

File No. 170882

Committee Item No. 11
Board Item No. 8

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 9, 2017

Board of Supervisors Meeting

Date December 5, 2017

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
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Completed by: Linda Wong Date November 3, 2017
Completed by: Linda Wong Date November 16, 2017

1 [Resolution of Intention to Issue Bonds Related to Infrastructure and Revitalization Financing
2 District No. 2 (Hoedown Yard)]

3 **Resolution of intention to issue bonds for City and County of San Francisco**
4 **Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and**
5 **determining other matters in connection therewith.**

6
7 WHEREAS, FC Pier 70, LLC (Forest City) and the City and County of San Francisco
8 (the City), acting by and through the San Francisco Port Commission (the Port Commission),
9 anticipate entering into a Disposition and Development Agreement (the DDA), which will
10 govern the disposition and development of approximately 28 acres of land in the waterfront
11 area of the City known as Pier 70 (the Project Site); and

12 WHEREAS, In the general election held on November 4, 2014, an initiative entitled, the
13 "Union Iron Works Historic District Housing, Waterfront Parks, Jobs and Preservation
14 Initiative" (Proposition F), was approved by the voters in the City; and

15 WHEREAS, Pursuant to Proposition F, the voters in the City approved a policy of the
16 City, that the City encourage the timely development of the Project Site with a development
17 project that includes certain major uses, including without limitation, new below market-rate
18 homes affordable to middle- and low-income families and individuals, representing 30 percent
19 of all new housing units (Affordable Housing); and

20 WHEREAS, Forest City and the City anticipate that Forest City will undertake pursuant
21 to the DDA an obligation to construct Affordable Housing on the Project Site and an area of
22 land in the vicinity of the Project Site and within Pier 70 commonly known as Parcel K South
23 (Parcel K South) to satisfy the requirements for Affordable Housing under Proposition F; and

24 WHEREAS, Under Chapter 2.6 of Part 1 of Division 2 of Title 5 of the California,
25 commencing with Government Code Section 53369 (IRFD Law), this Board of Supervisors is

1 authorized to establish an infrastructure and revitalization financing district and to act as the
2 legislative body for an infrastructure and revitalization financing district; and

3 WHEREAS, Pursuant to the IRFD Law, this Board of Supervisors has adopted its
4 "Resolution of intention to establish City and County of San Francisco Infrastructure and
5 Revitalization Financing District No. 2 (Hoedown Yard) on land within the City and County of
6 San Francisco commonly known as the Hoedown Yard to finance the construction of
7 affordable housing within Pier 70 and Parcel K South; to call a public hearing on January 9,
8 2018 on the formation of the district and to provide public notice thereof; and determining
9 other matters in connection therewith" (Resolution of Intention to Establish IRFD), stating its
10 intention to form the "City and County of San Francisco Infrastructure and Revitalization
11 Financing District No. 2 (Hoedown Yard)" (IRFD) pursuant to the IRFD Law, for the purpose of
12 financing Affordable Housing within the Project Site and Parcel K South to satisfy the
13 requirements for Affordable Housing under Proposition F as further provided in the Resolution
14 of Intention to Establish IRFD (the Facilities); and

15 WHEREAS, In the Resolution of Intention to Establish IRFD, this Board of Supervisors
16 made certain findings under the California Environmental Quality Act (CEQA) about the Final
17 Environmental Impact Report (FEIR) for the construction of the Facilities within the Project
18 Site and Parcel K South, and those findings are incorporated in this Resolution as if set forth
19 in their entirety herein; and

20 WHEREAS, In addition, this Board of Supervisors has adopted its "Resolution
21 authorizing and directing the Executive Director of the Port of San Francisco, or designee of
22 the Executive Director of the Port of San Francisco, to prepare an infrastructure financing plan
23 for the City and County of San Francisco Infrastructure and Revitalization Financing District
24 No. 2 (Hoedown Yard) and determining other matters in connection therewith," ordering
25

1 preparation of an infrastructure financing plan for the IRFD (the Infrastructure Financing Plan)
2 consistent with the requirements of the IRFD Law; and

3 WHEREAS, The Infrastructure Financing Plan includes a list of Facilities to be financed
4 by the IRFD; and

5 WHEREAS, Pursuant to IRFD Law Section 53369.40, the Board of Supervisors may,
6 by majority vote, initiate proceedings to issue bonds pursuant to the IRFD Law by adopting a
7 resolution stating its intent to issue the bonds, and pursuant to IRFD Law Section 53369.14,
8 the Infrastructure Financing Plan must contain a detailed description of any intention to incur
9 debt for financing facilities for the IRFD; and

10 WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally
11 that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are
12 used for reimbursement of expenditures made prior to the date of issuance of such debt
13 unless certain procedures are followed, one of which is a requirement that (with certain
14 exceptions), prior to the payment of any such expenditure, the issuer declares an intention to
15 reimburse such expenditure; and

16 WHEREAS, It is in the public interest and for the public benefit that the Board of
17 Directors, on behalf of the City, declares its official intent to reimburse the expenditures
18 referenced herein; now, therefore, be it

19 RESOLVED, That the Board of Supervisors proposes issuing one or more series of
20 bonds or other debt (Bonds) for the purpose of financing the costs of the Facilities, including
21 acquisition and improvement costs and all costs incidental to or connected with the
22 accomplishment of said purposes and of the financing thereof; and, be it

23 FURTHER RESOLVED, The Board of Supervisors hereby declares that it reasonably
24 expects (i) to pay certain costs of the Facilities prior to the date of issuance of the Bonds and
25

1 (ii) to use a portion of the proceeds of the Bonds for reimbursement of expenditures for the
2 Facilities that are paid before the date of issuance of the Bonds; and, be it

3 FURTHER RESOLVED, That the Bonds will be paid from property tax revenues
4 allocated to the IRFD; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors hereby estimates that the cost
6 of the Facilities will be \$91.9 million (in 2017 dollars), and that the estimated costs of
7 preparing and issuing the Bonds will be equal to up to 10.0% of the par amount of the Bonds;
8 and, be it

