

File No. 241098

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date December 4, 2024

Board of Supervisors Meeting Date _____

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input 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 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)

<input checked="" type="checkbox"/>	<input type="checkbox"/>	Exhibit A – Improvement Area No. 3
<input checked="" type="checkbox"/>	<input type="checkbox"/>	OPF/TIDA Presentation 12/4/2024
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Completed by: Brent Jalipa Date November 26, 2024

Completed by: Brent Jalipa Date _____

1 [Authorizing Stage 2 Contribution - City and County of San Francisco Community Facilities
2 District No. 2016-1 and Annexation of Property as Improvement Area No. 3]

3 **Resolution authorizing the Stage 2 Contribution as debt of the City and County of San**
4 **Francisco Community Facilities District No. 2016-1 (Treasure Island) with respect to**
5 **one or more improvement areas; confirming that property is annexed to the City and**
6 **County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) as**
7 **Improvement Area No. 3 of the City and County of San Francisco Community Facilities**
8 **District No. 2016-1 (Treasure Island); and determining other pertinent matters in**
9 **connection therewith.**

10
11 WHEREAS, The City and County of San Francisco ("City") created the Treasure Island
12 Development Authority ("Authority") in 1997 to serve as the entity responsible for the reuse
13 and development of Naval Station Treasure Island, which encompasses Treasure Island (also
14 referred to as "TI") and portions of Yerba Buena Island (also referred to as "YBI"); and

15 WHEREAS, In 2003, the Authority Board of Directors selected Treasure Island
16 Community Development, LLC ("TICD" or "Developer") as the master developer for portions
17 of Treasure Island and Yerba Buena Island; and

18 WHEREAS, The Board of Supervisors approved the DDA (as defined below) pursuant
19 to Resolution No. 241-11 on June 7, 2011, which the Mayor signed on June 13, 2011; on
20 June 28, 2011, the Authority and the Developer entered into the Disposition and Development
21 Agreement ("DDA"); and

22 WHEREAS, The Board of Supervisors approved the DA (as defined below) on
23 June 14, 2011, pursuant to Ordinance No. 95-11, which the Mayor signed on June 15, 2011;
24 on June 28, 2011, the City and the Developer entered into the Development Agreement
25 ("DA"); and

1 WHEREAS, The DA, DDA, and the Special Use District in Planning Code,
2 Section 249.52 contemplate a project ("Treasure Island Project") on Treasure Island and
3 Yerba Buena Island that includes up to 8,000 units of housing, 140,000 square feet of
4 commercial and retail space, 100,000 square feet of office space, and up to approximately
5 300 acres of parks and open space, a ferry terminal, new and upgraded streets, and
6 extensive bicycle, pedestrian, and transit facilities; and

7 WHEREAS, On April 21, 2011, the Planning Commission by Motion No. 18325 and the
8 Board of Directors of the Authority, by Resolution No. 11-14-04/21, as co-lead agencies,
9 certified the completion of the Final Environmental Impact Report ("FEIR") for the Treasure
10 Island Project; unanimously approved a series of entitlement and transaction documents
11 relating to the Project; made certain environmental findings under the California
12 Environmental Quality Act ("CEQA"), and adopted a mitigation and monitoring and reporting
13 program ("MMRP") for the Treasure Island Project; and

14 WHEREAS, On June 7, 2011, in Motion No. M11-0092, the Board of Supervisors
15 unanimously affirmed certification of the FEIR, and in Resolution No. 246-11, which was
16 signed by the Mayor on June 13, 2011, adopted the CEQA findings and the MMRP; and

17 WHEREAS, On April 23, 2024, pursuant to Resolution No. 196-24, which the Mayor
18 signed on May 3, 2024, the Board of Supervisors approved an amendment and restatement
19 of the DDA, including an amendment and restatement of the Financing Plan, and encouraged
20 City staff to (i) finalize the terms of a general fund-backed public financing that will generate a
21 maximum of \$115,000,000 of net proceeds ("Stage 2 Alternative Financing") for the Qualified
22 Project Costs (as defined in the DDA) related to development within the boundaries of Stage 2
23 of the Treasure Island Project, or as required to serve development within the boundaries of
24 Stage 2, that are eligible to be financed by CFD Bonds and IFD Debt (as defined in the DDA)
25 the interest on which is excluded from gross income for federal income tax purposes ("Stage 2

