking revenues generated by these services. The Mission Bay Transportation Improvement Fund will pay for SFMTA service to the Warriors Project not covered by these fare and parking revenues, and for SFPD and DPW services to the Warriors Project. • City departments’ estimated annual expenditures to provide services to the Warriors Project are \$10.1 million. These expenditures will be funded by an estimated \$11.6 million in revenues generated by the Warriors Project, resulting in net revenues of \$1.5 million. 	

Policy Consideration

- If the Warriors Project generates insufficient General Fund tax revenues to pay for all of SFMTA's costs to provide transportation services to the Warriors Project, the Warriors will need to directly provide some transportation services.
- Only General Fund tax revenues directly generated by the Warriors Project should be included in the Controller's estimates of Project revenues to the City.

Recommendations

- Amend the proposed ordinance to specify that if the annual cap of 90 percent of General Fund revenues from the Project site and events at the Event Center is insufficient to cover SFMTA's expenditures for transportation services to the Warriors Project, then the Warriors will be responsible to provide the additional transportation services to comply with EIR Mitigation Measures TR-2b and TR-18.
- Amend the proposed ordinance to specify that only tax revenues generated on-site by the Warriors Project are included in the Controller's estimates of General Fund revenue generated by the Warriors Project for the purpose of calculating the annual General Fund contribution to the Mission Bay Transportation Improvement Fund.
- Approve the proposed ordinance as amended.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance and shall require two readings at separate meetings of the Board of Supervisors.

City Administrative Code Chapter 10, Article XVIII establishes the City's special funds. Administrative Code Section 10.100-1 defines the eight categories of special funds.

BACKGROUND

The Golden State Warriors Arena, LLC (Warriors)¹ plans to construct a multipurpose event center and retail and office project at 16th and Third Streets in the Mission Bay neighborhood (Warriors Project). The Warriors Project will consist of 1,053,000 square feet of building space, as shown in Table 1 below, and 3.2 acres of open space.

Table 1: Proposed Multipurpose Event Center, Retail and Office Project

	Square Feet
Event Center with 18,064 seats	488,000
Office Space	513,000
Retail Space	52,000
Total	1,053,000

The Warriors purchased 11 acres previously owned by Salesforce.Com in October 2015 with a plan to complete the event center in time for the 2018-19 National Basketball Association (NBA) season. While the Warriors Project is a private development, the City will provide public transportation, including transportation infrastructure, and ongoing public services related to the development.

Mission Bay South Redevelopment Plan Area

The Warriors Project is located on Blocks 29 to 32 in the Mission Bay South Redevelopment Plan Area (Mission Bay South) as shown in Figure 1 below.

¹ The Golden State Warriors Arena, LLC are an affiliate of the Golden State Warriors, LLC, who own the Golden State Warriors basketball team.

Figure 1: Location of Warrior's Project In Mission Bay South

Transportation and Other City Services to the Warriors Project

The San Francisco Municipal Transportation Agency (SFMTA), San Francisco Police Department (SFPD), and Department of Public Works (DPW) will provide services to the neighborhood surrounding the Warriors Project.

Transportation

The Transportation Management Plan, required by the Project's Environmental Impact Report (EIR), includes the Muni Special Event Transit Service Plan, which commits SFMTA to provide additional service to the Warriors Project, including increased light rail service on the T-Third line, and special event shuttles. SFMTA would implement the following transportation infrastructure improvements and services to the Warriors Project:

- Purchasing four additional light rail vehicles
- Extending the existing boarding platform at 3rd and South Streets
- Running three special event shuttles to regional transit stations
- Expanding service levels on the T-Third light rail line, and

- Adding parking control officers to control traffic during arena events

Police Services

Depending on the size and type of events held in the Warriors' event center, the SFPD will incur additional costs by assigning from 8 to 14 police officers on overtime to patrol the neighborhoods surrounding the event center.

Department of Public Works

DPW will incur additional costs by providing an estimated 42 days of litter patrol, steam cleaning, and street sweeping on the streets adjacent to the Warriors Project.

Development Impact Fees

The Warriors will be required to pay two development impact fees contained in the Planning Code and applicable to Mission Bay South: the Child Care Fee and the Transportation Impact Development Fee.