9 FURTHER RESOLVED, That this Board of Supervisors intends to authorize the
10 issuance and sale of the Bonds in one or more series for the IRFD in the maximum aggregate
11 principal amount of (i) \$91.9 million plus (ii) the additional (if any) principal amount of Bonds
12 approved by this Board of Supervisors and the qualified electors of the annexation territory in
13 connection with the annexation of the annexation territory to the IRFD, so long as the Board
14 makes the finding specified in Section 53369.41(f) of the IRFD Law, and the Bonds shall bear
15 interest payable semi-annually or in such other manner as this Board of Supervisors shall
16 determine, at a rate not to exceed the maximum rate of interest as may be authorized by
17 applicable law at the time of sale of the Bonds, and the maximum underwriter's discount of the
18 Bonds shall be 2.0% of the par amount of the Bonds; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors estimates, based on the
20 analysis set forth in the Infrastructure Financing Plan, that the incremental property tax
21 revenues that are expected to be available to the IRFD to pay principal of and interest on the
22 Bonds is \$91.9 million, and in accordance with IRFD Law Section 53369.41(f), the Board of
23 Supervisors hereby finds that the amount necessary to pay principal of and interest on the
24 maximum principal amount of Bonds specified in the preceding paragraph is less than or
25

1 equal to the incremental property tax revenues that are expected to be available to the IRFD
2 to pay principal of and interest on the Bonds; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors will call a special landowner
4 election for January 9, 2018, to consider the proposed authorization to issue Bonds. The
5 election will be consolidated with the election on the issue of the proposed formation of the
6 IRFD and approval of the proposed Infrastructure Financing Plan and appropriations limit for
7 the IRFD to be held on January 9, 2018. The Director of Elections is hereby designated as
8 the official to conduct the election in the IRFD and to receive all ballots until __:00 p.m. on
9 January 9, 2018, and pursuant to IRFD Law Section 53369.20, the election shall be
10 conducted by personal service or mail-delivered ballot; and, be it

11 FURTHER RESOLVED, That all references in this Resolution to Bonds shall be
12 deemed to include a reference to debt (as defined in the IRFD Law), to the extent applicable;
13 and, be it

14 FURTHER RESOLVED, That this Resolution shall in no way obligate the Board of
15 Supervisors to propose establishment of the IRFD or to authorize the issuance of bonds for
16 the IRFD, and the authorization to issue bonds shall be subject to the approval of this Board
17 of Supervisors by resolution following the elections of the qualified electors described above;
18 and, be it

19 FURTHER RESOLVED, That the Clerk of the Board of Supervisors shall publish this
20 resolution once a day for at least seven successive days in a newspaper published in the City
21 at least six days a week, or at least once a week for two successive weeks in a newspaper
22 published in the City less than six days a week, and if there are no newspapers meeting the
23 foregoing criteria, this resolution shall posted in three public places within the territory of the
24 IRFD for two succeeding weeks; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors has reviewed and considered
2 the FEIR and finds that the FEIR is adequate for its use for the actions taken by this resolution
3 and incorporates the FEIR and the CEQA findings contained in Resolution No. ___ of this
4 Board of Supervisors; and, be it

5 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or
6 word of this resolution, or any application thereof to any person or circumstance, is held to be
7 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
8 shall not affect the validity of the remaining portions or applications of this resolution, this
9 Board of Supervisors hereby declaring that it would have passed this resolution and each and
10 every section, subsection, sentence, clause, phrase, and word not declared invalid or
11 unconstitutional without regard to whether any other portion of this resolution or application
12 thereof would be subsequently declared invalid or unconstitutional; and, be it

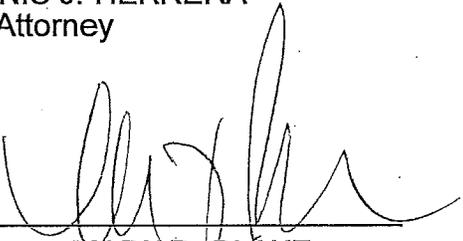
13 FURTHER RESOLVED, That the Mayor, the Controller, the Director of the Office of
14 Public Finance, the Clerk of the Board of Supervisors and any and all other officers of the City
15 are hereby authorized, for and in the name of and on behalf of the City, to do any and all
16 things and take any and all actions, including execution and delivery of any and all
17 documents, assignments, certificates, requisitions, agreements, notices, consents,
18 instruments of conveyance, warrants and documents, which they, or any of them, may deem
19 necessary or advisable in order to effectuate the purposes of this Resolution; provided
20 however that any such actions be solely intended to further the purposes of this Resolution,
21 and are subject in all respects to the terms of the Resolution; and, be it

22 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,
23 consistent with any documents presented herein, and heretofore taken are hereby ratified,
24 approved and confirmed by this Board of Supervisors; and, be it

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

APPROVED AS TO FORM:
DENNIS J. HERRERA
City Attorney



By: _____

MARK D. BLAKE
Deputy City Attorney
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<p>Items 9, 10 and 11 Files 17-0880, 17-0881 and 17-0882</p>	<p>Department: Port</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <p><u>17-0880</u> is a resolution establishing the City's intent to establish Infrastructure and Revitalization Financing District (IRFD) to finance the construction of affordable housing within Pier 70 and Parcel K South. <u>17-0881</u> is a resolution directing the Port Executive Director to prepare an Infrastructure Financing Plan for the IRFD. <u>17-0882</u> is a resolution stating the City's intent to issue bonds in amounts not-to-exceed \$91,900,000. Files 17-0880 and 17-0881 are resolutions of intent, and do not obligate the Board of Supervisors to establish the IRFD or issue bonds.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Hoedown Yard is a 3 acre property owned by PG&E and adjacent to Pier 70. The City has an option to purchase the property or sell the option to purchase to a third party, but the City has not exercised that option. The Infrastructure Financing Plan assumes that the Hoedown Yard will be developed with condominium units, which will generate property tax increment revenue to fund affordable housing development. • The proposed resolution states that the Board of Supervisors intends to authorize the issuance of bonds secured by the Hoedown Yard IRFD property tax increment in the maximum not-to-exceed amount of \$91.9 million. According to the Port's bond counsel, the proposed resolution limits the use of bonds to pay for the costs of authorized facilities, including acquisition, improvements, and associated costs. The Budget and Legislative Analyst recommends amending the proposed resolution to specify that the authorized facilities are the facilities listed in Attachment I of the Infrastructure Financing Plan. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Port anticipates issuing IRFD bonds of up to \$25.5 million, which is more than three times the requested bond authorization of up to \$91.9 million. The Port is requesting a higher bonding cap to allow for flexibility if the project generates more incremental property tax revenues or the cost of funds is lower than projected. • According to the proposed resolution, the estimated cost of the facilities to be funded by the proposed IRFD will be \$315.8 million. However, this is the limit of property tax increment allocation. Therefore, the proposed resolution should be amended to state that the estimated cost of the facilities is \$91.9 million rather than \$315.8 million <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend File 17-0882 to (a) specify that the authorized facilities to be funded by IRFD property tax increment and bonds secured by the property tax increment are the facilities listed in Attachment I of the Infrastructure Financing Plan; and (b) state that the estimated cost of the facilities is \$91.9 million rather than \$315.8 million. • Amend File 17-0880 and 17-0882 to state that the Port will submit a date for the special landowner election prior to Board of Supervisors approval of the proposed resolutions. • Approve the proposed resolutions, pending submission by the Port to the Board of Supervisors of a date for the special landowner election. 	

