

File No. 170879

Committee Item No. 6  
Board Item No. 38

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date July 12, 2018

Board of Supervisors Meeting

Date July 24, 2018

**Cmte Board**

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

**OTHER** (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Economic Impact Report</u> |
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Completed by: Linda Wong Date July 5, 2018  
Completed by: Linda Wong Date July 18, 2018

1 [Resolution of Intention to Issue Bonds - Not To Exceed \$273,900,000 for Sub-Project Area  
2 G-2, \$196,100,000 for Sub-Project Area G-3, and \$323,300,000 for Sub-Project Area G-4 -  
Infrastructure Financing District No. 2 (Port of San Francisco, Pier 70)]

3 **Resolution of Intention to Issue Bonds in an Amount Not to Exceed \$273,900,000,**  
4 **\$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3 and Sub-**  
5 **Project Area G-4, respectively, City and County of San Francisco Infrastructure**  
6 **Financing District No. 2 (Port of San Francisco, Pier 70); and affirming the Planning**  
7 **Department's determination, and making findings under the California Environmental**  
8 **Quality Act.**

9  
10 NOTE: Additions are *single-underline italics Times New Roman*;  
11 deletions are *strike-through italics Times New Roman*.  
12 Board amendment additions are double-underlined;  
Board amendment deletions are ~~strikethrough normal~~.

13 WHEREAS, California Statutes of 1968, Chapter 1333 (Burton Act) and the San  
14 Francisco Charter Sections 4.114 and B3.581 empower the City and County of San Francisco  
15 (City), acting through the San Francisco Port Commission, to use, conduct, operate, maintain,  
16 manage, regulate and control the lands within Port Commission jurisdiction; and

17 WHEREAS, Under Government Code Section 53395 et seq. (IFD Law), this Board of  
18 Supervisors is authorized to establish an infrastructure financing district and to act as the  
19 legislative body for an infrastructure financing district; and

20 WHEREAS, Pursuant to Section 53395.8 of the IFD Law, a waterfront district may be  
21 divided into project areas; and

22 WHEREAS, On March 27, 2012, by Resolution No. 110-12 (Original Resolution of  
23 Intention to Establish IFD), this Board of Supervisors declared its intention to establish a  
24 waterfront district to be known as "City and County of San Francisco Infrastructure Financing  
25

1 District No. 2 (Port of San Francisco)" (IFD), and designated initial proposed project areas  
2 within the IFD, including Project Area G (Pier 70); and

3 WHEREAS, On June 12, 2012, by Resolution No. 227-12 (First Amending Resolution),  
4 this Board of Supervisors amended the Original Resolution of Intention to propose, among  
5 other things, an amended list of project areas; and

6 WHEREAS, On November 17, 2015, by Resolution 421-15 (Second Amending  
7 Resolution, and together with the Original Resolution of Intention to Establish IFD and the  
8 First Amending Resolution, the Resolution of Intention to Establish IFD), this Board of  
9 Supervisors amended the Original Resolution of Intention, as amended by the First Amended  
10 Resolution, to propose, among other things, a further amended list of project areas; and

11 WHEREAS, In the Resolution of Intention to Establish IFD, this Board of Supervisors  
12 directed the Executive Director of the Port of San Francisco (Executive Director) to prepare an  
13 infrastructure financing plan for the IFD (Infrastructure Financing Plan) that would comply with  
14 the IFD Law, and reserved the right to establish infrastructure financing plans in the future  
15 specific to other project areas and sub-project areas within the IFD; and

16 WHEREAS, in accordance with the IFD Law, at the direction of this Board of Directors,  
17 the Executive Director prepared the Infrastructure Financing Plan; and

18 WHEREAS, On February 23, 2016, by Ordinance No. 27-16 (Ordinance Establishing  
19 IFD), this Board of Supervisors, among other things, declared the IFD to be fully formed and  
20 established with full force and effect of law and adopted the Infrastructure Financing Plan; and

21 WHEREAS, At its hearing on August 24, 2017, and prior to recommending the  
22 proposed Planning Code amendments for approval, by Motion No. 19976, the Planning  
23 Commission certified a Final Environmental Impact Report (FEIR) for the Pier 70 Mixed-Use  
24 District Project (Case No. 2014-001272ENV) (Project) pursuant to the California  
25 Environmental Quality Act (CEQA) (California Public Resources Code Section 21000 et seq.),

1 the CEQA Guidelines (14 Cal. Code Reg. Section 15000 et seq.), and Chapter 31 of the  
2 Administrative Code. A copy of said Motion is on file with the Clerk of the Board of  
3 Supervisors in File No. 170930, and, is incorporated herein by reference. In accordance with  
4 the actions contemplated herein, this Board of Supervisors has reviewed the FEIR, concurs  
5 with its conclusions, affirms the Planning Commission's certification of the FEIR, and finds  
6 that the actions contemplated herein are within the scope of the Project described and  
7 analyzed in the FEIR; and

8 WHEREAS, In recommending the proposed Planning Code Amendments for approval  
9 by this Board of Supervisors at its hearing on August 24, 2017, by Motion No. 19977, the  
10 Planning Commission also adopted findings under CEQA, including a statement of overriding  
11 consideration, and a Mitigation Monitoring and Reporting Program (MMRP). A copy of said  
12 Motion and MMRP are on file with the Clerk of the Board of Supervisors in File No. 170930,  
13 and is incorporated herein by reference. This Board of Supervisors hereby adopts and  
14 incorporates by reference as though fully set forth herein the Planning Commission's CEQA  
15 approval findings, including the statement of overriding considerations. This Board of  
16 Supervisors also adopts and incorporates by reference as though fully set forth herein the  
17 Project's MMRP; and

18 WHEREAS, On \_\_\_\_\_, 2018, by Resolution No. \_\_\_\_ (Resolution of Intention to  
19 Establish Sub-Project Areas G-2, G-3 and G-4), in connection with the Project, this Board of  
20 Supervisors declared its intention to establish Sub-Project Area G-2 (Pier 70 - 28-Acre Site),  
21 Sub-Project Area G-3 (Pier 70 - 28-Acre Site) and Sub-Project Area G-4 (Pier 70 - 28-Acre  
22 Site), each a Pier 70 district and a sub-project area within Project Area G (Pier 70); and,

23 WHEREAS, Pursuant to the Resolution of Intention to Establish Sub-Project Areas G-  
24 2, G-3 and G-4), this Board of Supervisors directed the Executive Director of the Port  
25 (Executive Director) to prepare Appendix G-2 to the IFP, relating to Sub-Project Area G-2

1 (Pier 70 - 28-Acre Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site) and Sub-Project Area  
2 G-4 (Pier 70 - 28-Acre Site), consistent with the requirements of the IFD Law; and

3 WHEREAS, Pursuant to Section 53397.1 of the IFD Law, this Board of Supervisors  
4 may initiate proceedings to issue bonds pursuant to the IFD Law by adopting a resolution by  
5 majority vote stating its intention to issue the bonds; and

6 WHEREAS, United States Income Tax Regulations section 1.150-2 generally requires  
7 this Board of Supervisors to declare its official intent to reimburse with proceeds of tax-exempt  
8 debt expenditures made by the City prior to the date of issuance of such debt; and

9 WHEREAS, It is in the public interest and for the public benefit that the City declares its  
10 official intent to reimburse the expenditures referenced herein; now, therefore, be it

11 RESOLVED, By the Board of Supervisors as follows:

12 1. Purposes of Bonds. This Board of Supervisors proposes that the IFD issue one  
13 or more series of bonds of the IFD payable from and secured by a pledge of available tax  
14 increment allocated to the IFD with respect to Sub-Project Area G-2 (Pier 70 - 28-Acre Site)  
15 (such bonds, Sub-Project Area G-2 Bonds), with respect to Sub-Project Area G-3 (Pier 70 -  
16 28-Acre Site) (such bonds, Sub-Project Area G-3 Bonds), and with respect to Sub-Project  
17 Area G-34 (Pier 70 - 28-Acre Site) (such bonds, Sub-Project Area G-4 Bonds, and together  
18 with the Sub-Project Area G-2 Bonds and Sub-Project Area G-3 Bonds, Bonds) and other  
19 sources identified by this Board of Supervisors. This Board of Supervisors proposes that such  
20 Bonds be issued for the purpose of financing the costs of the facilities specified in Appendix  
21 G-2 to be financed with available tax increment allocated to the IFD with respect to Sub-  
22 Project Area G-2 (Pier 70 - 28-Acre Site) (Sub-Project Area G-2 Facilities), with respect to  
23 Sub-Project Area G-3 (Pier 70 - 28-Acre Site) (Sub-Project Area G-3 Facilities) and with  
24 respect to Sub-Project Area G-4 (Pier 70 - 28-Acre Site) (Sub-Project Area G-4 Facilities),  
25

1 including acquisition and improvement costs and all costs incidental to or connected with the  
2 accomplishment of said purposes and of the financing thereof.

3 This Board of Supervisors hereby declares that it reasonably expects (i) to pay certain  
4 costs of the Sub-Project Area G-2 Facilities prior to the date of issuance of the Sub-Project  
5 Area G-2 Bonds and (ii) to use a portion of the proceeds of the Sub-Project Area G-2 Bonds  
6 for reimbursement of expenditures for the Sub-Project Area G-2 Facilities that are paid before  
7 the date of issuance of the Sub-Project Area G-2 Bonds. This Board of Supervisors hereby  
8 further declares that it reasonably expects (i) to pay certain costs of the Sub-Project Area G-3  
9 Facilities prior to the date of issuance of the Sub-Project Area G-3 Bonds and (ii) to use a  
10 portion of the proceeds of the Sub-Project Area G-3 Bonds for reimbursement of expenditures  
11 for the Sub-Project Area G-3 Facilities that are paid before the date of issuance of the Sub-  
12 Project Area G-3 Bonds. This Board of Supervisors hereby further declares that it reasonably  
13 expects (i) to pay certain costs of the Sub-Project Area G-4 Facilities prior to the date of  
14 issuance of the Sub-Project Area G-4 Bonds and (ii) to use a portion of the proceeds of the  
15 Sub-Project Area G-4 Bonds for reimbursement of expenditures for the Sub-Project Area G-4  
16 Facilities that are paid before the date of issuance of the Sub-Project Area G-4 Bonds.

17 2. Estimated Cost. This Board of Supervisors hereby estimates that the cost of the  
18 Sub-Project Area G-2 Facilities, Sub-Project Area G-3 Facilities and the Sub-Project Area G-4  
19 Facilities will be approximately \$273.9 million (2017 dollars), \$196.1 million (2017 dollars) and  
20 \$323.3 million (2017 dollars), respectively, and that the estimated costs of preparing and  
21 issuing each series of the Bonds (not including underwriter's discount) will be equal to  
22 approximately 2% of the principal amount of such series of Bonds. Prior to the issuance of  
23 any Bonds authorized hereby, this Board of Supervisors will approve the payment of the  
24 actual costs of preparing and issuing each series of Bonds, including the underwriter's  
25 discount.

