



**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

**FROM:** Anna Van Degna, Director of the Controller's Office of Public Finance  
Luke Brewer, Controller's Office of Public Finance

**DATE:** Monday, September 20, 2021

**SUBJECT:** Ordinance Appropriating \$35,000,000 of Special Tax Bond Proceeds and \$11,620,000 of Special Tax Revenues – Community Facilities District No. 2014-1 (Transbay Transit Center)

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### Recommended Action

We respectfully request that the Board of Supervisors ("Board") consider for review and approval the ordinance ("Ordinance") appropriating \$35,000,000 from the issuance of one or more series of Special Tax Bonds and placing such amounts on Controller's reserve; and appropriating \$11,620,000 of special tax revenues for funding related to the Downtown Rail Extension component of the Transbay Transit Center Project. The introduction of this Ordinance follows the July 27, 2021 introduction of the "Bond Resolution" - File No. [210871](#) providing for the issuance of not to exceed \$35 million of Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B ("2021 Bonds").

### Background

Over the past decade, the City engaged in several efforts to plan for future development and construction of public infrastructure for the area surrounding the Salesforce Transit Center ("Transit Center") and the Downtown Rail Extension ("DTX"), which involves the extension of the Caltrain rail tracks to the Transit Center to accommodate Caltrain and California High Speed Rail, as further described below. In 2005, the Transbay Redevelopment Project Area was adopted with the purpose of redeveloping property formerly owned by the State of California and to generate funding sources to assist the Transbay Joint Powers Authority ("TJPA") in the construction of the new Transit Center and the DTX.

In 2012, the City adopted the Transit Center District Plan ("TCDP") after a multi-year public planning process. The TCDP is a comprehensive plan to respond to and support the construction of the Transit Center and the DTX. In adopting the TCDP, the Board authorized the formation of a Mello-Roos Community Facilities District ("CFD") within the TCDP boundary for new large developments to provide funding for the Transit Center, the

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DTX, and other public infrastructure necessary to support the growth and development of the neighborhood (“Transbay Program”).

In 2014, the City approved the formation of CFD No. 2014-1 and in 2015, the City approved the levy and collection of special taxes within the CFD and authorized bonded indebtedness for the CFD in an aggregate principal amount of \$1.4 billion.

Pursuant to a Joint Community Facilities Agreement between the City and TJPA, 82.6% of the CFD special tax proceeds are allocated to fund a portion of the Transbay Program, including DTX, the train-related components of the Transit Center (generally referred to as the “Train Box”) and associated systems, and the rooftop park. The remaining 17.4% of CFD special tax proceeds will fund a variety of public infrastructure projects. To date, funds have been allocated for streetscape enhancements within the CFD, as well as open space, capacity enhancements for the Embarcadero and Montgomery San Francisco Bay Area Rapid Transit District (“BART”) stations, and a congestion pricing study for the San Francisco County Transportation Authority (“SFCTA”).

### **CFD No. 2014-1 - Bonds and Special Taxes on Hand**

In November 2017, the City, on behalf of the CFD, issued its first Special Tax Bonds (Series 2017A and 2017B) in the aggregate principal amount of \$207.5 million. In February 2019, the second tranche of Special Tax Bonds (Series 2019A and 2019B) was issued in the aggregate principal amount of \$191.0 million. In May 2020, the third tranche of Special Tax Bonds (Series 2020B) was issued with a principal amount of \$81.8 million. To date, \$480.3 million of bonds have been issued of which \$428.8 million of bond proceeds have been generated for capital projects with the balance used to fund an allocable share of the debt service reserve fund that provides security for all of the outstanding Special Tax Bonds, pay the costs of issuance for each series and fund other related costs primarily consisting of capitalized interest for each series.

The Special Tax Bond debt service is paid from annual special taxes levied in the CFD. Annual special tax collections not required for debt service payments or administrative costs are currently on hand and available for capital projects.

The Ordinance presently before the Board appropriates proceeds from the proposed fourth issuance of Special Tax Bonds (“2021 Bonds”) in a not to exceed amount of \$35.0 million. Additionally, the Ordinance appropriates \$11.62 million of prior annual special tax collections currently on hand. The bonds are expected to be issued in the Fall of 2021. These funds will enable TJPA to complete DTX project development activities, as required by the Federal Transit Administration (“FTA”) in advance of applying for FTA Capital Investment Grant (CIG) New Starts funds, including preliminary design, cost estimation, risk analysis, and other technical work. The appropriation of the \$35.0 million of bond proceeds and the appropriation of the \$11.62 million of special tax collections on hand will support FTA Project Development and other DTX programmatic activities, respectively.

### **Plan of Finance**

#### Appropriation of Funds

It is anticipated that \$30.04 million of 2021 Bond proceeds will finance a portion of the planning, design and pre-construction costs for DTX. Additionally, \$11.62 million of CFD special taxes on-hand will fund DTX project development, ROW planning and acquisition, and other programmatic costs including management

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oversight planned in fiscal years 2021-22 and 2022-23. In addition to the project funding, proceeds of the 2021 Bonds will also be used to fund: (i) a debt service reserve fund for the bonds and (ii) costs of issuance.

Table 1 below outlines sources and uses for the appropriation.

**Table 1: Sources & Uses of Funds**

**Sources:**

<u>Bond Proceeds and Special Taxes</u>	
Proceeds from Long-Term Obligation ("Bond Proceeds")	\$35,000,000
Special Tax Revenue ("Tax Revenues")	\$11,620,000
<b>Total Appropriation Sources</b>	<b>\$46,620,000</b>

**Uses:**

Bond Proceeds for the Transbay Transit Center Project	\$30,040,000
Tax Revenues for the Transbay Transit Center Project	\$11,620,000
Debt Service Reserve Fund funded by Bond Proceeds	\$2,509,312
<u>Delivery Date Expenses funded by Bond Proceeds</u>	
Cost of Issuance	\$754,288
Underwriter's Discount	\$336,400
Reserve For Market Uncertainty funded by Bond Proceeds	\$1,360,000
<b>Total Appropriation Uses</b>	<b>\$46,620,000</b>

### Anticipated Timeline

The Ordinance is expected to be introduced at the Board of Supervisors meeting on Tuesday, September 21, 2021.

<b>Milestones</b>	<b>Dates</b>
• Ordinance Introduction	September 21, 2021
• Budget & Finance Committee Hearing	October 6, 2021
• First Reading of Ordinance	October 19, 2021
• Second Reading of Ordinance	October 26, 2021
• <i>TJPA Submittal of Request Entry to FTA Project Development Phase</i>	<i>By October 31, 2021</i>

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna ([anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)) at 415-554-5956 or Luke Brewer ([luke.brewer@sfgov.org](mailto:luke.brewer@sfgov.org)) at 415-554-7693 if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors  
Andres Powers, Mayor's Office  
Ashley Groffenberger, Mayor's Budget Director  
Ben Rosenfield, Controller  
Carmen Chu, City Administrator  
Harvey Rose, Budget Analyst  
Severin Campbell, Budget Analyst  
Mark Blake, Deputy City Attorney  
Kenneth Roux, Deputy City Attorney  
Nila Gonzales, Interim Executive Director, TJPA  
Tilly Chang, Executive Director San Francisco County Transportation Authority