MANDATE STATEMENT

California Government Code Section 53369 authorizes the Board of Supervisors to establish an Infrastructure and Revitalization Financing District (IRFD) on Port property and to act as the legislative body for the IRFD.

BACKGROUND

The Hoedown Yard comprises two parcels owned by the Pacific Gas and Electric Company (PG&E) totaling approximately 3 acres adjacent to the 28-acre Pier 70 Waterfront Site. The Board of Supervisors approved an option agreement between the City and PG&E in 2014 (File 14-0750) in which the City could exercise the option for approximately \$8,283,726, or sell the option through a competitive sale to a third party. The sale of the Hoedown Yard option to a third party is subject to future Board of Supervisors approval.

On October 31, 2017, the Board of Supervisors approved several pieces of legislation to establish the Pier 70 Special Use District Project, which includes the Hoedown Yard.

DETAILS OF PROPOSED LEGISLATION

File 17-0880: The proposed resolution establishes the City's intent to establish Infrastructure and Revitalization Financing District (IRFD) No. 2 (Hoedown Yard) to finance the construction of affordable housing within Pier 70 and Parcel K South. According to the proposed Resolution of Intent, the Board of Supervisors resolves to take the following actions:

- (1) Conduct proceedings to establish an infrastructure and revitalization financing district on the land commonly known as Hoedown Yard;
- (2) Declare the Board's intent to use incremental property tax revenue allocated to the City and generated within the Hoedown Yard to finance affordable housing and related facilities located within the Waterfront Site and Parcel K South; and
- (3) Hold public hearings and take other actions necessary to provide notice of the intent to establish the infrastructure and revitalization financing district.

The Resolution of Intent does not obligate the Board of Supervisors to establish the IRFD, which shall be subject to future Board of Supervisors approval.

File 17-0881: The proposed resolution directs the Port Executive Director to prepare an Infrastructure Financing Plan for Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard).

File 17-0882: The proposed resolution states the City's intent to issue bonds, paid by incremental property tax revenue allocated to the City and generated within the Hoedown Yard, in amounts not-to-exceed \$91,900,000.

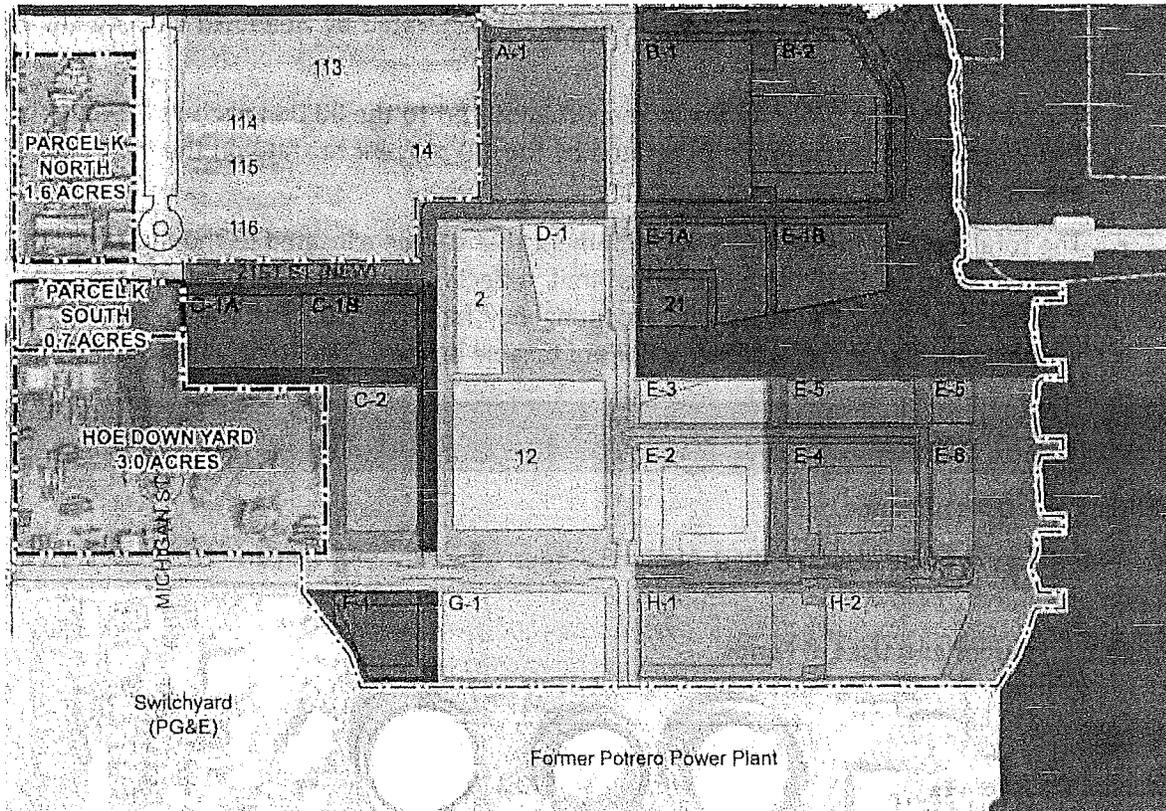
According to the proposed resolution, the intent is to pay for some of the costs of affordable housing and related facilities prior to the issuance of the bonds, and to use a portion of the

bond proceeds to reimburse costs of developing the affordable housing and related facilities that are incurred prior to issuance of the bonds.