Environmental Impact Report

On November 3, 2015, the Commission on Community Investment and Infrastructure certified the Final Subsequent Environmental Impact Report for the Golden Gate Warriors Event Center and Mixed Use Project under the California Environmental Quality Act (CEQA). The Commission adopted CEQA findings, including a Mitigation Monitoring and Reporting Program and a Statement of Overriding Considerations.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Administrative Code to add a new Section 10.100-364 to establish the Mission Bay Transportation Improvement Fund to pay for additional services provided by SFMTA, SFPD, and DPW to the Warriors Project. The ordinance creates an advisory committee to make recommendations about the use of monies from the Fund, and adopts findings pursuant to CEQA.

Mission Bay Transportation Improvement Fund

The proposed ordinance establishes the Mission Bay Transportation Improvement Fund (Fund) as a category four fund, setting aside General Fund monies to pay for services provided by SFMTA, SFPD, and DPW to the Warriors Project.

Uses of Funds

The Fund will be used to pay for the following public services related to the Warriors' Project:

- Public transit
- Special event shuttles
- Parking and traffic engineering and control services
- Pedestrian and bicycle access programs
- Parking enforcement programs

- Local access to the University of California at San Francisco (UCSF) hospitals and facilities located in Mission Bay South
- Police services
- Litter pick-up
- Street and sidewalk clean up
- Other measures to improve services to the Warriors' Project

The Fund will be used to pay for the following SFMTA transit equipment and capital improvements related to the Warriors' Project:

- Light rail vehicles
- Cross over tracks and loading platform improvements on the T-Third line
- Parking and traffic improvements (such as cameras, traffic signals, vehicle messaging signs, and other improvements)
- Bicycle and pedestrian access
- Feasibility study for a ferry landing and service to Mission Bay South

Sources of Funds

The funding source for the proposed Mission Bay Transportation Improvement Fund is the General Fund. It is anticipated that the revenues to be realized from the Warriors Project will provide for the needed funding sources to the General Fund. The Controller will determine the General Fund tax revenue generated or likely to be generated by the Warriors Project each fiscal year to calculate the amount of the General Fund deposit to the Fund.

Maximum annual deposits to the Fund shall not exceed 90 percent of total General Fund revenue generated by the Warriors Project, as determined by the Controller. However, the ordinance sets minimum deposits to the Fund in the first five years, subject to the maximum 90 percent of total General Fund revenue generated by the Warriors Project, as follows:

- Year one: \$8,100,000
- Year two: \$8,300,000
- Year three: \$8,500,000
- Year four: \$8,800,000
- Year five: \$9,100,000

For the first five years, any end-of-year fund balance carries forward to the next year. After the first five fiscal years, end-of-year fund balances up to 25 percent of Fund expenditures carry forward to the next year.

The proposed ordinance establishes a reserve fund of \$1,000,000 once the event center opens. If City departments' expenditures exceed available revenues in the Mission Bay Transportation Improvement Fund, the City is entitled to a credit from the next year's annual deposit to the Mission Bay Transportation Improvement Fund, or from the reserve fund.

Beginning in FY 2016-17, SFMTA, SFPD, and DPW will prepare budget proposals to pay for City services and capital improvements related to the Warriors Project. According to the proposed ordinance, the Mayor and the Board of Supervisors shall include in the City's annual budget sufficient General Fund revenues for deposit into the Fund to meet City departments' budgeted expenditures to provide services to the Warriors Project.

Category Four Fund

The Mission Bay Transportation Improvement Fund, a category four fund, requires that all expenditures from the Fund be subject to appropriation approval by the Board of Supervisors.

Mission Bay Transportation Improvement Fund Advisory Committee

The Mission Bay Transportation Improvement Fund Advisory Committee (Advisory Committee) consists of five members, of which one each is appointed by the Warriors, the University of California at San Francisco, and the District 6 Supervisor, and two are appointed by the Mayor.

FISCAL IMPACT

One Time Capital Expenditures for Transportation Projects

According to the Warriors Project Transportation Management Plan, the SFMTA will provide additional services to accommodate basketball games, concerts and other events at the proposed Warriors event center. SFMTA will increase the number of light rail vehicles on the T-Third line from the current one vehicle per train to the proposed two vehicles per train, resulting in the need to purchase four new light rail vehicles, and reduce the time between trains from 9 minutes to 8 minutes. The SFMTA will also make improvements to the tracks, boarding platforms, and power augmentation to the T-Third line.