1 Qualified Project Costs”) and (ii) bring the final terms to the Board of Supervisors for
2 authorization within the time frame City staff reasonably believe is beneficial for the Treasure
3 Island Project; and

4 WHEREAS, On April 30, 2024, pursuant to Ordinance No. 93-24, which the Mayor
5 signed on May 10, 2024, the Board of Supervisors approved an amendment to the
6 Development Agreement, to amend and restate the Financing Plan in a manner consistent
7 with the amendment and restatement of the Financing Plan as attached to the DDA; and

8 WHEREAS, The amended and restated Financing Plan provides for a Stage 2
9 Contribution, which is defined as follows (capitalized terms used below have the meanings
10 given to them in the amended and restated Financing Plan):

11 “Stage 2 Contribution” means, beginning in the first Fiscal Year in which
12 the initial tranche of Certificates of Participation is executed and delivered
13 and continuing through the Fiscal Year in which the Stage 2 Contribution
14 Termination Date occurs, an annual amount equal to \$550,000 that is
15 payable from a combination of Remainder Taxes and Net Available
16 Increment as set forth in this Financing Plan. The City will use the Stage 2
17 Contribution, in its discretion, either (i) to pay lease payments related to
18 the Certificates of Participation, or (ii) with respect to any portion of the
19 Stage 2 Contribution funded from Net Available Increment, to pay debt
20 service on IFD Debt or (iii) with respect to any portion of the Stage 2
21 Contribution funded from Remainder Special Taxes, to pay debt service
22 on CFD Bonds; and

23 WHEREAS, The Board of Supervisors wishes to authorize the Stage 2 Contribution as
24 a debt of the City and County of San Francisco Community Facilities District No. 2016-1
25 (Treasure Island) (“CFD”) with respect to the improvement areas of the CFD, with an

1 aggregate principal amount of \$25,000,000 to be allocated among such improvement areas
2 as determined by the Director of the Office of Public Finance in consultation with the City
3 Attorney; and

4 WHEREAS, On the same date as the Board of Supervisors considers this Resolution,
5 an ordinance was introduced at the Board of Supervisors, authorizing certificates of
6 participation in the maximum principal amount of \$65,000,000 ("Certificates"), which
7 Certificates constitute the first tranche of the Stage 2 Alternative Financing and, in accordance
8 with California Government Code, Section 5852.1, the Board of Supervisors has obtained and
9 good faith estimates have been prepared by the City's independent municipal advisor of (i) the
10 true interest cost of the Certificates, (ii) the finance charge of the Certificates, (iii) the amount
11 of proceeds received by the public body for sale of the Certificates less the finance charge
12 and any reserves or capitalized interest paid or funded with proceeds of the Certificates, and
13 (iv) the sum total of all payments the City will make to pay the lease payment evidenced by
14 the Certificates plus the finance charge of the Certificates not paid with the proceeds of the
15 Certificates; and

16 WHEREAS, The Stage 2 Contribution is a fixed annual amount that the Board of
17 Supervisors expects to use to pay the lease payments represented by the Certificates, and,
18 as such, the disclosure of such good faith estimates constitutes compliance with California
19 Government Code, Section 5852.1 with respect to the Stage 2 Contribution; and

20 WHEREAS, The Board of Supervisors has previously conducted proceedings under
21 and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5
22 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California
23 Government Code ("Act"), to form (i) the CFD, (ii) an initial improvement area, designated
24 "Improvement Area No. 1 of the City and County of San Francisco Community Facilities
25 District No. 2016-1 (Treasure Island)" ("Improvement Area No. 1") and (iii) "City and County of

