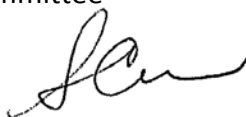


**CITY AND COUNTY OF SAN FRANCISCO**  
**BOARD OF SUPERVISORS**  
**BUDGET AND LEGISLATIVE ANALYST**

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November 9, 2017

**TO:** Government Audit and Oversight Committee

**FROM:** Budget and Legislative Analyst 

**SUBJECT:** November 15, 2017 Government Audit and Oversight Committee Meeting

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<p><b>Items 1 and 2</b> <b>Files 17-1117 and 17-1118</b></p>	<p><b>Department:</b> Port Commission (Port)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p><u>17-1117</u> is a resolution establishing the City’s intent to establish Project Area I (Mission Rock) and 13 subproject areas - Subproject Area I-1 through Subproject Area I-13 - in Port Infrastructure Financing District No. 2. <u>17-1118</u> is a resolution stating the City’s intent to issue bonds, paid by incremental property tax revenue allocated to the City and generated within each of the subproject areas, in one or more series in the maximum aggregate principal amount of not to exceed \$1,378,000,000. Files 17-1117 and 17-1118 are resolutions of intent, and do not obligate the Board of Supervisors to establish the IFD or issue bonds.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Mission Rock project comprises two pieces of Port property, Seawall Lot 337 and Pier 48. The project would entail development of a mixed-use, multi-phase project at Seawall Lot 337 and Parcel P20, rehabilitation and re-use of Pier 48, and construction of approximately 5.4 acres of net new open space, for a total of approximately 8 acres of open space on the project site.</li> <li>• Seawall Lot 337 Associates is responsible to develop (or cause to be developed) horizontal infrastructure for the Mission Rock project, subject to reimbursement with IFD tax increment, IFD bond proceeds, special taxes levied in one or more proposed Community Facilities Districts (CFD) and CFD bonds.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Estimated sources and uses of funds (excluding bond debt service revenues and expenses) are approximately \$692 million (2017 dollars).</li> <li>• According to the Port, the proposed Infrastructure Financing Plan for Project Area I’s subproject areas estimates that approximately \$1.09 billion of cumulative tax increment will be allocated to the IFD over the life of the IFD.</li> <li>• The proposed resolution (File 17-1118) provides for the intent to issue bonds, secured by property tax increment. The bond authorization would be for up to \$1.378 billion for the project. The Port anticipates issuing a combination of (1) CFD bonds backed by special taxes and IFD tax increment; (2) CFD bonds backed only by special taxes; and (3) IFD bonds backed by tax increment.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Request the Port Executive Director to include in the Infrastructure Financing Plan: (a) specific definition of public facilities to be funded by the property tax increment generated by the Port IFD Project Area I, (b) details on the total limit on the property tax increment allocated to the Port IFD Project Area I, including the 200 percent contingency factor, and (c) detailed cash flow analysis of sources and uses of project funds.</li> <li>• Approve the proposed resolutions.</li> </ul>	

## 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.

## BACKGROUND

### Mission Rock Project Site

The Mission Rock project comprises two pieces of Port property, Seawall Lot 337 and Pier 48. Seawall Lot 337 is an approximately 16-acre site located south of Mission Creek/China Basin Channel in the Mission Bay. Seawall Lot 337 is currently leased to China Basin Ballpark Company<sup>1</sup>, LLC and is used primarily for AT&T Park parking and special events. Pier 48 is the southernmost pier structure in the Port's San Francisco Embarcadero Waterfront Historic District.