1           3.       Terms of Bonds. This Board of Supervisors intends to authorize the issuance  
2 and sale of (i) Sub-Project Area G-2 Bonds in one or more series in the maximum aggregate  
3 principal amount of not to exceed \$273,900,000, (ii) Sub-Project Area G-3 Bonds in one or  
4 more series in the maximum aggregate principal amount of not to exceed \$196,100,000 and  
5 (ii) Sub-Project Area G-4 Bonds in one or more series in the maximum aggregate principal  
6 amount of not to exceed \$323,300,000; provided however, that such maximum aggregate  
7 principal amounts do not include the principal amount of (i) any bonds issued for the sole  
8 purpose of refinancing the Bonds, funding a reserve fund for such refunding bonds and paying  
9 related costs of issuance and (ii) any bonds issued for the sole purpose of refunding such  
10 refunding bonds, funding a reserve fund and paying related costs of issuance. The Bonds will  
11 bear interest payable semi-annually or in such other manner as this Board of Supervisors  
12 shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by  
13 applicable law at the time of sale of the Bonds. The maximum underwriter's discount for each  
14 series of the Bonds (excluding original issue discount) shall be 2%. As permitted by Section  
15 53397.71 of the IFD Law, this Board of Supervisors may increase the maximum aggregate  
16 principal amount described above by adopting a resolution and complying with the publication  
17 requirements specified in the IFD Law.

18           4.       Available Tax Revenues. This Board of Supervisors estimates, based on the  
19 analysis set forth in Appendix G-2, that the incremental property tax revenues that will be  
20 available to the IFD from Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area  
21 G-4 are approximately \$1.04 billion, \$770.5 million and \$1.19 billion, respectively. This Board  
22 of Supervisors hereby finds that the amount necessary to pay principal of and interest on the  
23 Sub-Project Area G-2 Bonds is less than or equal to the incremental property tax revenues  
24 that will be available to the IFD from Sub-Project Area G-2 to pay principal of and interest on  
25 the Sub-Project Area G-2 Bonds. This Board of Supervisors hereby further finds that the

1 amount necessary to pay principal of and interest on the Sub-Project Area G-3 Bonds is less  
2 than or equal to the incremental property tax revenues that will be available to the IFD from  
3 Sub-Project Area G-3 with respect to pay principal of and interest on the Sub-Project Area G-  
4 3 Bonds. This Board of Supervisors hereby further finds that the amount necessary to pay  
5 principal of and interest on the Sub-Project Area G-4 Bonds is less than or equal to the  
6 incremental property tax revenues that will be available to the IFD from Sub-Project Area G-4  
7 with respect to pay principal of and interest on the Sub-Project Area G-4 Bonds.

8 5. Election. Pursuant to Section 53397.71 of the IFD Law, no election is required  
9 prior to issuance of the Bonds.

10 6. Debt. This Board of Supervisors also proposes to incur debt (as defined in the  
11 IFD Law) other than the Bonds as set forth in Appendix G-2, as Appendix G-2 may be  
12 amended from time to time. The limitations on Bonds set forth in this Resolution, including,  
13 but not limited to, the respective maximum aggregate principal amounts specified in Section 3,  
14 shall apply only to the Bonds and not to other debt (as defined in the IFD Law) payable from  
15 available tax increment allocated to the IFD from Sub-Project Area G-2, Sub-Project Area G-3  
16 and Sub-Project Area G-4 pursuant to Appendix G-2, including, without limitation, any bonds  
17 issued by the City for and on behalf of a community facilities district related to the territory in  
18 Sub-Project Area G-2 (Pier 70 - 28-Acre Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site)  
19 and Sub-Project Area G-4 (Pier 70 - 28-Acre Site) secured, in whole or in part, by available  
20 tax increment allocated to the IFD with respect to Sub-Project Area G-2 (Pier 70 - 28-Acre  
21 Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site) and/or Sub-Project Area G-4 (Pier 70 -  
22 28-Acre Site).

23 7. No Obligation. This Resolution shall in no way obligate this Board of Supervisors  
24 to issue Bonds for the IFD with respect to Sub-Project Area G-2, Sub-Project Area G-3 or  
25



1 Sub-Project Area G-4. Issuance of the Bonds shall be subject to the approval of this Board of  
2 Supervisors.

3 8. Public Hearing. That on Tuesday, September 11, 2018 at 3:00 p.m. or as soon  
4 as possible thereafter, in the Board of Supervisors Chambers, 1 Dr. Carlton B. Goodlett Place,  
5 City Hall, San Francisco, California, be, and the same are hereby appointed and fixed as the  
6 time and place when and where this Board of Supervisors will conduct a public hearing on the  
7 proposed issuance of Bonds.

8  
9 APPROVED AS TO FORM:  
10 DENNIS J. HERRERA  
City Attorney

11  
12  
13 By: \_\_\_\_\_

14 MARK D. BLAKE  
Deputy City Attorney

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<b>Items 5 and 6</b> <b>Files 17-0878 and 17-0879</b>	<b>Department:</b> Port
<i>These items were amended by the Board of Supervisors on December 5, 2017 and transferred to the Budget and Finance Committee</i>	
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"> <li>• <b>File 17-0878</b> is a resolution establishing the City's intent to establish three subproject areas in Port Infrastructure Financing District (IFD) No. 2 – Subproject Areas G-2, G-3, and G-4.</li> <li>• <b>File 17-0879</b> is a resolution stating the City's intent to issue bonds, paid by incremental property tax revenue allocated to the IFD and generated within each of the subproject areas.</li> <li>• Approval of these two resolutions does not obligate the Board of Supervisors to establish the IFD subproject areas or issue bonds, which will be subject to future Board of Supervisors approval.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• The Port's IFD No. 2 provides for incremental property tax revenues generated by development on Port property (including bonds secured by these revenues) to be used for construction of public improvements. The Board of Supervisors formed Port IFD No. 2 in February 2016, and the agreement between the Port and Forest City to develop the Pier 70 Waterfront Site in October 2017. The three proposed IFD subproject areas – G-2, G-3, and G-4 – are for phase 1, 2, and 3 respectively of the development of the Pier 70 Waterfront Site. Property tax increment will be allocated to public improvements within the three subproject areas, as well as to Pier 70-wide improvements.</li> <li>• 100 percent of the City and the Educational Revenue Augmentation Fund (ERAF) share of property tax increment will be allocated to the subproject areas. The total limit on the property tax increment that can be allocated to the IFD from the subproject areas over their 45-year terms is \$3.0 billion. 20 percent of the property tax increment must be set-aside for shoreline restoration, removal of bay fill, public access to the waterfront, and/or environmental remediation of the waterfront.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• The proposed resolution to issue bonds (File 17-0879) would authorize the issuance of bonds in a not-to-exceed amount of \$793.3 million, which is 3x the anticipated bond issuance of \$216 million. According to the Port, this authorization accounts for property assessments that exceed projections, lower interest rates, and new waterfront projects.</li> <li>• While the proposed resolution states that the Board of Supervisors intends to authorize the issuance and sale of bonds in the maximum not-to-exceed amount of \$793.3 million, according to the Port's bond counsel, the proposed resolution limits the use of bonds to pay for the costs of public improvements described in the Infrastructure Financing Plan.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolutions.</li> </ul>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

California Government Code Section 53395.8 authorizes the establishment of an Infrastructure Financing District (IFD) on Port property. Section 53395.8(c)(3) designates the Board of Supervisors as the legislative body for the Port IFD.

**Port IFD No. 2 and Pier 70**

Pier 70 is an approximately 69-acre site on the Port's Central and Southern Waterfront, bounded by Mariposa, Illinois, and 22<sup>nd</sup> Streets. In 2014, Pier 70 was listed as the Union Iron Works Historic District on the National Register of Historic Places. Pier 70 includes the Ship Repair Facility<sup>1</sup>, the Historic Core<sup>2</sup>, Crane Cove Park<sup>3</sup>, Irish Hill<sup>4</sup>, and the Waterfront Site for mixed use development. On October 31, 2017, the Board of Supervisors approved several pieces of legislation to establish the Pier 70 Mixed-Use District Project, and provide for the development of the 28-acre Waterfront Site within Pier 70.

The Board of Supervisors formed the Port IFD No. 2 in February 2016 and adopted the Infrastructure Financing Plan (Ordinance 27-16).<sup>5</sup> IFD No. 2 provides for project areas, including Project Area G on Pier 70. Project Area G currently has one subproject area – Subproject Area G-1 – covering the Pier 70 Historic Core. At that time, the Board of Supervisors approved the issuance of up to \$25.1 million in bonds to be repaid by the City's share of incremental property tax generated by development with the Pier 70 Historic Core (or Subproject Area G-1) to pay for street and sidewalk improvements, electrical improvements to Building 102, and improvements to Crane Cove Park. The Infrastructure Financing Plan provided for issuance of the bonds in FY 2021-22.

**DETAILS OF PROPOSED LEGISLATION**

**File 17-0878:** The proposed resolution establishes the City's intent to establish three subproject areas - Subproject Area G-2, Subproject Area G-3, and Subproject Area G-4 - in Port Infrastructure Financing District No. 2. According to the proposed Resolution of Intent, the Board of Supervisors resolves to take the following actions:

- (1) Conduct proceedings to establish the three subproject areas on the 28-acre Waterfront Site within the Union Iron Works Historic District;

<sup>1</sup> The Port issued a Request for Proposals in July 2017 to select a new operator for the ship-repair facility.

<sup>2</sup> The Historic Core of the Union Iron Works Historic District consists of the Bethlehem Steel Main Office Building and Powerhouse, the Union Iron Works Administration building, and the Union Iron Works Machine Shop and Foundry. The Board of Supervisors approved a 66 year lease with Orton Development, Inc., in 2014 to rehabilitate the five buildings. Rehabilitation of these historic buildings (except for the Powerhouse) is anticipated to be completed and the buildings ready for occupancy between fall 2017 and late 2018.

<sup>3</sup> Crane Cove Park is a 9-acre waterfront park; construction of phase 1 of the park, which is partially funded by 2008 Clean and Safe Neighborhood General Obligation Bonds, is expected to be completed in March 2018.

<sup>4</sup> Irish Hill Park is a 1.5 acre site adjacent to Illinois Street planned for open space. Irish Hill is a contributing resource to the Historic District.

<sup>5</sup> Infrastructure Financing District No. 1 was Rincon Hill Area, authorized by the Board of Supervisors in 2011.

- (2) Direct the Port Executive Director to prepare an Infrastructure Financing Plan for each subproject area;
- (3) Declare the Board's intent to use incremental property tax revenue allocated by the City to the IFD and generated within the subproject areas to finance public facilities; and
- (4) Hold public hearings and take other actions necessary to establish the three subproject areas.

The Resolution of Intent does not obligate the Board of Supervisors to establish each of the IFD subproject areas, which will be subject to future Board of Supervisors approval by ordinance.

While the proposed resolution directs the Port Executive Director to prepare an Infrastructure Financing Plan for each subproject area, the Port has submitted the proposed Infrastructure Financing Plan for Subproject Areas G-2, G-3, and G-4. The proposed resolution does not provide for approval of the supplemental Infrastructure Financing Plan, which will be subject to approval when the Board of Supervisors considers the future ordinance establishing the three IFD subproject areas.