1 San Francisco Community Facilities District No. 2016-1 (Treasure Island) (Future Annexation
2 Area)" ("Future Annexation Area"); and

3 WHEREAS, Pursuant to Resolution No. 8-17, which was adopted by the Board of
4 Supervisors on January 24, 2017, and signed by the Mayor on February 3, 2017 ("Resolution
5 of Formation"), the Board of Supervisors provided for, among other things, (i) the financing of
6 certain public facilities ("Facilities") and the costs of Ongoing Park Maintenance (as defined in
7 the amended and restated Financing Plan) and (ii) the annexation of parcels in the Future
8 Annexation Area to the CFD pursuant to a unanimous approval ("Unanimous Approval") of the
9 owner or owners of such parcels in accordance with certain "Annexation Approval
10 Procedures" specified in the Resolution of Formation; and

11 WHEREAS, In the Resolution of Formation, the Board of Supervisors provided that
12 property within the Future Annexation Area may be annexed into the CFD as its own
13 improvement area (a "Future Improvement Area") or to an existing improvement area; and

14 WHEREAS, On January 24, 2017, the Board of Supervisors also adopted its
15 Resolution No. 9-17, which was signed by the Mayor on February 3, 2017 ("Resolution of
16 Necessity"), determining the necessity to incur bonded indebtedness and other debt (as
17 defined in the Act) (i) in the maximum aggregate principal amount of \$250,000,000 upon the
18 security of the special tax to be levied within Improvement Area No. 1 pursuant to the Act and
19 (ii) in the aggregate principal amount of \$4,750,000,000 with respect to those portions of the
20 CFD that are not included in Improvement Area No. 1 ("Non-Improvement Area No. 1
21 Indebtedness Limit"); and

22 WHEREAS, In the Resolution of Necessity, the Board of Supervisors further provided
23 that in the event all or a portion of the Future Annexation Area is annexed as one or more
24 Future Improvement Areas, the maximum indebtedness of each such Future Improvement
25 Area shall be identified and approved in the Unanimous Approval of the property owners of

1 the property to be annexed at the time of the annexation, and the amount of the maximum
2 indebtedness for the Future Improvement Area shall be subtracted from the Non-Improvement
3 Area No. 1 Indebtedness Limit; and

4 WHEREAS, Section 53329.6 of the Act provides that a Unanimous Approval
5 constitutes the vote of the qualified elector in favor of the matters addressed in the Unanimous
6 Approval for purposes of the California Constitution, including, but not limited to, Articles XIII A
7 and XIII C; and

8 WHEREAS, Section 53350(b) of the Act provides that, (i) in connection with the
9 annexation by Unanimous Approval to a community facilities district of a parcel that was
10 included in territory proposed for annexation in the future to the community facilities district,
11 the local agency may designate a parcel or parcels as an improvement area within the
12 community facilities district, (ii) the designation of a parcel or parcels as an improvement area
13 shall be specified and approved by the Unanimous Approval of the owner or owners of each
14 parcel or parcels at the time that the parcel or parcels are annexed to the community facilities
15 district, (iii) no additional hearings or procedures are required and (iv) after the designation of
16 a parcel or parcels as an improvement area, all proceedings for approval of the appropriations
17 limit, the rate and method of apportionment and manner of collection of special taxes, and the
18 authorization to incur bonded indebtedness for the parcel or parcels shall apply only to the
19 improvement area; and

20 WHEREAS, Pursuant to Resolution No. 410-20, which was adopted by the Board of
21 Supervisors on September 22, 2020, and signed by the Mayor on September 25, 2020, the
22 Board of Supervisors (i) confirmed that a Unanimous Approval was received which identifies,
23 specifies, and approves the annexation of property from the Future Annexation Area to an
24 improvement area known as "Improvement Area No. 2 of the City and County of San
25 Francisco Community Facilities District No. 2016-1 (Treasure Island)" ("Improvement Area