The Mission Rock project would entail development of a mixed-use, multi-phase project at Seawall Lot 337 and Parcel P20, rehabilitation and re-use of Pier 48, and construction of approximately 5.4 acres of net new open space, for a total of approximately 8 acres of open space on the project site. The project would include up to 2.7 to 2.8 million gross square feet (GSF) of mixed uses on 11 proposed development blocks. The mixed-use development would comprise approximately 1.1 to 1.6 million GSF of residential uses (estimated at 1,000 to 1,600 units, 40 percent of which would be designated as below market rate), approximately 972,000 to 1.4 million GSF of commercial/office uses, and 241,000 to 244,800 GSF of active/retail and production uses on the lower floors of each block. Additionally, the project would include up to approximately 10 million GSF of above and below ground parking (approximately 3,000 spaces) in one or two centralized garages. 100 additional parking spaces would be allowed throughout the remaining parcels on the site. As part of the project, 242,500 GSF at Pier 48 would be rehabilitated for industrial, restaurant, active/retail, tour, exhibition, and meeting space use. The 11 blocks on Seawall Lot 337 would be developed with building heights ranging from 90 feet to a maximum of 240 feet for the tallest building, excluding the mechanical and other accessory penthouse roof enclosures and unoccupied building tops, subject to specified standards.

### Prior Resolutions of Intention for the Port IFD

On March 27, 2012, the Board of Supervisors approved a Resolution of Intention<sup>2</sup>, which initiated the State statutory requirements, to establish the City and County of San Francisco Infrastructure Financing District No. 2 on Port property (Port IFD). The Port IFD encompasses the entire 7-mile contiguous Port property and includes various specific project areas. On June 12, 2012, the Board of Supervisors approved a resolution to amend the earlier Resolution of

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<sup>1</sup> China Basin Ballpark, LLC is a subsidiary of San Francisco Baseball Associates, LLC (San Francisco Giants). Seawall Lot 337 Associates, the Developer of the Mission Rock project, is also a subsidiary of the San Francisco Giants.

<sup>2</sup> This resolution was adopted as part of the Host and Venue Agreement and Disposition Development Agreement for the 34<sup>th</sup> America's Cup held in San Francisco (File 12-0128; Resolution No. 110-12).

Intention to add Seawall Lot 351 as another project area in the Port IFD (Resolution No. 227-12). These resolutions designated the following project areas within the Port IFD, with the caveat that the City intended to establish additional project areas in compliance with State law:

- Project Area A: Seawall Lot 330;
- Project Area B: Piers 30-32;
- Project Area C: Pier 28;
- Project Area D: Pier 26;
- Project Area E: Seawall Lot 351;
- Project Area F: Pier 48;
- Project Area G: Pier 70; and
- Project Area H: Rincon Point-South Point Project Area.

The Port advises that the purpose of forming the IFD as a Port-wide district with multiple project areas is to preserve the flexibility of establishing separate tax increment financing plans for each major project on the Port with tax increment funds expended on public capital facilities throughout the Port's jurisdiction, subject to Board of Supervisors approval.

### Term Sheet

In May 2013, the Board of Supervisors found that the proposed Seawall Lot 337 and Pier 48 (Mission Rock) project is fiscally feasible under Administrative Code, Chapter 29<sup>3</sup> and endorsed the term sheet between Seawall Lot 337 Associates, LLC and the Port Commission (File 13-0286).

## DETAILS OF PROPOSED LEGISLATION

**File 17-1117:** The proposed resolution establishes the City's intent to establish Project Area I (Mission Rock) and 13 subproject areas - Subproject Area I-1 through Subproject Area I-13 - 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 Project Area I (Mission Rock) and 13 subproject areas within Project Area I on Seawall Lot 337 and Pier 48;
- (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

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<sup>3</sup> Chapter 29 of the City's Administrative Code requires Board of Supervisors' approval of certain projects to determine the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) public monies which may be invested in the project exceed \$1,000,000.

- (4) Hold public hearings and take other actions necessary to establish Project Area I and the 13 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.

The proposed resolution directs the Port to prepare the Infrastructure Financing Plan for Port IFD Project Area I (and all of the subproject areas), which will be attached to the Port IFD Infrastructure Financing Plan as Appendix I. The public facilities to be financed by Port IFD Project Area I incremental property tax revenues will be identified in Appendix I, which will be subject to approval when the Board of Supervisors considers the future ordinance establishing the 13 subproject areas.