Hoedown Yard

The Hoedown Yard is bounded by Illinois Street on the west, 22nd Street on the south, Irish Hill and Parcel K South on the north, and the Waterfront Site on the east, as shown in Exhibit 1 below.

Exhibit 1: Hoedown Yard Site



The Infrastructure Financing Plan assumes that the Hoedown Yard will be developed with 367 condominium units, within 384,365 gross building square feet, which will generate property tax increment revenue under the IRFD to fund affordable housing development on the Waterfront Site and Parcel K South. Because affordable housing will not be developed on the Hoedown Yard site, the condominiums will also be assessed a 28 percent in-lieu fee payable to the Mayor’s Office and Housing and Community Development (MOHCD) for development of affordable housing outside of the Pier 70 Special Use District.

Affordable Housing to be Funded by the IRFD

The formation of the Hoedown Yard IRFD will provide a funding source for the development of 327 affordable housing units and supporting infrastructure and amenities within the Waterfront Site and Parcel K South of the Pier 70 Special Use District.

Proposed Hoedown Yard Infrastructure Financing Plan Provisions

The proposed Hoedown Yard Infrastructure Financing Plan contains the following provisions:

- The property tax increment would be allocated to the IRFD for 40 years beginning in the fiscal year in which the property tax increment generated by Hoedown Yard equals at least \$100,000.
- The amount of the property tax increment allocated to the IRFD in each year would be 64.59 percent of the revenue generated by the 1.0 percent tax rate on the incremental assessed property value.
- The total limit on the property tax increment that can be allocated to the IRFD over the 40-year term is \$315.8 million. This limit reflects the projected total allocated tax increment of \$157.9 million plus a contingency factor of 100 percent to account for variables such as higher assessed values of taxable property due to resales.

FISCAL IMPACT

Sources and Uses of Funds

Estimated sources and uses of IRFD funds are approximately \$88 million (2017 dollars), as shown in Exhibit 2 below.

Exhibit 2: Sources and Uses of Funds

	2017 Dollars
Sources	
Annual Tax Increment	\$70,170,000
Bond Proceeds	18,263,000
Total Sources	\$88,433,000
Uses	
Bond Debt Service	\$33,158,000
Affordable Housing	18,969,000
General Fund ^a	36,306,000
Total Uses	\$88,433,000

^a Excess tax increment is allocated to the General Fund

Source: Infrastructure Financing Plan

Timing of Sources and Uses

Beginning in FY 2023-24, the Infrastructure Financing Plan assumes that the Port will begin issuing IRFD bonds, secured by property tax increment generated by Hoedown Yard development, as discussed further below. Bond proceeds will be a source of funds to pay for affordable housing and related facilities and to re-pay bond debt. Excess tax increment revenue would be allocated to the City's General Fund.

Estimates of Annual Property Tax Increment Generated by Hoedown Yard

Incremental property taxes generated by development of Hoedown Yard depend on the assessed value of the development. A report prepared by Berkson Associates for the Port in August 2017 estimates that development of Hoedown Yard will result in total assessed value of \$225 million (2017 dollars), resulting in annual property tax increment of \$2.25 million (based on 1.0 percent property tax rate), of which 65 percent¹ equals \$1.46 million (2017 dollars). The actual assessed value and associated property taxes will depend on the number of residential properties and when each of these properties is completed and enrolled in the City's tax rolls.

The Infrastructure Financing Plan² estimates that Hoedown Yard would begin to generate incremental property taxes (which would be allocated to the IRFD) in FY 2024-25 and FY 2026-27, to coincide with the expected completion of two phases of development. However, according to the plan, the actual commencement date for when property tax increment would be allocated to the IRFD would depend on the fiscal year in which Hoedown Yard generated property tax increment of \$100,000 or more.

Bond Issuance

The proposed resolution (File 17-0882) provides for the intent to issue bonds, secured by property tax increment. The bond authorization would be for up to \$91,900,000. According to the Infrastructure Financing Plan, the Port anticipates issuing IRFD bonds for Hoedown Yard of up to \$22.2 million³. The requested bond authorization of up to \$91.9 million is more than four times the anticipated bond issuance to account for (a) property assessments that exceed projections and (b) interest rates that are lower than the underwritten level. According to the Port, the Port is requesting a higher bonding cap to allow for flexibility should the project generate more incremental property tax revenues or the cost of funds is lower than projected.

The proposed resolution states that the Board of Supervisors intends to authorize the issuance and sale of bonds for Hoedown Yard in the maximum not-to-exceed amount of \$91.9 million, but that the resolution does not obligate the Board of Supervisors to issue bonds. According to the Port's bond counsel, the proposed resolution limits the use of bonds to pay for the costs of authorized facilities, including acquisition, improvements, and associated costs. The Budget and

¹ Based on approximately 64.59 percent City allocation share.

² The Infrastructure Financing Plan for Hoedown Yard was prepared by the Port's consultant, Century Urban, and submitted to the Port in October 2017.

³ The Infrastructure Financing Plan assumes an interest rate of 7 percent, a term of 30 years, issuance costs/reserves of 13 percent, and an annual debt service cover ratio of 1.1:1 to 1.3:1. Estimated bond proceeds to be applied to affordable housing and debt service totals \$22.2 million.

Legislative Analyst recommends amending the proposed resolution to specify that the authorized facilities are the facilities listed in Attachment I of the Infrastructure Financing Plan.⁴

According to the proposed resolution, the Board of Supervisors estimates that the cost of the facilities to be funded by the proposed IRFD will be \$315.8 million (in 2017 dollars). However, this is the limit of property tax increment allocation. Therefore, the proposed resolution should be amended to state that the estimated cost of the facilities is \$91.9 million (equal to the maximum not-to-exceed bond authorization) rather than \$315.8 million.

POLICY CONSIDERATION

As noted in the Budget and Legislative Analyst's report to the October 19, 2017 Budget and Finance Committee, IRFD bonds are a new debt instrument. Whether investors will be interested in purchasing these bonds is not known, especially if the credit markets are tight at the time that the City is ready to issue the bonds. The Infrastructure Financing Plan assumes that the first bonds will be issued in FY 2023-24, although Hoedown Yard may not generate property tax increment until FY 2024-25 to secure the bonds.

As noted above, Hoedown Yard is currently owned by PG&E and the City has an option to purchase the property or sell the option to purchase to a third party, but the City has not exercised that option as of November 1, 2017. It is not known when the City will either purchase the Hoedown Yard or sell the option to purchase it to a third party. As a result, it is not known who would develop Hoedown Yard or when they would develop it, which could affect the ability to generate property tax increment.