**File 17-0879:** The proposed resolution states the City's intent to issue bonds, paid by incremental property tax revenue allocated to the IFD and generated within each of the subproject areas in amounts not-to-exceed:

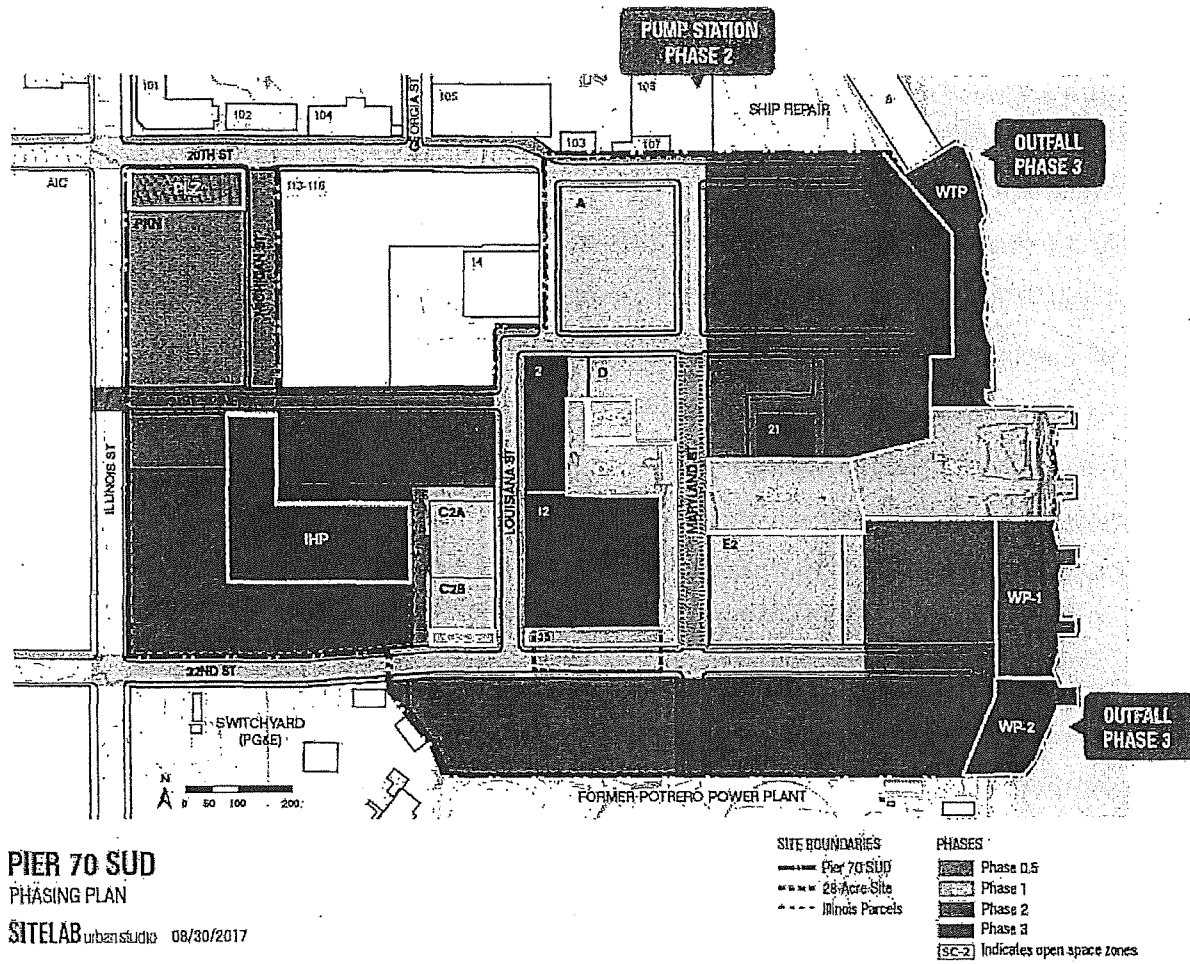
- \$273,900,000 for Subproject Area G-2;
- \$196,100,000 for Subproject Area G-3; and
- \$323,300,000 for Subproject Area G-4.

According to the proposed resolution, the intent is to pay directly for some of the costs of public facilities in each of the subproject areas and to use a portion of the bond proceeds to reimburse these costs. Approval of the proposed resolution does not obligate the Board of Supervisors to issue the bonds, which will be subject to future Board of Supervisors approval.

### **Subproject Areas**

IFD Subproject Areas G-2, G-3, and G-4 encompass the 28-acre Waterfront Site project within the Union Iron Works Historic District, bounded by Illinois Street on the west, the Bay on the east, 20<sup>th</sup> Street on the north, and 22<sup>nd</sup> Street and the former Potrero Power Plant on the south, as shown in Exhibit 1 below.

Exhibit 1: Proposed Waterfront Site Project



The project is divided into three phases.

- Subproject Area G-2 incorporates phase 1 development. Phase 1 extends from approximately 2018 to 2021.
- Subproject Area G-3 incorporates phase 2 development from approximately 2022 to 2024.
- Subproject Area G-4 incorporates phase 3 development from approximately 2025 to 2028.

### Public Improvements and Facilities to be Funded by the IFD Subproject Areas

Forest City is responsible to develop (or cause to be developed) horizontal infrastructure for the 28-acre Waterfront Site, subject to reimbursement with IFD tax increment and proposed Community Facilities Districts (CFD) assessments, including bonds issued against the IFD tax increment and CFD assessments. Horizontal infrastructure work consists of:

- Demolition and abatement
- Site grading, drainage, and utility infrastructure
- Geotechnical improvements for seismic stability
- Low pressure water system and non-potable water system
- Pedestrian, bicycle, and transportation access
- Auxiliary Water Supply System (AWSS)
- Combined sewer and storm water system

Infrastructure work in each of the phases consists of the following improvements within the respective subproject areas: demolition and abatement of existing structures; earthwork, soil disposal, and retaining walls; work on AWSS, low pressure water, reclaimed water, and combined sewer/storm water systems; street, park and open space improvements; and historical building rehabilitation.

Phase I (Subproject Area G-2) is from approximately 2018 to 2021. Phase II (Subproject Area G-3) is from 2022 to 2024. Phase III (Subproject Area G-4) is from 2025 to 2028.

Additional Pier 70-wide work to be funded by the proposed IFD subproject areas, subject to Board of Supervisors approval, include improvements to Irish Hill Park, rehabilitation of Buildings 106 and 111, shipyard electrical work and improvements, improvements to Crane Cove Park not funded by general obligation bonds, and public realm improvements.

### Port IFD Guidelines

The Board of Supervisors approved guidelines in 2013 for establishment of the Port IFD (File 13-0264). These guidelines include (among other provisions):

- The Infrastructure Financing Plan to be developed by the Port must include a projection of revenues to the City's General Fund that will be generated by the project area.
- If the State's IFD law allows allocation of the State share of property tax increment to a waterfront district, then the City must allocate to the waterfront district the share of City property tax increment that maximizes the State allocation.
- Property tax increment allocated to public improvements should be sufficient to attract developer equity and market rate development in the project area.
- Property tax increment in excess of the allocation to public improvement in the project area will be allocated to the City's General Fund.

- Annual property tax increment will be allocated to maintain public infrastructure and improvements only if other sources are not available or sufficient.

**Proposed Infrastructure Financing Plan Provisions**

The proposed Infrastructure Financing Plan for Subproject Areas G-2, G-3, and G-4 contain the following provisions, which must be included in the financing plan to be prepared by the Port:

- The property tax increment would be allocated to the IFD from each subproject area for 45 years beginning in the fiscal year in which the property tax increment generated by the subproject area equals at least \$100,000.
- The amount of the property tax increment in each year would be the difference between the assessed taxable property value in FY 2015-16 and the assessed taxable property value in the tax year.
- The entire City and the Educational Revenue Augmentation Fund (ERAF) share of property tax increment generated in the subproject areas will be allocated to the subproject areas.
- The total limit on the property tax increment that can be allocated to the IFD from the subproject areas over their 45-year terms is \$3.0 billion, of which \$845 million is the limit on the ERAF share and \$2.15 billion is the limit on the City’s share, as shown below. These limits reflect projected total property tax increment plus a contingency factor of approximately 90 percent to account for variables such as higher assessed values of taxable property due to resales.

Subproject Area	City Share	ERAF	Total
G-2	\$747,000,000	\$293,000,000	\$1,040,000,000
G-3	553,500,000	217,000,000	770,500,000
G-4	855,000,000	335,000,000	1,190,000,000
Total	\$2,155,500,000	\$845,000,000	\$3,000,500,000

- 20 percent of the property tax increment must be set-aside for shoreline restoration, removal of bay fill, public access to the waterfront, and/or environmental remediation of the waterfront in accordance with California Government Code. The 20 percent allocation requirement applies to IFD Project Area G as a whole. Because the Infrastructure Financing Plan for IFD Subproject Area G-1 (covering the Historic Core of the Union Iron Works Historic District), approved by the Board of Supervisors in February 2016, allocates 64 percent of the property tax increment to Crane Park and other waterfront projects, the Port may allocate less than 20 percent of property tax increment generated by Subproject Areas G-2, G-3, and G-4.

- Bonds issued by the IFD and secured by the City's share of the property tax increment must be repaid within 45 years. The IFD cannot issue new bonds secured by the ERAF share of the property tax increment after 20 years.

## FISCAL IMPACT

### Sources and Uses of Funds

Estimated sources and uses of funds are \$1.0 billion (2017 dollars), as shown in Exhibit 2 below.

#### Exhibit 2: Sources and Uses of Funds

	2017 Dollars
<b>Sources</b>	
Annual Tax Increment	\$596,719,493
Bond Proceeds	137,428,825
Developer Capital	133,832,094
Advances of Land Proceeds	164,931,373
<b>Total Sources</b>	<b>\$1,032,911,784</b>
<b>Uses</b>	
Bond Debt Service	\$253,892,744
Interest on Advanced Funds	22,974,947
Repayment Developer Capital	121,166,407
Repayment Advances of Land Proceeds	101,662,800
Subproject Areas Public Improvements	287,908,679
Pier 70 Wide Public Improvements	53,041,434
Sea Level Rise Protection	130,378,925
Educational Revenue Augmentation Fund <sup>6</sup>	61,885,847
<b>Total Uses</b>	<b>\$1,032,911,784</b>

Source: Infrastructure Financing Plan

### Timing of Sources and Uses

The developer, Forest City, will contribute capital to pay for project costs, prior to property tax increment and other project funds becoming available. The Infrastructure Financing Plan assumes that the developer will contribute \$133.8 million in developer capital through FY 2028-29.

Beginning in FY 2018-19, the Infrastructure Financing Plan assumes that proceeds from the sale of land or prepayment of ground leases will become available to begin paying for project costs, including repayment of the developer capital.

<sup>6</sup> The \$61.9 million allocation to ERAF is the estimated amount of ERAF tax increment that is not needed to pay ERAF-secured debt.



Beginning in FY 2019-20, the Infrastructure Financing Plan assumes that the Port will begin issuing bonds, secured by property tax increment generated by Subproject Area G-2. Bond proceeds will be a source of funds to pay for public project costs.