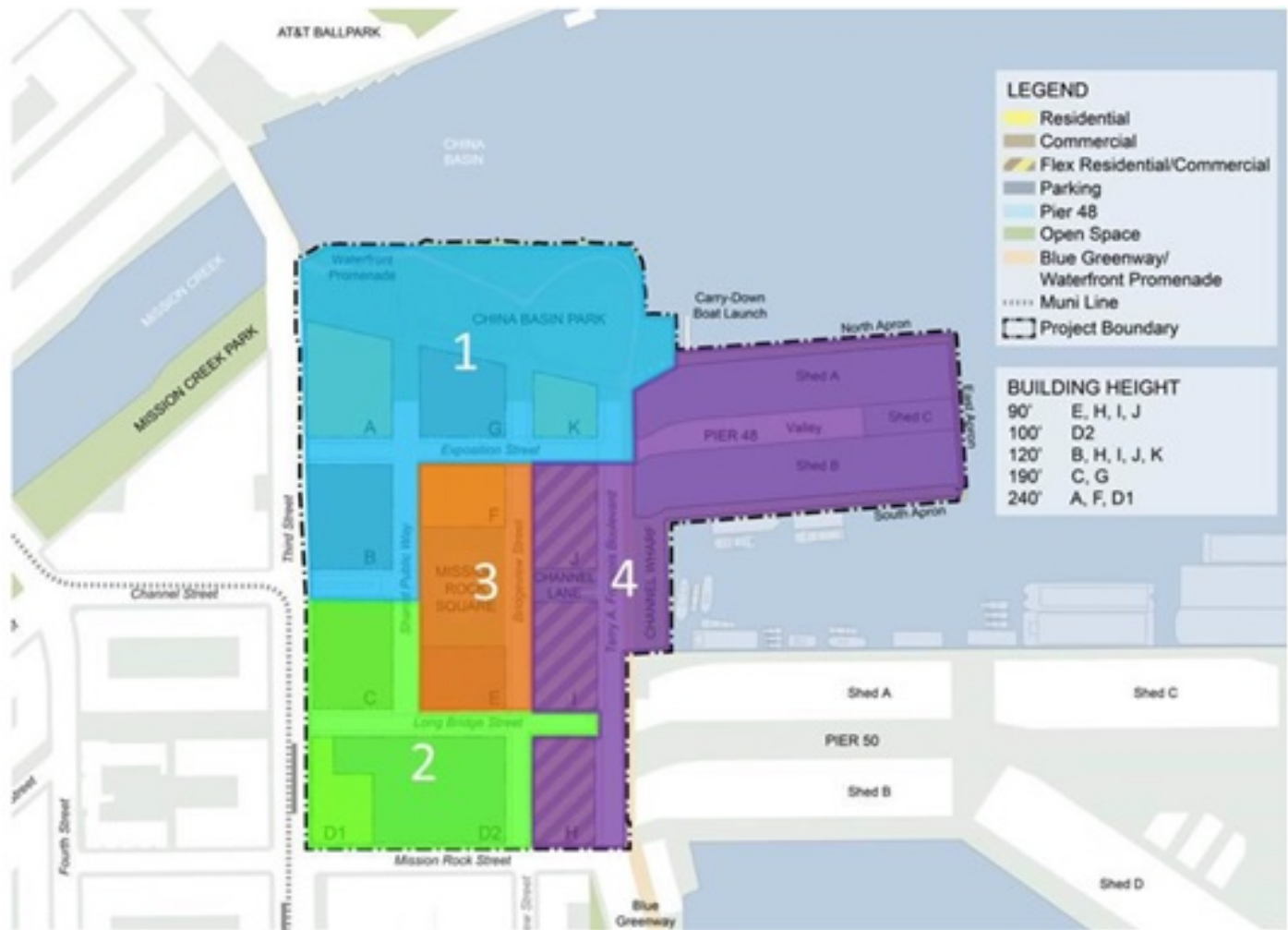
**File 17-1118:** The proposed resolution states the City's intent to issue bonds, paid by incremental property tax revenue allocated to the City and generated within each of the subproject areas, in one or more series in the maximum aggregate principal amount of not to exceed \$1,378,000,000.