According to Files 17-0880 and 17-0882, the Board of Supervisors will call a special landowner election for October 24, 2017 to consider the proposed formation of the IRFD and issuance of bonds. Because the actual date of the election is not known, the proposed resolution should be amended to state that the Port will submit a date for the special landowner election prior to Board of Supervisors approval of the proposed resolutions.

RECOMMENDATIONS

1. Amend File 17-0882 to specify that the authorized facilities to be funded by IRFD property tax increment and bonds secured by the property tax increment are the facilities listed in Attachment I of the Infrastructure Financing Plan.
2. Amend File 17-0882 to state that the estimated cost of the facilities is \$91.9 million (equal to the maximum not-to-exceed bond authorization) rather than \$315.8 million.
3. Amend File 17-0880 and 17-0882 to state that the Port will submit a date for the special landowner election prior to Board of Supervisors approval of the proposed resolutions.

⁴ Attachment I of the Infrastructure Financing Plan lists residential buildings and supporting infrastructure and amenities on Parcel C2A, Parcel K South, and Parcel C1B. According to Attachment I, "the timing, affordability levels, costs, and unit counts are preliminary and may change; no amendments of this IFP shall be required...as long as the facilities meet the requirements of California Government Code Section 53369.3(c)."

4. Approve the proposed resolutions, pending submission by the Port to the Board of Supervisors of a date for the special landowner election.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

October 18, 2017

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2017 OCT 18 PM 2:54
BY _____
AK

Re: Office of Economic Analysis Impact Report for File Numbers 170863-4

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file numbers 170863-4, "Pier 70 Development Agreement and proposed SUD: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

Cc: Linda Wong, Committee Clerk, Budget and Finance Committee
Erica Major, Committee Clerk, Land Use and Transportation Committee

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 OCT 18 PM 2:54

BY AK



Pier 70 Development Agreement and Proposed SUD: Economic Impact Report

Office of Economic Analysis
Items # 170863-64
October 19, 2017

Introduction

- On July 25, 2017 Mayor Lee introduced legislation (#170863) to approve a development agreement between the City and FC Pier 70, LLC, an affiliate of Forest City Development California, Inc. The agreement would redevelop 35 acres of property located in Pier 70 on the central waterfront.
- Accompanying legislation (#170864) would amend the planning code to create the Pier 70 Special Use District (SUD). The SUD legislation would change allowable heights and land uses for parcels in this area.
- In addition, an Infrastructure Financial District (IFD) is planned to use incremental property tax revenue to fund needed infrastructure for the area. As this district will not be officially formed through the bundle of Pier 70-related legislation, we are not considering the economic impact of this spending in this report.

Project Description

- The project consists of approximately 35 acres of land, comprising 19 parcels as outlined on pages 6 and 7.
- The project will be a mixed-use development of about 35 acres, containing two development areas:
 - (1) The “28 acres site” comprising of 15 parcels located between 20th, Michigan, and 22nd streets, and San Francisco Bay
 - (2) The “Illinois Parcels” comprising of 7 acres of land on four parcels, labelled as PKN, PKS, HDY2 and HDY3 on pages 6 and 7.
- The SUD zoning legislation, and the Design-for-Development agreement, define the maximum heights and density controls for the 19 parcels.
- Within those constraints, the developer, Forest City, has some discretion about how much housing and office space to build.
- Under a “maximum commercial” scenario the project can include 2,262,350 gsf of office space and space for 1,645 housing units.
- Under a “maximum residential” scenario the project can include 1,102,250 gsf of office space and space for 3,025 housing units.
- Both scenarios also include similar amounts of retail, restaurants, arts and light industrial space.