#### **Estimates of Annual Property Tax Increment Generated by Subproject Areas G-2, G-3, G-4**

Incremental property taxes generated by development of Subproject Areas G-2, G-3, and G-4 depend on the assessed value of this development. A report prepared by Berkson Associates for the Port in August 2017 estimates that development in Subproject Areas G-2, G-3, and G-4 will have an assessed value of \$1.7 billion (2017 dollars), resulting in annual property tax increment of \$17 million (based on 1.0 percent property tax rate), of which 90 percent<sup>7</sup> equals \$15.6 million (2017 dollars). The actual assessed value and associated property taxes will depend on the mix of residential and commercial properties, and when each of these properties is completed and enrolled in the City's tax rolls.

The Infrastructure Financing Plan<sup>8</sup> estimates that Subproject Areas G-2, G-3, and G-4 would begin to generate incremental property taxes (which would be allocated to the IFD) in FY 2023-24, FY 2028-29, and FY 2029-20 respectively. However, according to the plan, the actual commencement date for when property tax increment would be allocated to the IFD would depend on the fiscal year in which each subproject area generated property tax increment of \$100,000 or more.<sup>9</sup>

#### **Bond Issuance**

The proposed resolution (File 17-0879) provides for the intent to issue bonds, secured by property tax increment. The bond authorization would be for up to \$793.3 million, including

- \$273.9 million for Subproject Area G-2;
- \$196.1 million for Subproject Area G-3; and
- \$323.3 million for Subproject Area G-4.

According to the Infrastructure Financing Plan, the Port anticipates issuing IFD bonds for Subproject Areas G-2, G-3, and G-4 of up to \$216 million<sup>10</sup>. The Port is requesting bond authorization of up to \$793.3 million, or more than 3x the anticipated bond issuance, to account for (a) property assessments that exceed projections, (b) issuance of additional bonds to pay for sea level rise and other projects, and (c) 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.

<sup>7</sup>Based on approximately 65 percent City share and 25 percent ERAF share

<sup>8</sup> The Infrastructure Financing Plan for Subproject Areas G-2, G-3, and G-4 was prepared by the Port's consultant, Century Urban, and submitted to the Port in October 2017.

<sup>9</sup> The Berkson report estimated annual property tax increment of \$15.6 million (2017 dollars).

<sup>10</sup> 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 to 1:3. Estimated net loan proceeds to be applied to projects is \$169.6 million. The amount of \$216 million is included on Table 4, page 37 of the Infrastructure Financing Plan.

The proposed resolution states that the Board of Supervisors intends to authorize the issuance and sale of bonds for each subproject area in the maximum not-to-exceed amounts noted above, 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 public improvements described in the Infrastructure Financing Plan, as noted below:

- Bond authorization for Subproject Area G-2 is 273.9 million and the estimated cost of facilities in Appendix G-2 for Subproject Area G-2 is \$141.3 million;
- Bond authorization for Subproject Area G-3 is \$196.1 million and the estimated cost of facilities in Appendix G-3 for Subproject Area G-3 is \$72.97 million; and
- Bond authorization for Subproject Area G-4 is \$323.3 million and the estimated cost of facilities in Appendix G-3 for Subproject Area G-3 is \$46.3 million.

The bond authorization under the proposed resolution may also be applied to Pier 70-wide projects, in addition to the projects in the three subproject areas, subject to future Board of Supervisors approval.

#### **POLICY CONSIDERATION**

As noted in the Budget and Legislative Analyst's report to the October 19, 2017 Budget and Finance Committee, IFD and 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.

According to the Infrastructure Financing Plan, bonds may be issued by the IFD or by CFDs formed within the Pier 70 IFD Subproject Areas G-2, G-3, and G-4. While the proposed legislation states the City's intention to issue IFD bonds, the Infrastructure Financing Plan assumes that IFD or CFD bonds may be issued, and that property tax increment will be used to repay the bonds. The type of bond to be issued will be determined based on market conditions at the time of issuance. The Infrastructure Financing Plan provides for bonds to be issued in FY 2019-20, although Subproject Area G-2 may not generate property tax increment until FY 2023-24 to secure the bonds. Legislation to approve formation of CFDs within the three Pier 70 subproject areas has not been introduced.

#### **RECOMMENDATION**

Approve the proposed resolutions.



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  
OCT 18 PM 2:54  
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

AKS

# Pier 70 Development Agreement and Proposed SUD: Economic Impact Report

Office of Economic Analysis

Items # 170863-64

October 19, 2017

## Introduction

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- 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

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- 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 20<sup>th</sup>, Michigan, and 22<sup>nd</sup> 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

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- 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.

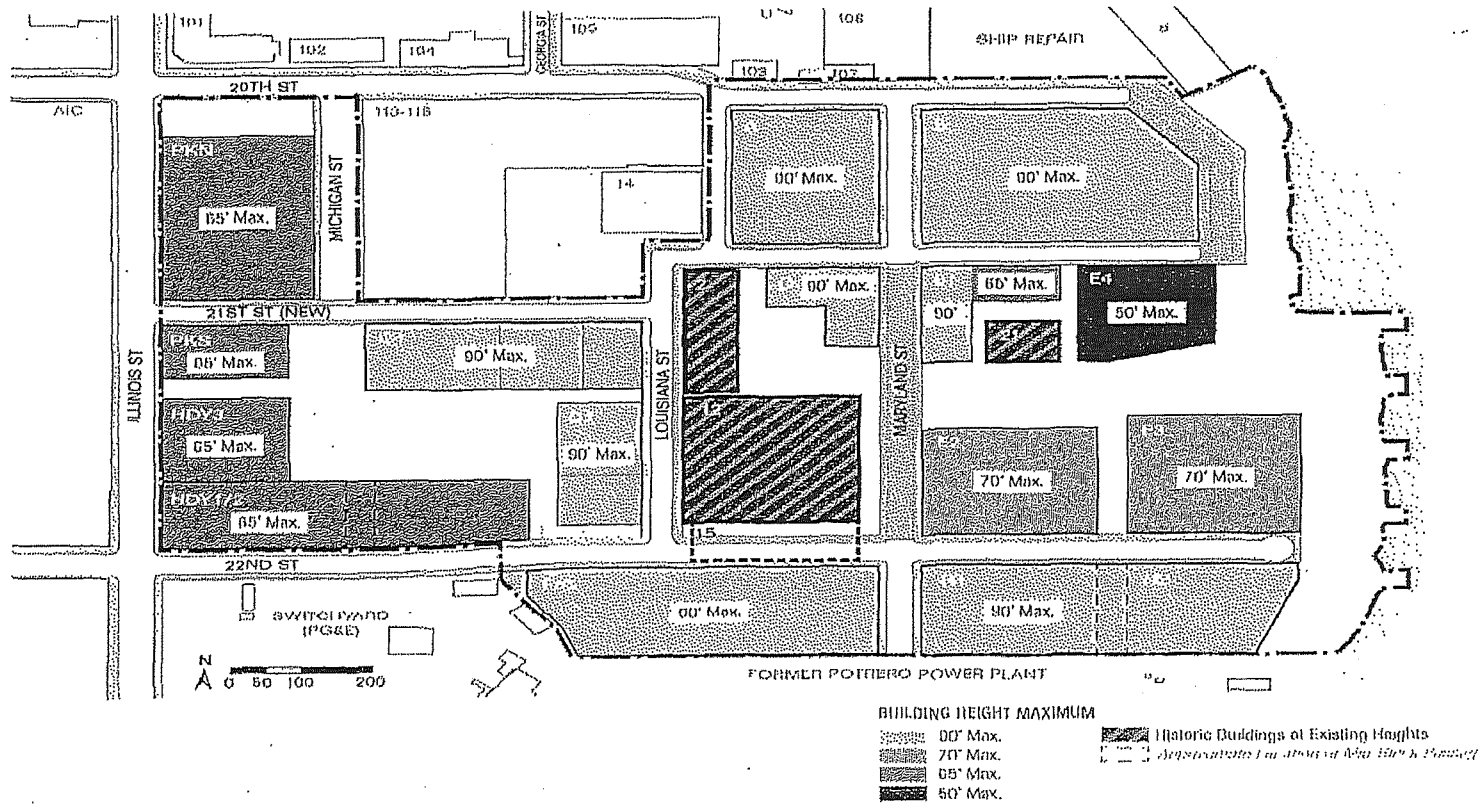
## Existing Uses, Retention & Rehabilitation of the Project Site

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- 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.

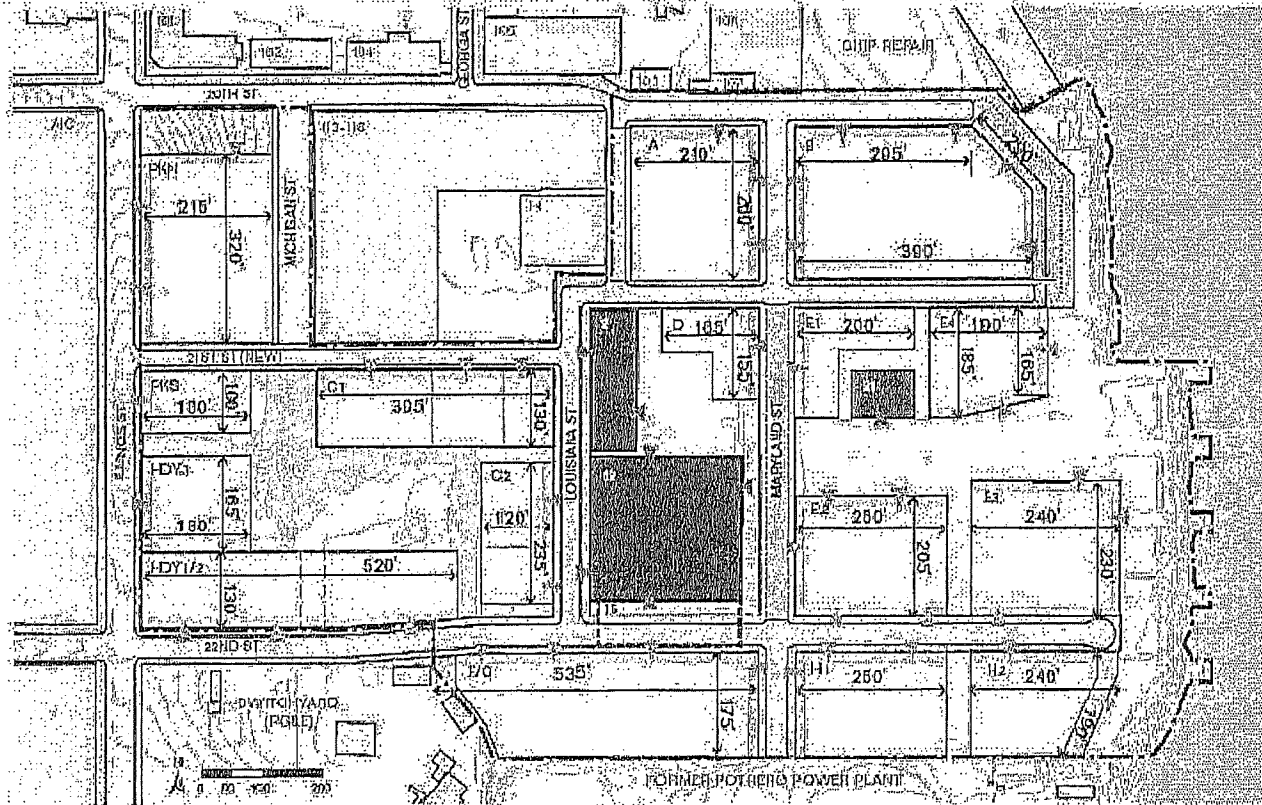


# General Map of the Proposed SUD Project Area: Height Limits of the Parcels Under the Proposed Development Agreement



3342

# Map of Area Parcels' Width & Heights



**FIGURE 6.8.5: Illustrative Plan of Building Entries from Public Right of Way**  
 Note: All dimensions are rounded up to the nearest 5'.  
 Legend:  
 [Solid Line] Frontage with Required Building Entries  
 [Dashed Line] Illustrative of Minimum Building Entries

Source: Design for Development

3343

## 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
<b>TOTAL</b>	<b>2,049,516</b>	<b>4,212,230</b>	<b>2,162,714</b>	<b>4,179,300</b>	<b>2,129,784</b>

3344

## Economic Impact Factors

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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

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- 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

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- 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 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

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- 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

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- 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

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

## Staff Contacts

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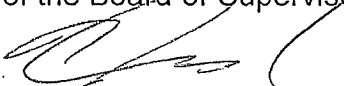
(415) 554-5268

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: <sup>for</sup> 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.