In general, the public facilities will be built by the developer of the Mission Rock Project, Seawall Lot 337 Associates, LLC, and the bonds will be used to reimburse the developer for some of those costs. In addition, the bonds may reimburse the Port for funds advanced to pay for the public facilities before tax increment is available.

### **Subproject Areas**

IFD Subproject Area I-1 through Subproject Area I-13 encompass the 28.1-acre Mission Rock project comprising the Seawall Lot 337 and Pier 48, bounded by Third Street on the west, the Bay and Pier 50 on the east, the Bay on the north, and Mission Rock Street on the south, as shown in Exhibit 1 below.

**Exhibit 1: Proposed Mission Rock Project**



The project is divided into four phases.

- Subproject Areas I-1, I-2, I-7, and I-11 incorporate phase 1 development. Phase 1 extends from approximately 2018 to 2025.
- Subproject Areas I-3 and I-4 incorporate phase 2 development from approximately 2019 to 2025.
- Subproject Areas I-5, I-6, and I-13 incorporate phase 3 development from approximately 2019 to 2026.
- Subproject Areas I-8, I-9, I-10, and I-12 incorporate phase 4 development from 2023 to 2029.

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

Seawall Lot 337 Associates is responsible to develop (or cause to be developed) horizontal infrastructure for the Mission Rock project, subject to reimbursement with IFD tax increment, IFD bond proceeds, special taxes levied in one or more proposed Community Facilities Districts (CFD) and CFD bonds. Proposed horizontal infrastructure elements include:

#### Exhibit 2. Description of Infrastructure Elements for Mission Rock Project

Infrastructure Plan Element	Summary Description
Environmental Management	Environmental management of soils under the Port's adopted Risk Management Plan.
Demolition and Abatement	Demolition or abandonment of utility infrastructure; re-use of recycled materials on-site where feasible.
Geotechnical Improvements	Geotechnical improvements to improve seismic stability.
Site Grading and Drainage, including Sea Level Rise	Grading plans designed to remove new development areas from existing FEMA flood plain designation and provide future flood protection from sea level rise.
Street and Transportation Systems	Efficient site layout provides a dense, transit-oriented development that encourages bicycling and walking. Streets to be built over a structural support system to mitigate geotechnical challenges.
Open Space and Parks	Improvements and/or establishment of China Basin Park, Mission Rock Square, Channel Wharf, Channel Street, Channel Lane, and Pier 48 Apron.
Low Pressure Water System	New reliable and efficient potable water system based upon reduced demands due to water conservation measures.
Non-Potable Recycled Water System	A District-scale system will collect graywater from 3 buildings to be reused for site-wide toilet and urinal flushing, irrigation, and cooling tower makeup.
Sewer System	Construction of a new Pump Station to accommodate existing and proposed flows from Mission Rock site; A new wastewater collection system; new stormwater management features
Auxiliary Water Supply System ("AWSS")	Baseline scenario consists of a loop of 12-inch high-pressure pipes with four new hydrants, connecting to the existing AWSS distribution system in 3rd Street.
District Utility Infrastructure	Eco-District infrastructure to be built centrally within Block A allowing for heating, cooling, and greywater treatment in a plant, and distributed throughout Mission Rock.
Dry Utility Systems	Replace overhead electrical distribution with a joint trench distribution system following the roadways. New power, gas and communication systems to serve the development.

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.