1 No. 2”), (ii) confirmed that the maximum aggregate principal amount of bonds and other debt
2 for Improvement Area No. 2 shall be \$278,200,000 and (iii) confirmed the rate and method of
3 apportionment of special tax for Improvement Area No. 2 as shown in Exhibit A to such
4 Resolution; and

5 WHEREAS, The Board of Supervisors has received a Unanimous Approval, dated
6 December 7, 2020, executed by Treasure Island Series 1, LLC, a Delaware limited liability
7 company, the owner of certain property in the Future Annexation Area, namely Assessor’s
8 Parcel Number(s) 8906-007, 8903-003, and 8902-004 (“Annexation Property”), and the
9 Unanimous Approval identifies, specifies, and approves the annexation of the Annexation
10 Property to the CFD as a separate improvement area to be known as “Improvement Area No.
11 3 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure
12 Island)” (“Improvement Area No. 3”), and other related matters; and

13 WHEREAS, The Board of Supervisors has received a letter from the Director of the
14 Office of Public Finance, dated January 4, 2021, accepting the annexation described in the
15 Unanimous Approval and determining that the Annexation Approval Procedures set forth in
16 the Resolution of Formation have been met; and

17 WHEREAS, Section 53339.8 of the Act provides that upon a determination by the
18 legislative body that the area proposed to be annexed is added to the existing community
19 facilities district, the clerk of the legislative body shall record notice of the annexation pursuant
20 to Section 3114.5 of the California Streets and Highways Code; and

21 WHEREAS, In the Resolution of Formation, the Board of Supervisors determined that
22 any property for which the owner or owners execute a Unanimous Approval in accordance
23 with the Annexation Approval Procedures specified above shall be added to the CFD as a
24 new improvement area and the Clerk of the Board of Supervisors shall record a notice of
25

1 special tax lien for the CFD pursuant to Section 3117.5 of the California Streets and Highways
2 Code; and

3 WHEREAS, The Clerk of the Board of Supervisors recorded a Notice of Special Tax
4 Lien for Improvement Area No. 3 on February 8, 2021, as Document #2021021229; and

5 WHEREAS, The Board of Supervisors wishes to confirm that the Annexation Property
6 is added to the CFD as Improvement Area No. 3 and to confirm, order, and direct other
7 related matters; and

8 WHEREAS, The City, for itself and for and on behalf of the CFD, the Authority, the City
9 and County of San Francisco Infrastructure and Revitalization Financing District No. 1
10 (Treasure Island) and Zions Bancorporation, National Association have entered into a Special
11 Fund Administration Agreement, dated as of September 1, 2022 ("Special Fund
12 Administration Agreement"), and the Board of Supervisors, as legislative body with respect to
13 the CFD, wishes to authorize an amendment to the Special Fund Administration Agreement to
14 the extent necessary to provide for the Stage 2 Alternative Financing and the payment of the
15 Stage 2 Contribution; and

16 WHEREAS, All conditions, things, and acts required to exist, to have happened, and to
17 have been performed precedent to the authorization of the Stage 2 Contribution and the levy
18 of the special taxes as contemplated by this Resolution exist, have happened, and have been
19 performed in due time, form, and manner as required by the laws of the State of California,
20 including the Act; now, therefore, be it

21 RESOLVED, That the foregoing recitals are all true and correct; and, be it

22 FURTHER RESOLVED, That pursuant to the Act and this Resolution, the Board of
23 Supervisors hereby authorizes the Stage 2 Contribution as a debt of the CFD with respect to
24 Improvement Area No. 1, Improvement Area No. 2, Improvement Area No. 3, and each Future
25 Improvement Area, with a principal amount of \$25,000,000 to be allocated among such

1 improvement areas as determined by the Director of the Office of Public Finance in
2 consultation with the City Attorney; and, be it

3 FURTHER RESOLVED, That although the special taxes levied in each such
4 improvement area shall be available to fund the Stage 2 Contribution, such special taxes are
5 not pledged as security for the Stage 2 Contribution and such special taxes shall be available
6 to fund the Stage 2 Contribution in the priority order specified in the amended and restated
7 Financing Plan; and, be it