SFMTA's estimated costs to purchase four new light rail vehicles and make other transportation system improvements to accommodate the Warriors Project are \$55.3 million. Estimated revenues generated by the Warriors Project to pay these costs are \$25.4 million, resulting in a revenue shortfall of \$29.9 million, as shown in Table 2 below.

**Table 2: Estimated Sources and Uses of Funds for
Transit Improvements for Warriors Project²**

Uses of Funds	Amount
Four new light rail vehicles	\$18,300,287
Installation of three new cross over tracks	5,848,178
Construction of new center boarding platform	22,500,000
Power augmentation	<u>6,800,000</u>
Subtotal Transit Uses of Funds	\$53,448,465
Traffic signals and engineering	<u>1,860,000</u>
Total Uses of Funds	\$55,308,465
Sources of Funds	
Transit Development Impact Fees	\$17,436,000
Transfer tax and construction gross receipts and sales taxes	<u>7,955,799</u>
Total Sources of Funds	\$25,391,799
Revenue shortfall	\$29,916,666

Source: SFMTA

According to Ms. Sonali Bose, SFMTA Chief Financial Officer, the estimated revenue shortfall of \$29,916,666 will be financed through sale of SFMTA revenue bonds or other financing source. Annual debt service is projected to be paid from tax or other revenues generated by the Warriors Project, as shown in Table 3 below.

City Departments' Ongoing Annual Expenditures for the Warriors Project

SFMTA's expenditures for transit services to the Warriors Project will be paid by SFMTA fare and parking revenues generated by these services. The Mission Bay Transportation Improvement Fund will pay for SFMTA service to the Warriors Project not covered by these fare and parking revenues, and for SFPD and DPW services to the Warriors Project.

City departments' estimated annual expenditures to provide services to the Warriors Project are \$10.1 million. These expenditures will be funded by an estimated \$11.6 million in revenues generated by the Warriors Project, resulting in net revenues of \$1.5 million, as shown in Table 3 below.

² SFMTA will incur equipment and infrastructure costs related to the Warriors Project over a four to five year period. The revenue and expenditure estimates shown in Table 2 are the present value (in 2014 dollars) of the four to five year revenue and expenditures plan.

Table 3: Estimated Sources and Uses of Funds for City Departments' Annual Ongoing Expenditures³

Estimated Annual Expenditures for City Services to Warriors Project	
Transit services for events	3,780,746
Enforcement	2,892,838
Parking control officers	<u>238,443</u>
Subtotal, SFMTA operating costs	6,912,026
Estimated debt service on revenue bonds	2,122,661
Police	952,000
DPW	<u>95,357</u>
Total Expenditures	10,082,044
Estimated Annual Revenues Generated by Warriors Project	
SFMTA fare and parking revenue	1,772,894
Property taxes	1,779,882
Sales tax	520,948
Parking tax	482,197
Stadium admissions tax	4,335,920
Gross receipts tax	2,431,277
Utility user tax	<u>253,707</u>
Total Revenues⁴	11,576,825
Net Revenues	\$1,494,781

Sources: SFMTA, SFPD, DPW; Economic & Planning Systems, Inc. report to OCII, Budget and Legislative Analyst estimate of debt service

POLICY CONSIDERATION

If the Warriors Project generates insufficient General Fund tax revenues to pay for all of SFMTA's costs to provide transportation services to the Warriors Project, the Warriors will need to directly provide some transportation services

While SFMTA, SFPD, and DPW will provide services to the Warriors Project, only SFMTA is committed to additional services, as defined by the Muni Special Event Transit Service Plan,

³ City departments will begin providing services to the Warriors Project beginning in the 2018-19 NBA season. These revenue and expenditure estimates are the present value (2015 dollars) of the 2018-19 revenues and expenditures.