According to Ms. Rebecca Benassini, Port Assistant Deputy Director for Waterfront Development Projects, the infrastructure and public facilities are anticipated to be divided into four phases of development. Each phase includes all backbone infrastructure required for vertical buildings (ground improvement, new wet and dry utilities, pile-supported streets and utilities, and streets and circulation elements). Key infrastructure and public facilities provided in each phase include:

- Phase 1: China Basin Park 4.4 acre waterfront park and a portion of the pedestrian-priority shared public way
- Phase 2: Remainder of pedestrian- priority shared public way
- Phase 3: 1.1 acre Mission Rock Square “town square” open space
- Phase 4: 0.5 acre Channel Wharf waterfront open space and long-term project at the historic finger pier, Pier 48

### **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 (a) attain fair market rent for Port ground leases after build-out of the project area and (b) 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 or to improvements to the City’s seawall and other measures to protect the City against sea level rise or other foreseeable risks to the City’s waterfront.
- 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**

According to Ms. Benassini, the proposed Infrastructure Financing Plan for Subproject Area I-1 through Subproject Area I-13 contains 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 tax year for each subproject area would be the difference between the ad valorem 1 percent property tax revenue on the assessed taxable property value in the subproject area in FY17-18 and the 1 percent ad valorem property tax revenue generated by the assessed taxable property value in the tax year in the subproject area.
- The City's share of property tax increment is 64.59%.
- The entire City share of property tax increment generated in the subproject areas will be allocated to the IFD. No other tax increment from other taxing agencies will be allocated to the IFD.
- 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 \$3.85 billion. These limits reflect projected total property tax increment plus a contingency factor of approximately 200 percent to account for variables such as higher assessed values of taxable property due to resales.
- 20 percent of the property tax increment generated in the subproject areas 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 the requirements for "waterfront districts" as stipulated in California Government Code Section 53395.8(g)(3)(C)(ii). The 20 percent allocation requirement applies to IFD Project Area I as a whole.
- Bonds issued by the IFD and secured by the City's share of the property tax increment from the subproject areas must be repaid within the term of the subproject areas.

### **Community Facilities District (CFD)**

The Board of Supervisors will need to approve land use and financial transactions, including the Development and Disposition Agreement (DDA) between the Port and Seawall Lot 337 Associates and the Infrastructure Financing Plan for Port IFD Project Area I before the proposed Mission Rock development can move forward. The Port plans to submit legislation to the Board of Supervisors approving these transactions in the first half of 2018. If the Board of Supervisors approves the DDA and Infrastructure Financing Plan, the project would establish a CFD to levy special taxes in perpetuity to fund ongoing maintenance of public facilities within the CFD. The special tax would cover expenses ranging from the maintenance and repair of streets and parks to security and janitorial services. The Port and Seawall Lot 337 Associates will establish maintenance expense assumptions to document the basis for establishing special tax rates to be levied on contributing parcels.

### **Shoreline Special Tax**

According to the Port, the project will be constructed to accommodate an estimated 66 inches of sea level rise. In addition, the CFD formation documents will establish a special tax, called the "Shoreline Special Tax" that would be levied on new development at Mission Rock to finance shoreline improvements. According to the Port, all of the Shoreline Special Taxes from Phase 1

are anticipated to be reinvested in the project for site improvements to protect the project site from sea level rise.

## FISCAL IMPACT

### Sources and Uses of Funds

Estimated sources and uses of funds (excluding bond debt service revenues and expenses) are approximately \$692 million (2017 dollars), as shown in Exhibit 3 below.

**Exhibit 3: Anticipated Sources and Uses of Funds (in Millions of Dollars)<sup>4</sup>**

	2017 Dollars	Nominal <sup>5</sup>
<b>Sources</b>		
Developer Capital	\$193.3	\$217.6
Advances of Land Proceeds	65.9	70
<i>CFD</i>		
Net Bonds on Land	32.2	35.2
Net Bonds on Completed Buildings	29.7	39
CFD Pay Go <sup>6</sup>	84.0	257.2
<i>Tax Increment</i>		
Net Bonds on Completed Buildings	110.4	145.1
Other Annual Tax Increment	176.8	558.2
<b>Total Sources</b>	<b>\$692</b>	<b>\$1322</b>
<b>Uses</b>		
Entitlement	\$25	\$25
Hard and Soft Costs	258.7	300.6
Preferred Return to Developer	91.1	111.4
Developer Capital Distribution	180	217.6
Tax Increment Repayment of Land Proceeds	88.6	171.1
Sea Level Rise Protection/Resiliency Improvements	48.8	496.6
<b>Total Uses</b>	<b>\$692</b>	<b>\$1322</b>

Source: Port Staff

<sup>4</sup> Total amounts may not appear to add due to rounding.