8 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
9 the City with respect to the establishment of the CFD, Improvement Area No. 1, Improvement
10 Area No. 2, Improvement Area No. 3, and the Future Annexation Area, the performance by
11 the City and the Authority of the amended and restated Financing Plan, and authorization of
12 the Stage 2 Contribution are hereby approved, confirmed, and ratified, and the Mayor, the
13 Controller, and the Director of the Office of Public Finance, or such other official of the City as
14 may be designated by such officials (each, an "Authorized Officer"), are hereby authorized
15 and directed to do any and all things and take any and all actions and execute any and all
16 certificates, agreements, and other documents, which they, or any of them, may deem
17 necessary or advisable in order to consummate the payment of the Stage 2 Contribution in
18 accordance with this Resolution. All actions to be taken by an Authorized Officer may be
19 taken by such Authorized Officer or any designee, with the same force and effect as if taken
20 by the Authorized Officer. Any such actions are solely intended to further the purposes of this
21 Resolution, and are subject in all respects to the terms of this Resolution. No such actions
22 shall increase the risk to the City or the CFD, or require the City or the CFD to spend any
23 resources not otherwise granted herein. Final versions of any such documents shall be
24 provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days
25 (or as soon thereafter as final documents are available) of execution by all parties; and, be it

1 FURTHER RESOLVED, That the City, for and on behalf of itself and the CFD, is
2 hereby authorized and directed to execute and deliver any amendment to the Special Fund
3 Administration Agreement that an Authorized Officer determines is necessary to provide for
4 the Stage 2 Alternative Financing and the payment of the Stage 2 Contribution; and, be it

5 FURTHER RESOLVED, That the Board of Supervisors has received the Unanimous
6 Approval specifying and approving the annexation of the Annexation Property as a separate
7 improvement area and approving other related matters; and, be it

8 FURTHER RESOLVED, That in furtherance of the Resolution of Formation, and in
9 conformance with the Act, the Board of Supervisors hereby confirms that the Annexation
10 Property has been added to the CFD as a Future Improvement Area and is designated
11 "Improvement Area No. 3 of the City and County of San Francisco Community Facilities
12 District No. 2016-1 (Treasure Island)"; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby acknowledges that the
14 Clerk of the Board of Supervisors recorded a Notice of Special Tax Lien for Improvement Area
15 No. 3 on February 8, 2021, as Document #2021021229, and hereby ratifies and confirms its
16 direction to the Clerk of the Board of Supervisors set forth in the Resolution of Formation to
17 record notice of the annexation pursuant to Section 3117 of the California Streets and
18 Highways Code; and, be it

19 FURTHER RESOLVED, That the owner of the Annexation Property has caused to be
20 prepared a map showing the boundaries of the CFD, Improvement Area No. 1, Improvement
21 Area No. 2, Improvement Area No. 3, and the Future Annexation Area, and the Board of
22 Supervisors directs the Clerk of the Board of Supervisors to record a consolidated map of the
23 boundaries of the CFD, and to record additional such maps from time to time as Unanimous
24 Approvals are received from property owners in the Future Annexation Area; and, be it

1 FURTHER RESOLVED, That the Board of Supervisors hereby confirms that the
2 maximum aggregate principal amount of bonds and other debt for Improvement Area No. 3,
3 as specified and approved by a vote of the qualified elector(s) in Improvement Area No. 3
4 pursuant to the Unanimous Approval, shall be \$731,400,000 and that, as a result of
5 subtracting such amount from the Non-Improvement Area No. 1 Indebtedness Limit, the
6 remaining Non-Improvement Area No. 1 Indebtedness Limit shall be \$3,740,400,000; and, be
7 it