<p><b>Items 7 &amp; 8</b>  <b>Files 17-0878 and 17-0879</b></p>	<p><b>Department:</b>                  Port</p>
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- **File 17-0878** is a resolution establishing the City’s intent to establish three subproject areas in Port Infrastructure Financing District (IFD) No. 2 – Subproject Areas G-2, G-3, and G-4.
- **File 17-0879** is a resolution stating the City’s intent to issue bonds, paid by incremental property tax revenue allocated to the IFD and generated within each of the subproject areas.
- Approval of these two resolutions does not obligate the Board of Supervisors to establish the IFD subproject areas or issue bonds, which will be subject to future Board of Supervisors approval.

**Key Points**

- The Port’s IFD No. 2 provides for incremental property tax revenues generated by development on Port property (including bonds secured by these revenues) to be used for construction of public improvements. The Board of Supervisors formed Port IFD No. 2 in February 2016, and the agreement between the Port and Forest City to develop the Pier 70 Waterfront Site in October 2017. The three proposed IFD subproject areas – G-2, G-3, and G-4 – are for phase 1, 2, and 3 respectively of the development of the Pier 70 Waterfront Site. Property tax increment will be allocated to public improvements within the three subproject areas, as well as to Pier 70-wide improvements.
- 100 percent of the City and the Educational Revenue Augmentation Fund (ERAF) share of property tax increment will be allocated to the subproject areas. The total limit on the property tax increment that can be allocated to the IFD from the subproject areas over their 45-year terms is \$3.0 billion. 20 percent of the property tax increment must be set-aside for shoreline restoration, removal of bay fill, public access to the waterfront, and/or environmental remediation of the waterfront.

**Fiscal Impact**

- The proposed resolution to issue bonds (File 17-0879) would authorize the issuance of bonds in a not-to-exceed amount of \$793.3 million, which is 3x the anticipated bond issuance of \$216 million. According to the Port, this authorization accounts for property assessments that exceed projections, lower interest rates, and new waterfront projects.
- While the proposed resolution states that the Board of Supervisors intends to authorize the issuance and sale of bonds in the maximum not-to-exceed amount of \$793.3 million, according to the Port’s bond counsel, the proposed resolution limits the use of bonds to pay for the costs of public improvements described in the Infrastructure Financing Plan.

**Recommendation**

- Approve the proposed resolutions.

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

California Government Code Section 53395.8 authorizes the establishment of an Infrastructure Financing District (IFD) on Port property. Section 53395.8(c)(3) designates the Board of Supervisors as the legislative body for the Port IFD.

**Port IFD No. 2 and Pier 70**

Pier 70 is an approximately 69-acre site on the Port's Central and Southern Waterfront, bounded by Mariposa, Illinois, and 22<sup>nd</sup> Streets. In 2014, Pier 70 was listed as the Union Iron Works Historic District on the National Register of Historic Places. Pier 70 includes the Ship Repair Facility<sup>1</sup>, the Historic Core<sup>2</sup>, Crane Cove Park<sup>3</sup>, Irish Hill<sup>4</sup>, and the Waterfront Site for mixed use development. On October 31, 2017, the Board of Supervisors approved several pieces of legislation to establish the Pier 70 Mixed-Use District Project, and provide for the development of the 28-acre Waterfront Site within Pier 70.

The Board of Supervisors formed the Port IFD No. 2 in February 2016 and adopted the Infrastructure Financing Plan (Ordinance 27-16).<sup>5</sup> IFD No. 2 provides for project areas, including Project Area G on Pier 70. Project Area G currently has one subproject area – Subproject Area G-1 – covering the Pier 70 Historic Core. At that time, the Board of Supervisors approved the issuance of up to \$25.1 million in bonds to be repaid by the City's share of incremental property tax generated by development with the Pier 70 Historic Core (or Subproject Area G-1) to pay for street and sidewalk improvements, electrical improvements to Building 102, and improvements to Crane Cove Park. The Infrastructure Financing Plan provided for issuance of the bonds in FY 2021-22.

**DETAILS OF PROPOSED LEGISLATION**

**File 17-0878:** The proposed resolution establishes the City's intent to establish three subproject areas - Subproject Area G-2, Subproject Area G-3, and Subproject Area G-4 - in Port Infrastructure Financing District No. 2. According to the proposed Resolution of Intent, the Board of Supervisors resolves to take the following actions:

- (1) Conduct proceedings to establish the three subproject areas on the 28-acre Waterfront Site within the Union Iron Works Historic District;

<sup>1</sup> The Port issued a Request for Proposals in July 2017 to select a new operator for the ship repair facility.

<sup>2</sup> The Historic Core of the Union Iron Works Historic District consists of the Bethlehem Steel Main Office Building and Powerhouse, the Union Iron Works Administration building, and the Union Iron Works Machine Shop and Foundry. The Board of Supervisors approved a 66 year lease with Orton Development, Inc., in 2014 to rehabilitate the five buildings. Rehabilitation of these historic buildings (except for the Powerhouse) is anticipated to be completed and the buildings ready for occupancy between fall 2017 and late 2018.

<sup>3</sup> Crane Cove Park is a 9-acre waterfront park; construction of phase 1 of the park, which is partially funded by 2008 Clean and Safe Neighborhood General Obligation Bonds, is expected to be completed in March 2018.

<sup>4</sup> Irish Hill Park is a 1.5 acre site adjacent to Illinois Street planned for open space. Irish Hill is a contributing resource to the Historic District.

<sup>5</sup> Infrastructure Financing District No. 1 was Rincon Hill Area, authorized by the Board of Supervisors in 2011.

- (2) Direct the Port Executive Director to prepare an Infrastructure Financing Plan for each subproject area;
- (3) Declare the Board's intent to use incremental property tax revenue allocated by the City to the IFD and generated within the subproject areas to finance public facilities; and
- (4) Hold public hearings and take other actions necessary to establish the three subproject areas.

The Resolution of Intent does not obligate the Board of Supervisors to establish each of the IFD subproject areas, which will be subject to future Board of Supervisors approval by ordinance.

While the proposed resolution directs the Port Executive Director to prepare an Infrastructure Financing Plan for each subproject area, the Port has submitted the proposed Infrastructure Financing Plan for Subproject Areas G-2, G-3, and G-4. The proposed resolution does not provide for approval of the supplemental Infrastructure Financing Plan, which will be subject to approval when the Board of Supervisors considers the future ordinance establishing the three IFD subproject areas.

**File 17-0879:** The proposed resolution states the City's intent to issue bonds, paid by incremental property tax revenue allocated to the IFD and generated within each of the subproject areas in amounts not-to-exceed:

- \$273,900,000 for Subproject Area G-2;
- \$196,100,000 for Subproject Area G-3; and
- \$323,300,000 for Subproject Area G-4.

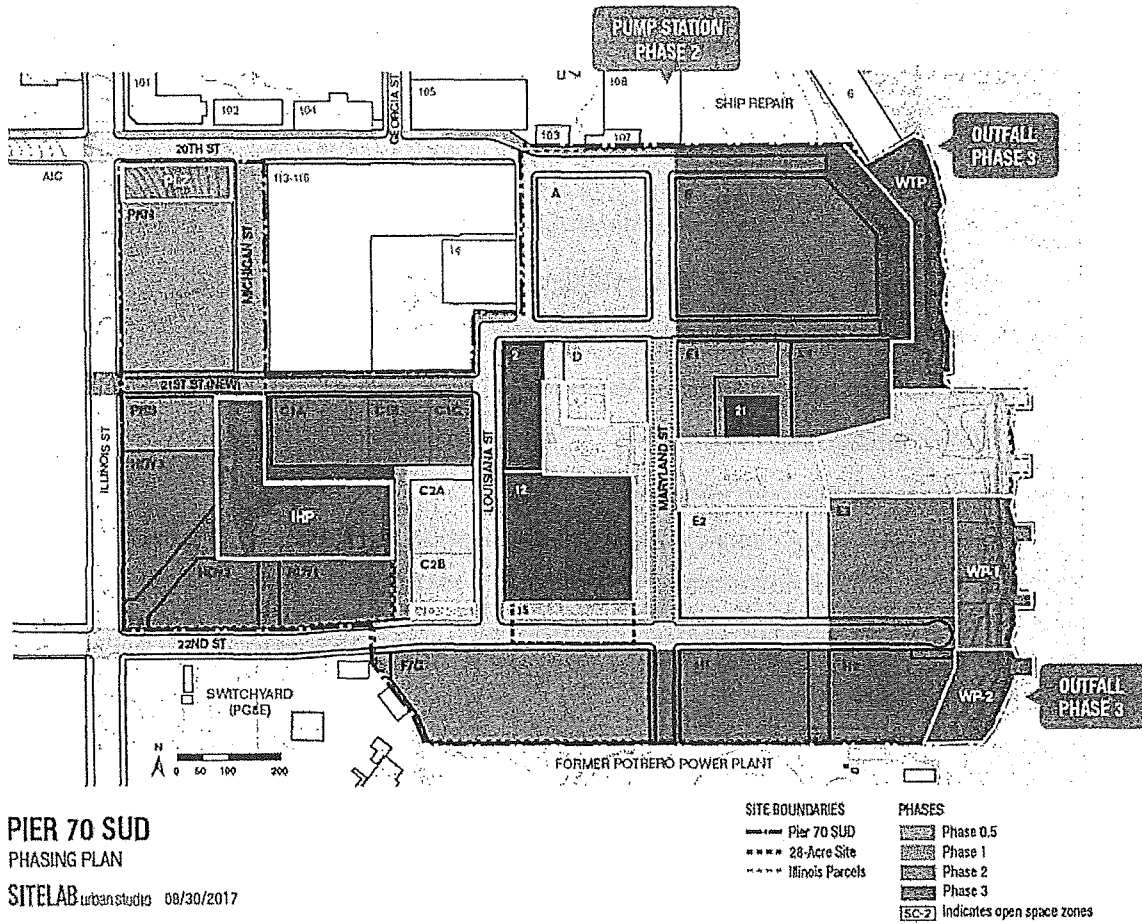
According to the proposed resolution, the intent is to pay directly for some of the costs of public facilities in each of the subproject areas and to use a portion of the bond proceeds to reimburse these costs. Approval of the proposed resolution does not obligate the Board of Supervisors to issue the bonds, which will be subject to future Board of Supervisors approval.