<sup>5</sup> According to Ms. Benassini, nominal amounts are forecasted cash flows between 2012 and 2072 with any numbers prior to 2018 as actual spending. Constant 2017 dollars reflect the sum of actual spending and future projected cash flows, discounted at 3 percent a year.

<sup>6</sup> Revenue stream categories have various magnitudes over time, affecting the difference between the nominal and 2017 dollar totals. The "CFD Pay Go" source category reflects the revenue stream from CFD Special Taxes not committed to debt service in the "Net Bonds" categories of sources. This "Pay Go" revenue stream is small in the early part of the projection, reflecting a 2 percent growth in the tax rate. Then, once bonds are fully repaid, there is a large increase in this revenue stream. This difference – small revenue stream in the early part of the cash flow and large stream in the latter part – drives the difference between the nominal and 2017 dollar totals.

**Timing of Sources and Uses**

The developer, Seawall Lot 337 Associates, will contribute capital to pay for project costs, prior to property tax increment and other project funds becoming available. According to Ms. Benassini, the Infrastructure Financing Plan assumes that the developer will contribute \$193.3 million (in 2017 dollar equity) or \$217.6 million (in nominal dollar equity) through 2029.

According to Ms. Benassini, proceeds from the sale of land or prepayment of ground leases are assumed one month prior to construction of each parcel and are available to pay for project costs immediately.

The Port also anticipates issuing the first bond in 2019 and subsequent bonds as vertical leases are signed and construction begins on buildings. Because the IFD Project Area I will not generate property tax increment in 2019, the bonds will be secured by CFD special tax assessments, subject to future Board of Supervisors approval of the CFD.

**Estimates of Annual Property Tax Increment Generated by Subproject Area I-1 through Subproject Area I-13**

Incremental property taxes generated by development of Subproject Area I-1 through Subproject Area I-13 depend on the assessed value of this development.

According to Ms. Benassini, the Infrastructure Financing Plan estimates that property tax increment above \$100,000 is forecasted to begin in FY 2020-21.

The project's assessed value has been estimated based on the anticipated value of the leasehold interest as parcels with horizontal improvements are transferred to vertical builders and the estimated cost of vertical improvements. According to Ms. Benassini, a report prepared by Keyser Marston Associates, Inc. estimates that the development of the Mission Rock Project will have an overall value of approximately \$500 (in 2017 dollar equity) per gross square foot of building and parking area. The projection assumes that construction costs increase at 3 percent per year and that the value of built-out parcels increase at 2 percent per year. Based on these assumptions, the report estimates that the Project's assessed value will stabilize in FY 2028-29 at which time its value will approximate \$2.6 billion, and it will generate approximately \$25.7 million of annual property tax/possessory tax increment. Allocating the City's share of property tax (64.59% of annual property tax increment), results in an estimated allocation of \$16.6 million property tax increment to the IFD. According to Ms. Benassini, the proposed Infrastructure Financing Plan for Project Area I's subproject areas estimates that approximately \$1.09 billion of cumulative tax increment will be allocated to the IFD over the life of the IFD.

The estimated cumulative<sup>7</sup> and maximum tax increment allocation amounts from each subproject area are shown in Exhibit 4 below.