8 FURTHER RESOLVED, That the Board of Supervisors hereby confirms that the rate
9 and method of apportionment of the Special Tax among the parcels of real property within
10 Improvement Area No. 3, as specified and approved by a vote of the qualified elector(s) in
11 Improvement Area No. 3 pursuant to the Unanimous Approval, are shown in Exhibit A
12 attached hereto and hereby incorporated herein; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby confirms that the annual
14 appropriations limit of Improvement Area No. 3, as defined by subdivision (h) of Section 8 of
15 Article XIII B of the California Constitution, as specified and approved by a vote of the
16 qualified elector(s) in Improvement Area No. 3 pursuant to the Unanimous Approval, is
17 \$212,700,000; and, be it

18 FURTHER RESOLVED, That the CEQA findings adopted by the Board of Supervisors
19 in Resolution No. 246-11 are incorporated in this Resolution as if set forth in their entirety
20 herein. No changes have occurred in the project studied in the FEIR, or in the circumstances
21 under which that project will be undertaken, and no new information that was not available at
22 the time the FEIR was certified has become available that would warrant preparation of a
23 subsequent or supplemental environmental impact report; and, be it

24 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or
25 word of this Resolution, or any application thereof to any person or circumstance, is held to be

1 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
2 shall not affect the validity of the remaining portions or applications of this Resolution, this
3 Board hereby declaring that it would have passed this Resolution and each and every section,
4 subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional
5 without regard to whether any other portion of this Resolution or application thereof would be
6 subsequently declared invalid or unconstitutional; and, be it

7 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,
8 consistent with any documents presented herein, and heretofore taken are hereby ratified,
9 approved, and confirmed by this Board; and, be it

10 FURTHER RESOLVED, That this Resolution shall take effect upon its enactment.
11 Enactment occurs when the Mayor signs the resolution, the Mayor returns the resolution
12 unsigned or does not sign the resolution within ten days of receiving it, or the Board of
13 Supervisors overrides the Mayor's veto of the resolution; and, be it.

14 FURTHER RESOLVED, That the provisions of any previous resolutions in any way
15 inconsistent with the provisions hereof in and for the authorization of the Stage 2 Contribution
16 as debt of the CFD with respect to the improvement areas as herein described are hereby
17 repealed.

18 APPROVED AS TO FORM:
19 DAVID CHIU, City Attorney

20 By: /s/ MARK D. BLAKE
21 MARK D. BLAKE
22 Deputy City Attorney

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24
25

Items 2-6 Files 24-1085, 24-1086, 24-1098, 24-1099, & 24-1138	Department: Treasure Island Development Authority (TIDA) Office of Public Finance (OPF), Office of Economic and Workforce Development (OEWD)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinances and resolutions would: (1) authorize the execution and delivery of Certificates of Participation (COPs) in an aggregate principal amount not to exceed \$65,000,000 as the first tranche of Stage 2 Alternative Financing for the Treasure Island project (File 24-1085); (2) appropriate \$65,550,000 to the Treasure Island Development Authority (TIDA) and place the amount on Controller’s Reserve in FY 2024-25 (File 24-1086); (3) authorize the Stage 2 contribution as debt to the Treasure Island Community Facilities District (CFD) and confirm that the property is annexed into the CFD as Improvement Area No. 3 of the CFD (File 24-1098); (4) authorize the Stage 2 contribution as debt of the Treasure Island Infrastructure and Revitalization Financing District (IRFD) (File 24-1099); and (5) amend the City’s 10-year Capital Expenditure Plan for FY 2024-33 (File 24-1138). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In April 2024, the Board of Supervisors approved an Amended and Restated Disposition and Development Agreement (DDA) for the Treasure Island/Yerba Buena Island Development Project with a new financing plan that anticipated \$115 million in General Fund COPs to be issued in three tranches, subject to Board of Supervisors’ approval. The plan redirected \$550,000 per year in residual property tax increment and residual special taxes to the City to offset the lease payments from the General Fund over the term of the COPs. The proposed action would authorize the first tranche of COPs, as well as authorize the CFD and IRFD to contribute \$550,000 in annual residual property tax increment and special taxes to pay debt service on the COPs. The Capital Expenditure Plan would be amended to account for the proposed COPs. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed legislation would authorize the issuance of Treasure Island COPs in a principal amount not to exceed \$65,000,000. The COP proceeds, as well as \$550,000 in Treasure Island IRFD tax increment and CFD special taxes, would be appropriated for TIDA and placed on Controller’s Reserve The City would pay COP debt service of approximately \$5.75 million per year for 20 years, of which approximately \$5.2 million would be paid for by the General Fund. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Because the proposed action is consistent with previous Board action, we recommend approval of the proposed ordinances and resolution. 	