#### **Subproject Areas**

IFD Subproject Areas G-2, G-3, and G-4 encompass the 28-acre Waterfront Site project within the Union Iron Works Historic District, bounded by Illinois Street on the west, the Bay on the east, 20<sup>th</sup> Street on the north, and 22<sup>nd</sup> Street and the former Potrero Power Plant on the south, as shown in Exhibit 1 below.



Exhibit 1: Proposed Waterfront Site Project



The project is divided into three phases.

- Subproject Area G-2 incorporates phase 1 development. Phase 1 extends from approximately 2018 to 2021.
- Subproject Area G-3 incorporates phase 2 development from approximately 2022 to 2024.
- Subproject Area G-4 incorporates phase 3 development from approximately 2025 to 2028.

**Public Improvements and Facilities to be Funded by the IFD Subproject Areas**

Forest City is responsible to develop (or cause to be developed) horizontal infrastructure for the 28-acre Waterfront Site, subject to reimbursement with IFD tax increment and proposed Community Facilities Districts (CFD) assessments, including bonds issued against the IFD tax increment and CFD assessments. Horizontal infrastructure work consists of:

- Demolition and abatement
- Site grading, drainage, and utility infrastructure
- Geotechnical improvements for seismic stability
- Low pressure water system and non-potable water system
- Pedestrian, bicycle, and transportation access
- Auxiliary Water Supply System (AWSS)
- Combined sewer and storm water system

Infrastructure work in each of the phases consists of the following improvements within the respective subproject areas: demolition and abatement of existing structures; earthwork, soil disposal, and retaining walls; work on AWSS, low pressure water, reclaimed water, and combined sewer/storm water systems; street, park and open space improvements; and historical building rehabilitation.

Phase I (Subproject Area G-2) is from approximately 2018 to 2021. Phase II (Subproject Area G-3) is from 2022 to 2024. Phase III (Subproject Area G-4) is from 2025 to 2028.

Additional Pier 70-wide work to be funded by the proposed IFD subproject areas, subject to Board of Supervisors approval, include improvements to Irish Hill Park, rehabilitation of Buildings 106 and 111, shipyard electrical work and improvements, improvements to Crane Cove Park not funded by general obligation bonds, and public realm improvements.

**Port IFD Guidelines**

The Board of Supervisors approved guidelines in 2013 for establishment of the Port IFD (File 13-0264). These guidelines include (among other provisions):

- The Infrastructure Financing Plan to be developed by the Port must include a projection of revenues to the City's General Fund that will be generated by the project area.
- If the State's IFD law allows allocation of the State share of property tax increment to a waterfront district, then the City must allocate to the waterfront district the share of City property tax increment that maximizes the State allocation.
- Property tax increment allocated to public improvements should be sufficient to attract developer equity and market rate development in the project area.
- Property tax increment in excess of the allocation to public improvement in the project area will be allocated to the City's General Fund.

- Annual property tax increment will be allocated to maintain public infrastructure and improvements only if other sources are not available or sufficient.

**Proposed Infrastructure Financing Plan Provisions**

The proposed Infrastructure Financing Plan for Subproject Areas G-2, G-3, and G-4 contain the following provisions, which must be included in the financing plan to be prepared by the Port:

- The property tax increment would be allocated to the IFD from each subproject area for 45 years beginning in the fiscal year in which the property tax increment generated by the subproject area equals at least \$100,000.
- The amount of the property tax increment in each year would be the difference between the assessed taxable property value in FY 2015-16 and the assessed taxable property value in the tax year.
- The entire City and the Educational Revenue Augmentation Fund (ERAF) share of property tax increment generated in the subproject areas will be allocated to the subproject areas.
- The total limit on the property tax increment that can be allocated to the IFD from the subproject areas over their 45-year terms is \$3.0 billion, of which \$845 million is the limit on the ERAF share and \$2.15 billion is the limit on the City’s share, as shown below. These limits reflect projected total property tax increment plus a contingency factor of approximately 90 percent to account for variables such as higher assessed values of taxable property due to resales.

Subproject Area	City Share	ERAF	Total
G-2	\$747,000,000	\$293,000,000	\$1,040,000,000
G-3	553,500,000	217,000,000	770,500,000
G-4	855,000,000	335,000,000	1,190,000,000
Total	\$2,155,500,000	\$845,000,000	\$3,000,500,000

- 20 percent of the property tax increment must be set-aside for shoreline restoration, removal of bay fill, public access to the waterfront, and/or environmental remediation of the waterfront in accordance with California Government Code. The 20 percent allocation requirement applies to IFD Project Area G as a whole. Because the Infrastructure Financing Plan for IFD Subproject Area G-1 (covering the Historic Core of the Union Iron Works Historic District), approved by the Board of Supervisors in February 2016, allocates 64 percent of the property tax increment to Crane Park and other waterfront projects, the Port may allocate less than 20 percent of property tax increment generated by Subproject Areas G-2, G-3, and G-4.

- Bonds issued by the IFD and secured by the City's share of the property tax increment must be repaid within 45 years. The IFD cannot issue new bonds secured by the ERAF share of the property tax increment after 20 years.

## FISCAL IMPACT

### Sources and Uses of Funds

Estimated sources and uses of funds are \$1.0 billion (2017 dollars), as shown in Exhibit 2 below.

#### Exhibit 2: Sources and Uses of Funds

	2017 Dollars
<b>Sources</b>	
Annual Tax Increment	\$596,719,493
Bond Proceeds	137,428,825
Developer Capital	133,832,094
Advances of Land Proceeds	164,931,373
<b>Total Sources</b>	<b>\$1,032,911,784</b>
<b>Uses</b>	
Bond Debt Service	\$253,892,744
Interest on Advanced Funds	22,974,947
Repayment Developer Capital	121,166,407
Repayment Advances of Land Proceeds	101,662,800
Subproject Areas Public Improvements	287,908,679
Pier 70 Wide Public Improvements	53,041,434
Sea Level Rise Protection	130,378,925
Educational Revenue Augmentation Fund <sup>6</sup>	61,885,847
<b>Total Uses</b>	<b>\$1,032,911,784</b>

Source: Infrastructure Financing Plan

#### Timing of Sources and Uses

The developer, Forest City, will contribute capital to pay for project costs, prior to property tax increment and other project funds becoming available. The Infrastructure Financing Plan assumes that the developer will contribute \$133.8 million in developer capital through FY 2028-29.

Beginning in FY 2018-19, the Infrastructure Financing Plan assumes that proceeds from the sale of land or prepayment of ground leases will become available to begin paying for project costs, including repayment of the developer capital.

<sup>6</sup> The \$61.9 million allocation to ERAF is the estimated amount of ERAF tax increment that is not needed to pay ERAF-secured debt.

Beginning in FY 2019-20, the Infrastructure Financing Plan assumes that the Port will begin issuing bonds, secured by property tax increment generated by Subproject Area G-2. Bond proceeds will be a source of funds to pay for public project costs.

#### **Estimates of Annual Property Tax Increment Generated by Subproject Areas G-2, G-3, G-4**

Incremental property taxes generated by development of Subproject Areas G-2, G-3, and G-4 depend on the assessed value of this development. A report prepared by Berkson Associates for the Port in August 2017 estimates that development in Subproject Areas G-2, G-3, and G-4 will have an assessed value of \$1.7 billion (2017 dollars), resulting in annual property tax increment of \$17 million (based on 1.0 percent property tax rate), of which 90 percent<sup>7</sup> equals \$15.6 million (2017 dollars). The actual assessed value and associated property taxes will depend on the mix of residential and commercial properties, and when each of these properties is completed and enrolled in the City's tax rolls.

The Infrastructure Financing Plan<sup>8</sup> estimates that Subproject Areas G-2, G-3, and G-4 would begin to generate incremental property taxes (which would be allocated to the IFD) in FY 2023-24, FY 2028-29, and FY 2029-20 respectively. However, according to the plan, the actual commencement date for when property tax increment would be allocated to the IFD would depend on the fiscal year in which each subproject area generated property tax increment of \$100,000 or more.<sup>9</sup>

#### **Bond Issuance**

The proposed resolution (File 17-0879) provides for the intent to issue bonds, secured by property tax increment. The bond authorization would be for up to \$793.3 million, including

- \$273.9 million for Subproject Area G-2;
- \$196.1 million for Subproject Area G-3; and
- \$323.3 million for Subproject Area G-4.

According to the Infrastructure Financing Plan, the Port anticipates issuing IFD bonds for Subproject Areas G-2, G-3, and G-4 of up to \$216 million<sup>10</sup>. The Port is requesting bond authorization of up to \$793.3 million, or more than 3x the anticipated bond issuance, to account for (a) property assessments that exceed projections, (b) issuance of additional bonds to pay for sea level rise and other projects, and (c) 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.

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<sup>7</sup>Based on approximately 65 percent City share and 25 percent ERAF share

<sup>8</sup> The Infrastructure Financing Plan for Subproject Areas G-2, G-3, and G-4 was prepared by the Port's consultant, Century Urban, and submitted to the Port in October 2017.

<sup>9</sup> The Berkson report estimated annual property tax increment of \$15.6 million (2017 dollars).

<sup>10</sup> 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 to 1:3. Estimated net loan proceeds to be applied to projects is \$169.6 million. The amount of \$216 million is included on Table 4, page 37 of the Infrastructure Financing Plan.

The proposed resolution states that the Board of Supervisors intends to authorize the issuance and sale of bonds for each subproject area in the maximum not-to-exceed amounts noted above, 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 public improvements described in the Infrastructure Financing Plan, as noted below:

- Bond authorization for Subproject Area G-2 is 273.9 million and the estimated cost of facilities in Appendix G-2 for Subproject Area G-2 is \$141.3 million;
- Bond authorization for Subproject Area G-3 is \$196.1 million and the estimated cost of facilities in Appendix G-3 for Subproject Area G-3 is \$72.97 million; and
- Bond authorization for Subproject Area G-4 is \$323.3 million and the estimated cost of facilities in Appendix G-3 for Subproject Area G-3 is \$46.3 million.

The bond authorization under the proposed resolution may also be applied to Pier 70-wide projects, in addition to the projects in the three subproject areas, subject to future Board of Supervisors approval.

#### **POLICY CONSIDERATION**

As noted in the Budget and Legislative Analyst's report to the October 19, 2017 Budget and Finance Committee, IFD and 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.