⁴ The Economic and Planning Systems, Inc. (EPS) September 2015 report to OCII estimates \$14,110,833 total revenues generated by the Warriors Project, of which \$2,597,737 are allocated to required funds and baselines, such as the Children's Fund and Open Fund, and \$11,513,096 are general revenues. Table 3 revenues of \$11,576,825 differ from the EPS estimates of \$11,513,096 in that Table 3 (1) includes \$1,772,894 in SFMTA fare and parking revenues, and (2) does not include \$1,709,165 in hotel tax and gross receipts tax revenues generated off-site.

which is a component of the Transportation Management Plan.⁵ The Warriors are required to implement a Transportation Management Plan to manage vehicle, transit, pedestrian, and bicycle transportation during Warriors games and other events and activities at the project site, in accordance with the Project's Environmental Impact Report (EIR). According to the EIR, the Warriors will have to implement additional transportation services if the Muni Special Event Transit Service Plan is not implemented.⁶ While the EIR does not explicitly state that insufficient General Fund tax revenue generated by the Warriors Project would cause the Muni Special Event Transit Service Plan to not be implemented, according to City staff, insufficient funding could be one of the causes of not implementing the Transit Service Plan.

According to the October 20, 2015 memorandum from the Director of Transportation to the OCII Executive Director, although SFMTA will be able to deliver transit services to the Warriors Project, SFMTA cannot unequivocally guarantee future funding for the transit services to the Warriors Project in perpetuity. According to the Director of Transportation, the SFMTA supports the Project with the understanding that the City, the Golden State Warriors and SFMTA do not expect the SFMTA operating and capital budgets to experience any adverse impact associated with implementing the proposed transit service plan and the capital investments to support it.

Under the proposed ordinance, the General Fund contribution to the Mission Bay Transportation Improvement Fund is capped at 90 percent of General Fund tax revenues generated by the Warriors Project. The proposed ordinance should be amended to specify that if the revenue cap is insufficient to cover SFMTA's expenditures for transportation services to the Warriors Project, then the Warriors will be responsible to provide additional transportation services to comply with EIR Mitigation Measures TR-2b and TR-18.

Only General Fund tax revenues directly generated by the Warriors Project should be included in the Controller's estimates

OCII's consultant, Economic and Planning Systems, Inc. (EPS) attributed to the Warriors Project hotel and gross receipts tax revenues generated off-site. According to the EPS report, hotel taxes will be generated by out of town visitors attending events at the Warriors Project, and gross receipts taxes will be generated by off-site businesses serving visitors to the Warriors Project. According to the peer review report by Keyser Marston Associates, the EPS analysis is reasonable because (a) only demand generated by the event center and not the retail and office uses is included in the analysis, and (b) the estimates are based on conservative assumptions.

However, the Budget and Legislative Analyst notes that off-site hotel tax and gross receipts tax revenues cannot be directly attributed to the Warriors Project. It is not possible to verify if changes in hotel occupancy and off-site business gross receipts tax revenues are

⁵ SFMTA's expenditures for the transportation infrastructure improvements are funded by the TIDF, real property transfer taxes, and financing (such as revenue bonds). The annual debt service on the financing is included in the annual budget to be funded by the Fund.

⁶ Additional transportation services include shuttle buses, charter buses, high occupancy vehicles, and special ferry service.

due solely to visitors who come to San Francisco specifically to attend Warriors games or other events at the proposed event center. Such increased tax revenues might also be attributable to visitors to San Francisco who do not attend events at the Warriors Project. Any methodology to attribute hotel and gross receipts tax revenues to the Warriors Project is based on assumptions and not actual accounting of tax receipts. Therefore, the Budget and Legislative Analyst does not include these off-site tax revenues, estimated to be \$1,709,165 per year, in the Table 3 estimates above.

The Budget and Legislative Analyst recommends amending the proposed ordinance to specify that only tax revenues generated on-site by the Warriors Project are included in the Controller's estimates of General Fund revenue generated by the Warriors Project for the purpose of calculating the annual General Fund contribution to the Mission Bay Transportation Improvement Fund.

RECOMMENDATIONS

1. Amend the proposed ordinance to specify that if the annual cap of 90 percent of General Fund revenues from the Project site and events at the Event Center is insufficient to cover SFMTA's expenditures for transportation services to the Warriors Project, then the Warriors will be responsible to provide the additional transportation services to comply with EIR Mitigation Measures TR-2b and TR-18.
2. Amend the proposed ordinance to specify that only tax revenues generated on-site by the Warriors Project are included in the Controller's estimates of General Fund revenue generated by the Warriors Project for the purpose of calculating the annual General Fund contribution to the Mission Bay Transportation Improvement Fund.
3. Approve the proposed ordinance as amended.