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<sup>7</sup> According to Ms. Benassini, pursuant to the IFD Law, the cumulative amount of tax increment to be allocated to each subproject area is subject to a maximum cap. An estimate of the cap has been established based on the assumption that assessed values increase at an average annual rate of 5 percent per year and that construction

**Exhibit 4. Estimated Cumulative and Maximum Tax Increment Allocation by Subproject Area**

<b>Sub- Project Area</b>	<b>Estimate of Projected Cumulative Tax Increment Allocated over 45-year Term (Nominal)</b>	<b>Maximum Limit on Cumulative Tax Increment Allocated over 45-year Term (Nominal)</b>
I-1	\$125 million	\$370 million
I-2	\$80 million	\$236 million
I-3	\$110 million	\$384 million
I-4	\$253 million	\$829 million
I-5	\$47 million	\$170 million
I-6	\$108 million	\$411 million
I-7	\$90 million	\$266 million
I-8	\$52 million	\$182 million
I-9	\$72 million	\$280 million
I-10	\$53 million	\$204 million
I-11	\$42 million	\$130 million
I-12	\$57 million	\$240 million
I-13	\$0 million	\$143 million
<b>Project Area I Total</b>	<b>\$1.09 billion (nominal); \$447,000 (2017 dollars)</b>	<b>\$3.85 billion (nominal); \$1.40 billion (2017 dollars)</b>

**Bond Issuance**

The proposed resolution (File 17-1118) provides for the intent to issue bonds, secured by property tax increment. The bond authorization would be for up to \$1.378 billion<sup>8</sup> for the project.

According to Ms. Benassini, the Port anticipates issuing a combination of (1) CFD bonds backed by special taxes and IFD tax increment; (2) CFD bonds backed only by special taxes; and (3) IFD bonds backed by tax increment.

Ms. Benassini states that the proposed Infrastructure Financing Plan's assumptions for the bond authorization include an interest rate of 6 percent, a term of 30 years, issuance cost of 4 percent, reserves of 8 percent, and an annual debt service cover ratio of 1.1.

The proposed resolution (File 17-1118) states that the Board of Supervisors intends to authorize the issuance and sale of bonds for Project Area I or any of the subproject areas in the maximum not-to-exceed amount of \$1.378 billion, but that the resolution does not obligate the Board of Supervisors to issue bonds.

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costs increase at 12 percent per year. For context, the citywide assessment roll has increased at an average annual rate of 6 percent since FY 2004-05.

<sup>8</sup>According to the Port, the maximum bond authorization is estimated by discounting the maximum projected tax increment by 3 percent to simulate a favorable bond environment.

**Summary**

The formation of the Port IFD Project Area I, including the Infrastructure Financing Plan, and the issuance of bonds secured by Port IFD Project Area I property tax increment are subject to future Board of Supervisors approval. The Port has not submitted the Infrastructure Financing Plan to the Board of Supervisors as of the writing of this report. The Board of Supervisors should request the Port to include in the Infrastructure Financing Plan: (a) specific definition of public facilities to be funded by the property tax increment generated by the Port IFD Project Area I, (b) details on the total limit on the property tax increment allocated to the Port IFD Project Area I, including the 200 percent contingency factor, and (c) detailed cash flow analysis of sources and uses of project funds.

**POLICY CONSIDERATION**

As noted in the Budget and Legislative Analyst's report to the October 19, 2017 Budget and Finance Committee, IFD 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 Ms. Benassini, bonds may be issued by the IFD formed within the 13 subproject areas or by the CFD. While the proposed legislation states the City's intention to issue IFD bonds, Ms. Benassini states that the proposed 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. Legislation to approve formation of CFD atop the 13 subproject areas has not been introduced.

**RECOMMENDATIONS**

1. Request the Port Executive Director to include in the Infrastructure Financing Plan: (a) specific definition of public facilities to be funded by the property tax increment generated by the Port IFD Project Area I, (b) details on the total limit on the property tax increment allocated to the Port IFD Project Area I, including the 200 percent contingency factor, and (c) detailed cash flow analysis of sources and uses of project funds.
2. Approve the proposed resolutions.