According to the Infrastructure Financing Plan, bonds may be issued by the IFD or by CFDs formed within the Pier 70 IFD Subproject Areas G-2, G-3, and G-4. While the proposed legislation states the City's intention to issue IFD bonds, the Infrastructure Financing Plan assumes that IFD or CFD bonds may be issued, and that property tax increment will be used to repay the bonds. The type of bond to be issued will be determined based on market conditions at the time of issuance. The Infrastructure Financing Plan provides for bonds to be issued in FY 2019-20, although Subproject Area G-2 may not generate property tax increment until FY 2023-24 to secure the bonds. Legislation to approve formation of CFDs within the three Pier 70 subproject areas has not been introduced.

#### **RECOMMENDATION**

Approve the proposed resolution.

## **Pier 70 Mixed Use Project Overview**

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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.

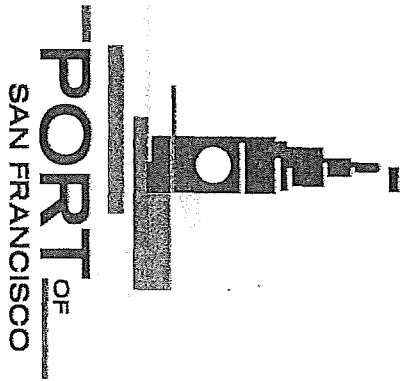
#### **Project Approvals:**

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.



# Pier 70 IFD & IRFD Resolutions of Intention



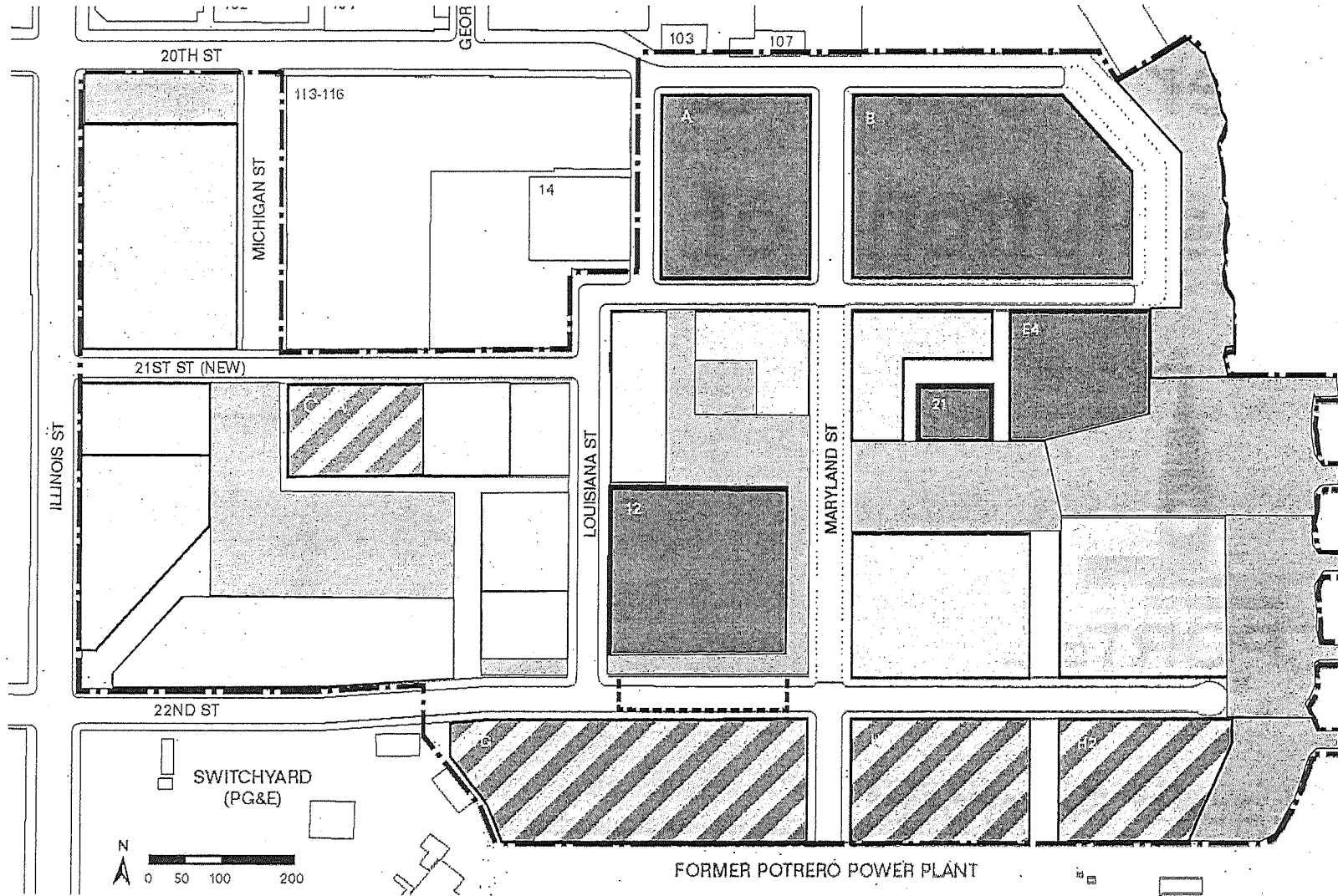
## Request Approval





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Budget and Finance Committee 7.12.18

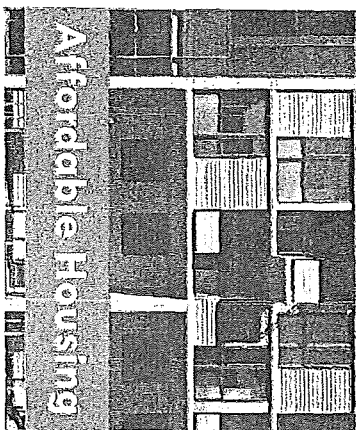
# Project Overview under SUD

6933



- |   |   |  |  |
|---|---|--|--|
|  Residential |  Commercial-Office |  RALI |  Open Space |
| 1,645-3,025 units   | 1.1M-1.75M gsf  | 480,000 gsf  | 9 acres  |