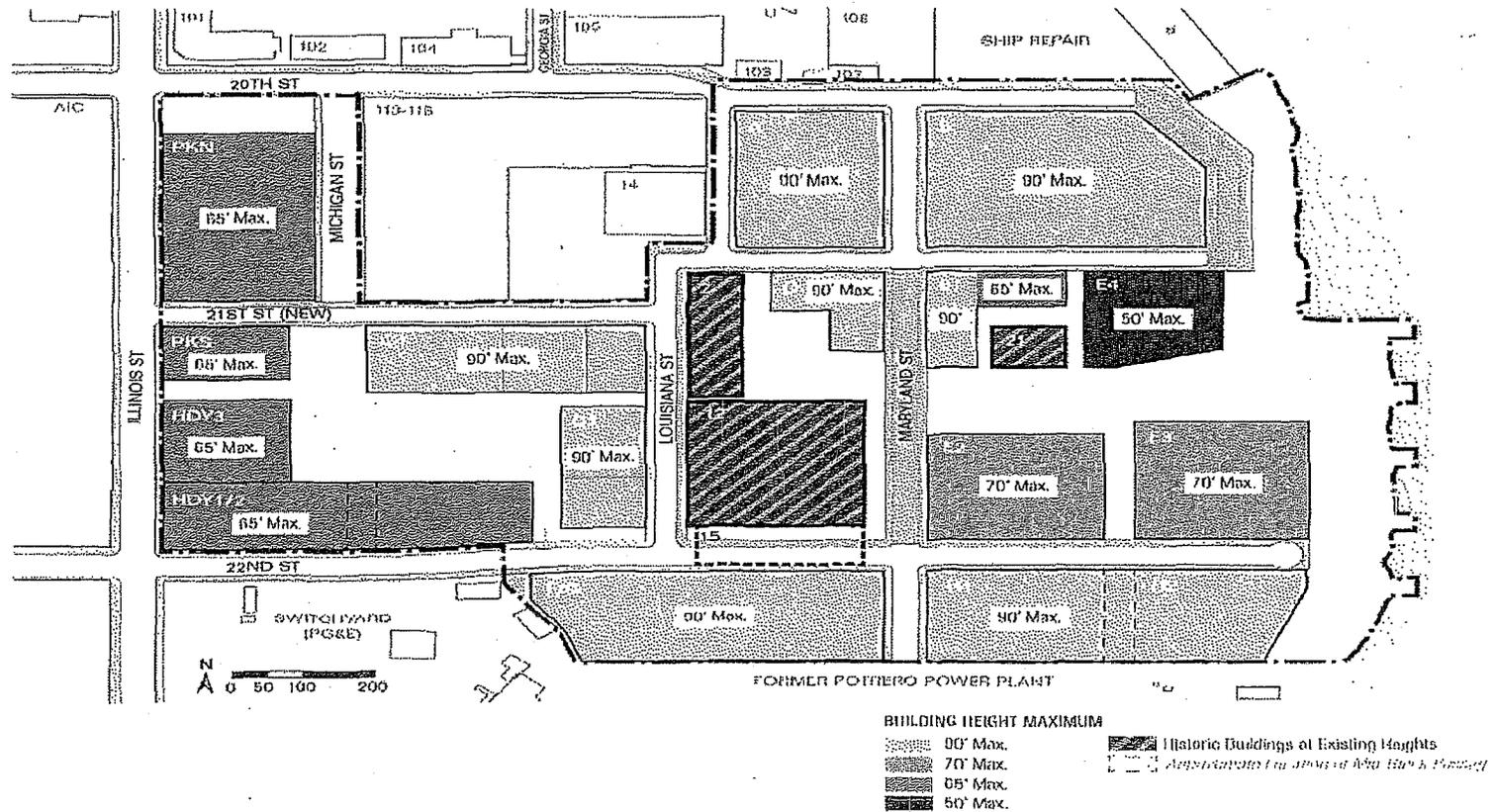
Project Description: Continued

- Under the Development Agreement, the developer will commit a set of public benefits including the revitalization of the Union Iron Works Historic District, and building waterfront parks, a playground, and recreational facilities and new open space for a variety of recreational activities.
- The project would restore and retain three historic building structures (labelled as parcel 2, 12 and 21 on slides 6 and 7) that are considered significant contributor to the Union Iron Works Historic District.
- Another element of the proposed project is the creation of new affordable housing. The developer will dedicate land for 327 units of affordable housing, whose construction will be funded by fees paid on market-rate housing and office development in the project area, and potentially the IFD as well. In addition, 20% of all new rental housing in the area will be required to be affordable.
- The project will also provide a new space in the project area for the artist community currently located in the Noonan Building.

Existing Uses, Retention & Rehabilitation of the Project Site

- The project site currently contains 11 buildings of approximately 351,800 gsf area.
- These 11 buildings and facilities currently serve various uses on the site ranging from special event venues, art studios, warehouses, self-storage facilities, auto storage, parking lot, soil recycling yard, as well as office spaces.
- Of the 11 buildings on the site, the Port has proposed to demolish one building (30,940 gsf) separately from and prior to the approval of the proposed project. The demolition of that building will undergo environmental review, as required by CEQA.
- Under the Development Agreement, the developer has agreed to retain and rehabilitate about 65% (or 227,800 gsf) of the existing building spaces in the project area. This retained and rehabilitated space will be located in the three historical buildings (labelled as parcel 2, 12 and 21 on the next two slides) that are deemed significant contributors to the Union Iron Works Historic District.

General Map of the Proposed SUD Project Area: Height Limits of the Parcels Under the Proposed Development Agreement



Controller's Office • Office of Economic Analysis
City and County of San Francisco

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Difference in Potential Development Capacity: Current Zoning versus Development Agreement under the Proposed Zoning

Land Uses	Existing Zoning Potential	Max Housing Scenario	Max Housing Difference from Existing	Max Office Scenario	Max Office Difference from Existing
Residential Units	1,067	3,025	1,958	1,645	578
Commercial Office (gsf)	871,156	1,102,250	231,094	2,262,350	1,391,194
Retail (gsf)	140,999	269,495	128,496	275,075	134,076
Restaurants (gsf)	35,249	67,375	32,126	68,765	33,516
Arts, Light Industrial (gsf)	74,108	143,110	69,002	143,110	69,002
TOTAL	2,049,516	4,212,230	2,162,714	4,179,300	2,129,784

Economic Impact Factors

The proposed Pier 70 SUD development is expected to affect the local economy in three major ways:

1. The re-zoning from 40' height to 90' height will expand the potential development capacity on the site, leading to an increase in housing, retail and office space in the city. This will put downward pressure on prices and rents for residential and commercial real estate.
2. The construction activity due rezoning and the development agreement will generate additional economic activity over and above what would have been possible under the existing zoning.
3. The direct value of the subsidy associated with the on-site affordable housing will both alleviate the housing burden of resident households, and also release additional consumer spending into the local economy.

Because the actual amount of housing and non-residential space that will be constructed is unknown, we modeled both the Maximum Housing and Maximum Office scenarios, both relative to what could be constructed under existing zoning.

Impact of New Housing and Non-Residential Space

- Increase in the housing supply will put downward pressure on residential rents and home prices in San Francisco.
- The proposed re-zoning and development agreement could expand the city's housing development capacity anywhere from 587 units under the "maximum office" scenario, to 1,958 units under the "maximum housing" scenario. This represents the increased amount of housing that could be built, under each scenario, compared to what is allowed under current zoning.
- The OEA estimates that under the two scenarios (as outlined on slide 8) the expanded development capacity created by the re-zoning would result in housing prices in the range of 0.23% to 0.79% lower than they would have been otherwise.
- Given the amount of non-residential space that may be developed, including office, retail, restaurants, and arts/light industrial space, we similarly project a citywide decline in non-residential rents of between -0.8% to -3.0%, depending on the scenario.

Impact of the Affordable Housing Subsidy

- Increasing the number of subsidized housing units will particularly benefit low-income households, who experience higher housing burdens than higher-income households in the city.
- Based on requirements in the development agreement, we project the affordable housing supply would increase by in anywhere from 299 to 437, compared to what would be required through the City's inclusionary housing as applied to the existing development capacity and zoning on the site.
- We project that, at full build-out, these additional affordable units would reduce housing payment the range of \$1.2 million to \$4.1 million per year for their low-income residents. In addition to reducing low-income housing burdens, this subsidy frees funds for additional spending that stimulates the local economy.

Construction Spending: Residential and Commercial

- According to San Francisco housing construction costs published by RSMeans, average residential construction cost (excluding land) is currently about \$259 per square foot; whereas average non-residential construction costs (excluding land) is about \$255 per square foot.
- The expected increase in construction spending—resulting from increased development potential as a result of rezoning and the development agreement—in the city is projected to increase anywhere from \$532 million (max office scenario) to \$545 million (max housing scenario).