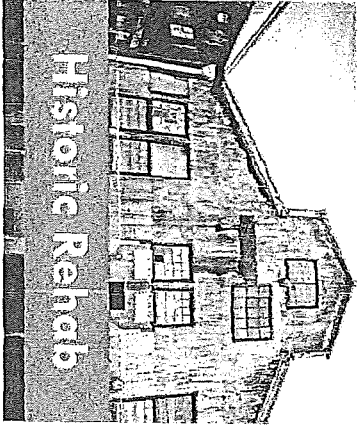
# Public Benefits



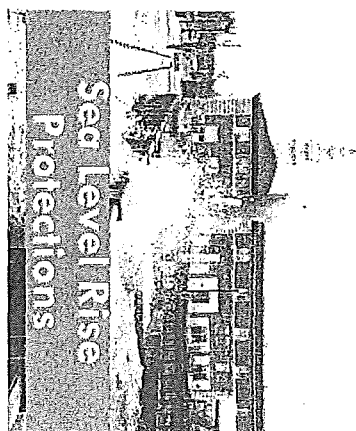
Affordable Housing



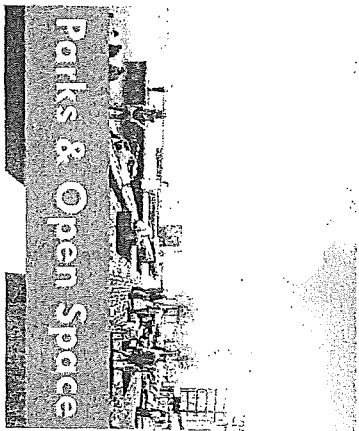
Economic Access & Diversity



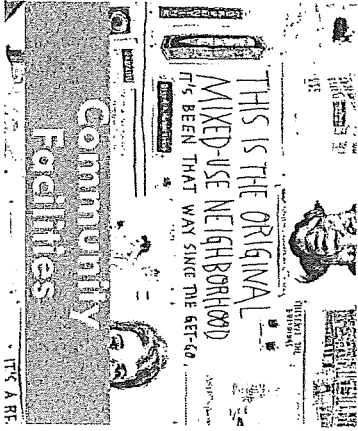
Historic Rehab



Sea Level Rise Protections



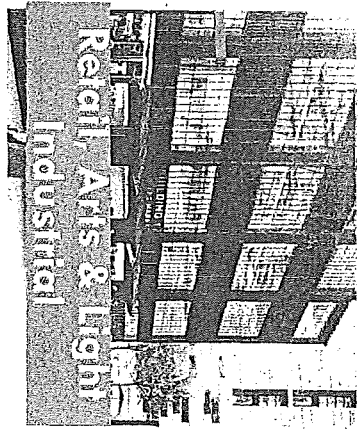
Parks & Open Space



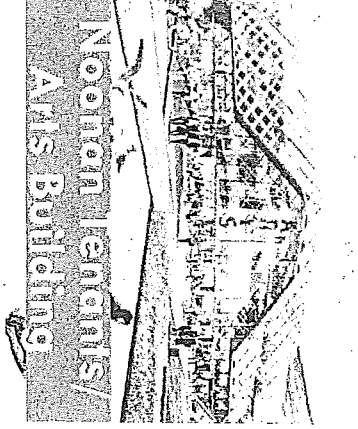
Community Facilities



Transportation Improvements

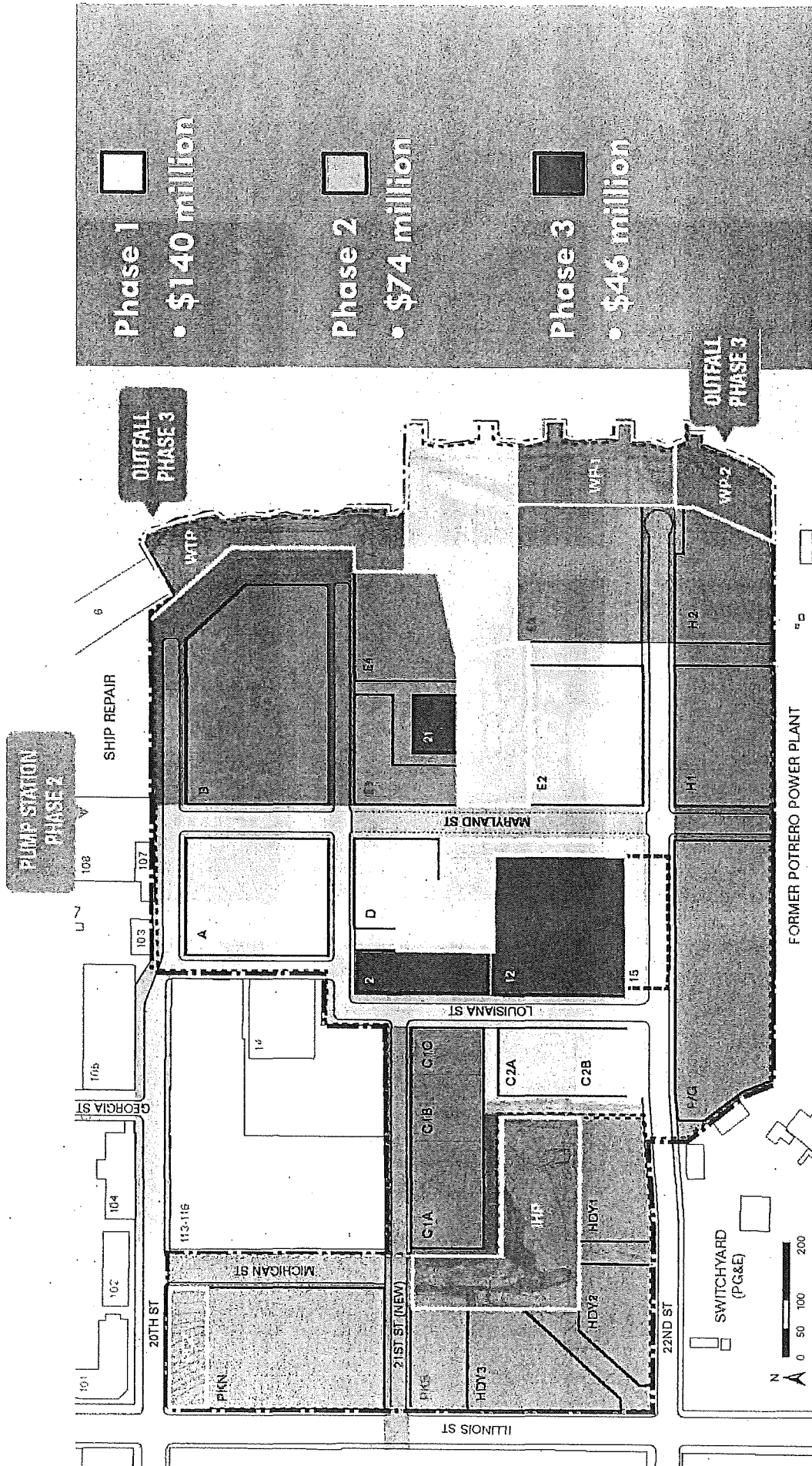


Retail, Arts & Light Industrial

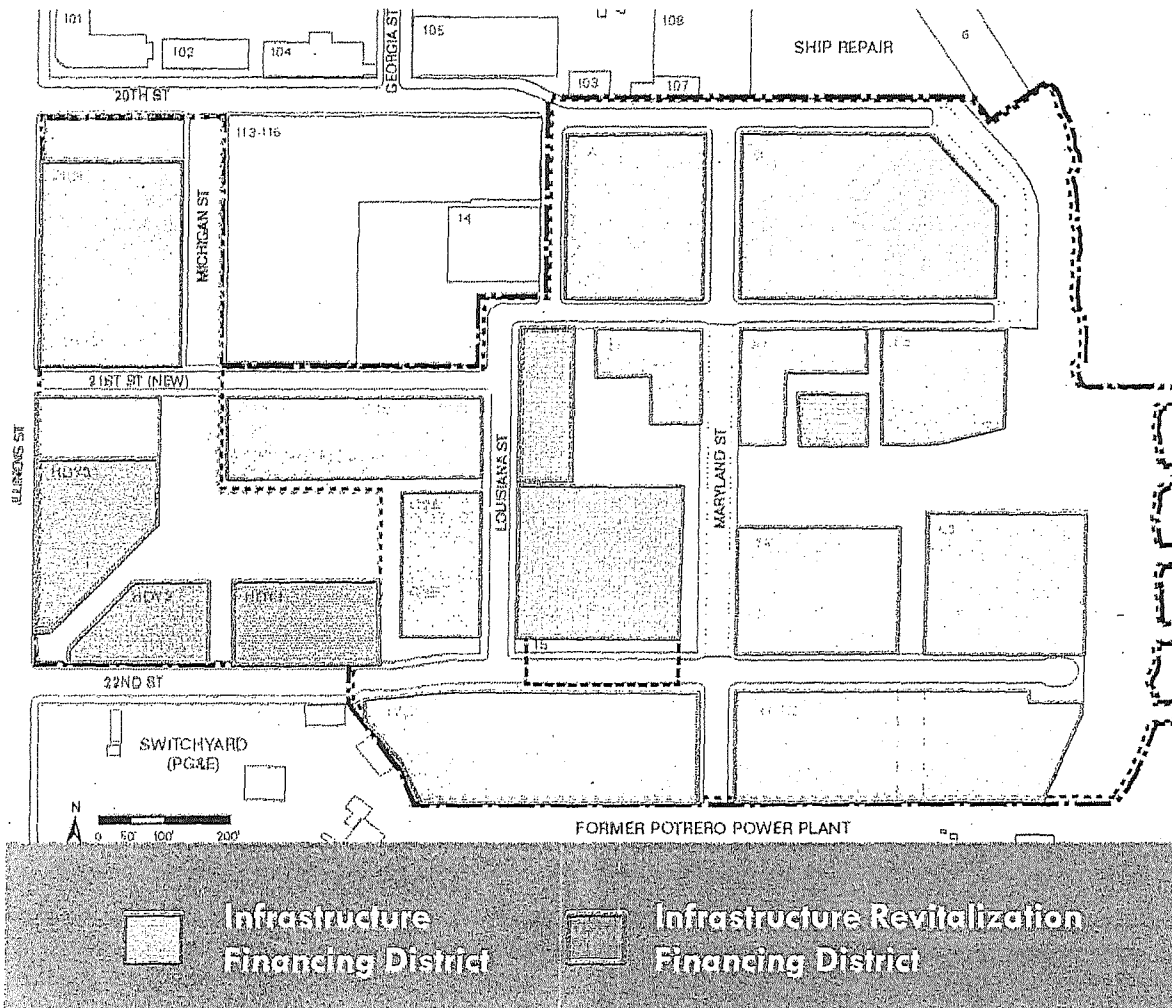


Modern Tenants/Arts Building

# \$260M of Horizontal Improvement Costs



# IFD - Tax Increment Growth



## IFD

- Local & state tax increment
- 92% to 28-Acre facilities
- 8% to other Pier 70 needs; Port and BOS decide allocation later
- After Project needs, to fund seawall & sea level rise
- **General Fund and Harbor Fund protected**

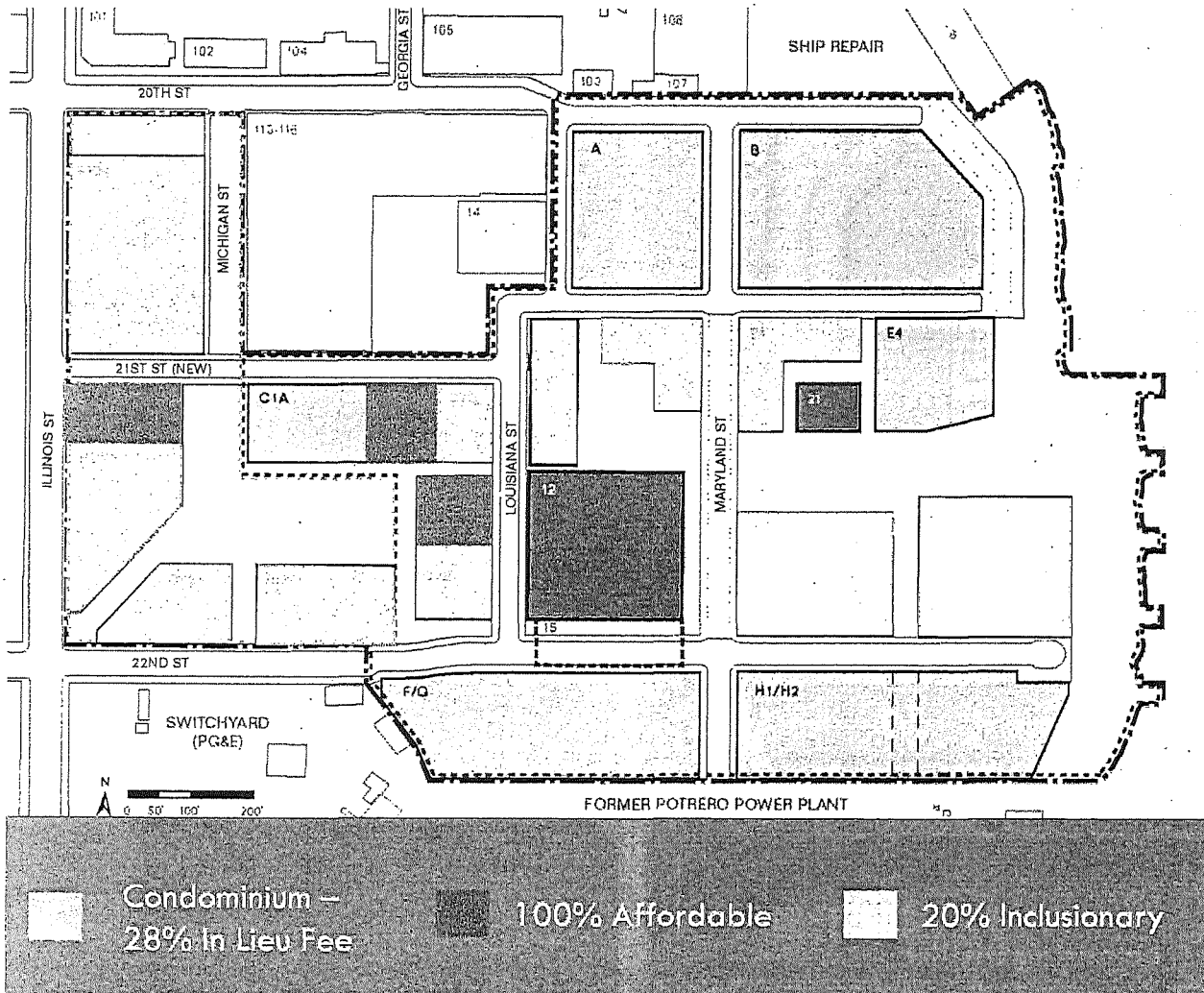
## IRFD

- Affordable housing
- Remainder to General Fund

3372

# 470+ Units of Affordable Housing - IRFD

3373



20% inclusionary units in rental buildings

Three 100% affordable housing parcels

Generates gap funding for affordable housing:

- Tax increment from Hoedown Yard
- Jobs Housing Linkage Fees from office development
- In lieu fees from condo projects



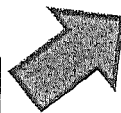
# Legislation Establishing Districts & Authorizing Bond Issuance

## IFD

Ordinance establishing 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 Issuance of Bonds - 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, of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco), including a Form of Indenture and a Form of Pledge Agreement

The steps to form the IRFD are more involved due to the need for a landowner election. PG&E owns the Hoedown Yard.



## IRFD

Resolution calling special election for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard)

Resolution proposing adoption of infrastructure financing plan and formation of City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard); and providing for future annexation

Resolution approving infrastructure financing plan for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard)

Resolution declaring results of special elections for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard)

Ordinance creating City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and adopting an Infrastructure Financing Plan for such district

Resolution authorizing issuance of bonds for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) therein in an aggregate principal amount not to exceed \$91.9 million