Assumptions and REMI Model Inputs

- The OEA uses the REMI model to simulate the impact of the proposed re-zoning and development agreement on the city's economy. The project was assumed to be completed over a 20-year horizon beginning in 2018.
- Based on the discussion the previous pages, the model inputs are summarized below.

	Max Housing	Max Office
Housing price reduction (at full build-out)	-0.8%	-0.2%
Non-residential rent reduction (at full build-out)	-0.8%	-3.0%
Affordable housing subsidy value (at full build-out)	\$1.2 million	\$4.0 million
Construction Spending (over 20 years)	\$545 million	\$532 million

Economic Impact Assessment and Conclusions

- The proposed Pier 70 SUD rezoning and the associated development agreement will expand the city's economy, by accommodating the city's growing demand for housing and office space.
- As shown on the table on the next page, the maximum office scenario would lead to a larger economy, with greater employment and GDP. In fact, population is expected to also grow more under this scenario, even though it produces less housing. Housing prices are expected to rise, although other prices would fall, and incomes would rise.
- In the maximum housing scenario, on the other hand, less job and income growth would occur, but housing prices fall.
- Both scenarios would lead to higher per capita incomes, which would be even higher when reduced prices are taken into account.
- In general, the maximum office scenario would have greater aggregate benefits for more people. On a per capita basis, however, inflation-adjusted personal income would grow by more in the maximum housing scenario, leading to greater per capita benefits for a smaller number of people.

Comparison of the Maximum Office and Maximum Housing Scenarios

	Max Housing (at full build-out)	Max Office (at full build-out)
Employment growth	1,740	2,785
Population growth	3,430	-4,125
GDP growth (\$2016)	\$380 million	\$730 million
Housing price change	-0.3%	0.4%
Overall price change	-0.06%	-0.03%
Inflation-adjusted per capita income (\$2016)	\$83	\$52

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Pier 70 Mixed Use Project Overview

July 25, 2017

Between 2007 and 2010 the Port led an extensive community process to develop the Pier 70 Preferred Master Plan, with the goal of redeveloping the site to bring back its historic activity levels through infill and economic development, and increasing access to the water and creating new open spaces, while maintaining the area's historic character and supporting its ship repair activities. The Pier 70 Preferred Master Plan was endorsed by the Port Commission in 2010. The Port then issued a Request for Developer Qualifications for the Waterfront Site infill development opportunity, representing a 28 acre portion of Pier 70. In 2011, after a competitive solicitation process, Forest City was named as master developer. In 2013, the Port Commission and the Board of Supervisors each unanimously endorsed a term sheet, outlining the proposed land plan and transaction terms for future development of Pier 70. In 2014, 73% of voters supported Proposition F, the 2014 ballot measure supporting Forest City's proposed vision for reuse of the area and enabling the Board of Supervisors to increase height limits at the project. Throughout this process, Forest City and the Port have undertaken extensive engagement and outreach efforts, hosting workshops, open houses, markets, tours, presentations and family events – more than 135 events at last count engaging over 75,000 people. These activating events have allowed visitors to experience Pier 70, and share their input as to its future, today rather than wait for Project improvements.

After a decade of outreach and concept development, the Pier 70 project has developed into a clear vision to reintegrate and restore the 28-Acre Site into the fabric of San Francisco, creating an active, sustainable neighborhood that recognizes its industrial past. As contemplated in the proposed Pier 70 SUD Design for Development, the future of the 28-Acre Site is envisioned as an extension of the nearby Dogpatch neighborhood that joins community and industry, engaging residents, workers, artists, and manufacturers into a lively mix of uses and activities. The Project will reflect this diversity and creativity, inviting all to the parks, which are lined with local establishments, restaurants, arts uses, and event spaces, each with individual identities. And as a fundamental premise, the Project will create public access to the San Francisco Bay where it has never previously existed, opening up the shoreline for all to enjoy.

New buildings within the site will complement the industrial setting and fabric in size, scale, and material, with historic buildings repurposed into residential use, spaces for local manufacturing and community amenities. The Project will include a diversity of open spaces at multiple scales, shaped by nearby buildings, framing the waterfront, and creating a platform for a range of experiences.

Project Statistics (Mid Point Program – Pier 70 SUD):

- 1,400,000 square feet of new office space
- 2150 new housing units (Approximately 1200 rentals and 950 condos)
- 400,000 square feet of active ground floor uses (traditional retail, arts uses, and PDR)
- Over nine acres of new public open space
- Preservation and rehabilitation of three historic buildings on site (2, 12, and 21)

Public Benefits:

The Supervisor's Office, OEWD, Port, and Forest City have negotiated a public benefit package that reflects the goals of the Southern Bayfront, and represents over \$750M dollars of public benefits. Key benefits include:

- **Affordable Housing:** Overall the project will result in 30% onsite affordability, with the following components:
 - Approximately 150 or more units of onsite rental inclusionary housing, representing 20% of the units in all onsite rental buildings. These units will be affordable to households from 55% TO 110% of area median income, with the maximum number possible at the time of their lottery rented to applicants under the Neighborhood Resident Housing Preference program.
 - Approximately 320 or more fully-funded units of permanently affordable family and formerly homeless housing, in three buildings developed by local nonprofits located close to transit and a children's playground.
 - Estimated \$15- \$20M in revenue dedicated to HOPE SF projects, including Potrero Rebuild.
- **Transportation Funding and On-Site Services:** Transportation demand management on-site, facilities to support a new bus line through the project, an open-to-the-public shuttle service, and almost \$50 million in funding that will be used to support neighborhood-supporting transportation infrastructure. Commitment to reducing total auto trips by 20% from amount analyzed in Project environmental review document.
- **Workforce Development Program:** 30% local hiring commitment, local business enterprise ("LBE") utilization, participation in OEWD's "First Source" hiring programs, and funding to support expansion of CityBuild and TechSF with outreach to District 10 residents.
- **Rehabilitation of Historic Structures at Pier 70:** The Project will rehabilitate three key historic structures (Buildings 2, 12, 21) and include interpretive elements to enhance public understanding of the Union Iron Works Historic District in open space, streetscape and building design.
- **Parks:** The project will provide over 9 acres of new open space for a variety of activities, including an Irish Hill playground, a market square, a central commons, public art, a minimum 20k square feet active rooftop recreation, and waterfront parks along 1,380 feet of shoreline. Project will pay for maintenance of its own parks.
- **Retail and Industrial Uses:** The project will provide a 60,000 square foot local market hall supporting local manufacturing, is committing to a minimum of 50,000 square feet of on-site PDR space, and is developing a small business attraction program with OEWD staff.
- **A Centerpiece For the Arts:** The project will include an up to 90,000 square foot building that will house local performing and other arts nonprofits, as well as providing replacement, permanently affordable studio space for the Noonan building tenants. The development will provide up to \$20 million through fee revenue and a special tax for development of the building.
- **Community Facilities:** The Project will contribute up to \$2.5M towards creating new space to serve the education and recreational needs of the growing community from Central Waterfront, from Mission Bay to India Basin and Potrero Hill, as well as include on-site childcare facilities.
- **Site Sea Level Rise Protection:** The Project's waterfront edge will be designed to protect buildings against the high-end of projected 2100 sea-level-rise estimates established by the state, and the grade of the entire site will be raised to elevate buildings and ensure that utilities function properly.
- **City Seawall Improvement Funding Stream:** The Project will include a perpetual funding stream of between \$1 and \$2 billion to finance future sea level rise improvements anywhere along the San Francisco waterfront.

The Project's commitment to these benefits will be memorialized in the Development Agreement, which must be recommended for approval by the Planning Commission, and the Disposition and Development Agreement, which will be approved by the Port Commission, before seeking final approval from the Board of Supervisors.

Zoning and Design Controls:

The DA and DDA are part of a larger regulatory approvals package that also includes a Planning Code text amendment creating a Special Use District ("SUD") for the Project Site, conforming Zoning Map amendments for height and to establish the Special Use District and a Design for Development (D4D) which will detail development standards and guidelines for buildings, open space and streetscape improvements. Under the Design for Development, the following components of the Project will be subject to review and approval as follows:

- **New Development:** New buildings will be reviewed by Planning Department staff, in consultation with Port staff, for consistency with the standards and guidelines in the Design for Development, with a recommendation to the Planning Director who will approve or deny applications for proposed new buildings;
- **Historic Rehabilitation:** Historic rehabilitation of Buildings 2, 12 and 21 will be reviewed by Port staff, in consultation with Planning Department staff, for consistency with Secretary of the Interior's Standards for Treatment of Historic Properties ("Secretary's Standards") and the standards and guidelines in the Design for Development as part of the Port's building permit process, with a recommendation to the Port Executive Director, who will approve or deny plans for proposed historic rehabilitation projects; and
- **Parks and Open Space:** Design of parks and open space will undergo public design review by a design advisory committee appointed by the Port Executive Director, with a recommendation to the Port Commission, which will approve or deny park schematic designs.

Project Approvals:

The approvals relating to the proposed Project include:

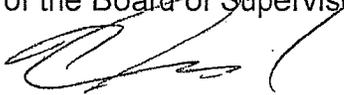
1. Entitlements, including certification and approval of a Final Environmental Impact Report ("EIR"), adoption of a Special Use District and its accompanying Design for Development, amendments to the City's General Plan, Planning Code and Zoning Map, and a Development Agreement.
2. Implementing Documents, including a Disposition and Development Agreement (DDA) governing the transaction between the Port and Forest City, setting forth Forest City's obligations for horizontal development, including infrastructure, affordable housing and jobs, and establishing the timing for vertical development; and a Financing Plan setting forth the financial deal, including public financing and disposition of land proceeds.
3. Public Financing approvals, including establishment of an infrastructure financing district (IFD) project area to support construction of infrastructure and rehabilitation of historic structures, an Infrastructure and Revitalization Financing District (IRFD) to support onsite affordable housing, and a series of community facilities districts (CFD) which will fund construction of infrastructure, maintenance of streets and open space, construction of the arts building, and combat sea level rise along the seawall.
4. a Trust Exchange that requires approval and implementation of a Compromise Title Settlement and Land Exchange Agreement and an amendment to the Burton Act Transfer Agreement with the California State Lands Commission ("State Lands") consistent with the requirements of AB 418.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

RECEIVED
7/25/2017 @ 5:50pm

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: ^{for} Mayor Edwin M. Lee 
RE: Pier 70 Project
DATE: July 25, 2017

Attached for introduction to the Board of Supervisors is legislation for the Pier 70 Project:

- Resolution of Intention to Issue Bonds in an Amount Not to Exceed \$273,900,000, \$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4, respectively, City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco).
- Resolution of Intention to establish Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco).
- Resolution authorizing and directing the Executive Director of the Port of San Francisco, or designee of the Executive Director of the Port of San Francisco to prepare an infrastructure financing plan for City and County of San Francisco Infrastructure Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith.
- Resolution of Intention to establish City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) on land within the City and County of San Francisco commonly known as the Hoedown Yard to finance the construction of affordable housing within Pier 70 and Parcel K South; to call a public hearing on October 24, 2017 on the formation of the district and to provide public notice thereof; and determining other matters in connection therewith.
- Resolution of intention to issue bonds for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith.
- Ordinance approving a Development Agreement between the City and County of San Francisco and FC Pier 70, LLC, for 28 acres of real property located in the Pier 70 area; waiving certain provisions of the Administrative Code, Planning Code, and Subdivision Code; and adopting findings under the California Environmental Quality Act, public trust findings, and findings of consistency with the City's General Plan and with the eight priority policies of Planning Code Section 101.1(b).

- Ordinance amending the Planning Code and the Zoning Map to add the Pier 70 Special Use District; and making findings, including findings under the California Environmental Quality Act and findings of consistency with the General Plan, the eight priority policies of Planning Code Section 101.1, and Planning Code Section 302.

Please note that the legislation is co-sponsored by Supervisor Cohen.

I respectfully request that these items be calendared in Land Use Committee on October 16, 2017.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

Print Form

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Cohen

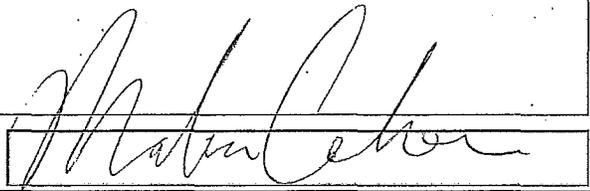
Subject:

Resolution of Intention to Issue Bonds Related to Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard)

The text is listed:

Attached

Signature of Sponsoring Supervisor:



For Clerk's Use Only