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding general fund appropriation debt does not exceed 3.25 percent of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) any modification of such contracts of more than \$500,000 is subject to Board of Supervisors approval.

Administrative Code Section 3.20 states that the Mayor and Board of Supervisors shall review, update, amend, and adopt by resolution the ten-year capital expenditure plan by May 1 every odd-numbered year and may update the plan as necessary.

BACKGROUND

The Treasure Island/Yerba Buena Island Development Project (Project) is part of the Treasure Island Development Authority's (TIDA) ongoing project to transition Treasure Island and a portion of Yerba Buena Island from a former military base to a residential and commercial development. In 2011, the Board of Supervisors approved the Development Agreement between the City and Treasure Island Community Development, LLC (TICD)¹, the master developer for the Treasure Island development project, and the Disposition and Development Agreement (DDA) between TIDA and TICD (Files 11-0226 and 11-0291). The Project includes up to 8,000 residential units, including 2,173 affordable units (27.2 percent), as well as retail and commercial space, up to 500 hotel rooms, and 300 acres of public open space. To date, on Yerba Buena Island, 124 condominium units were completed in 2022, with an additional 31 flats and townhomes finished in 2024. On Treasure Island, over 240 affordable housing units have been completed and fully leased, with nearly 600 additional units, both affordable and market-rate, currently under construction and expected to be completed by late 2024 or mid-2025. Infrastructure improvements include new roadways and utilities accepted by the City in March 2024. Four public parks were completed in 2024, with three more anticipated by 2025.

¹ TICD is a limited liability company owned by Stockbridge Capital Group, Wilson Meany, Kenwood Investments, and Lennar Corporation.

The Project is phased over eight stages for a total estimated budget of approximately \$2.56 billion. Under the DDA's Financing Plan, public infrastructure costs are paid for by the developer and then reimbursed over time by long-term public financing support by growth in property tax increment (through an Infrastructure and Revitalization Financing District) and special tax revenues (through a Community Facilities District).

In April 2024, the Board of Supervisors approved an amended and restated DDA and an amendment to the DA which extended the timeline for project completion by eight years from 2034 to 2042 and amended the financing plan (File 24-0202 and 24-0198). Due to the limited availability of tax increment financing and special tax bonds for the project, the new financing plan anticipated \$115 million in General Fund Certificates of Participation (COPs) to be issued in three tranches, subject to Board of Supervisors' approval. The plan redirected \$550,000 per year in residual property tax increment and residual special taxes to the City to offset the lease payments from the General Fund over the term of the COPs. The plan also stated that the City's General Fund would not be available to provide financing to the project beyond Stage 2 alternate financing.

To support the issuance of COPs for the Treasure Island project, TIDA, the Office of Public Finance (OPF), and Office of Economic and Workforce Development (OEWD) have prepared several pieces of legislation, as shown below.

DETAILS OF PROPOSED LEGISLATION

The proposed legislation is shown as follows:

1. Ordinance authorizing the execution and delivery of COPs in an aggregate principal amount not to exceed \$65,000,000 as the first tranche of Stage 2 Alternative Financing for the Treasure Island project and approving related documents and actions (File 24-1085). The proposed ordinance also approves associated transaction documents;
2. Ordinance appropriating \$65,550,000 to TIDA, including \$65,000,000 of COP proceeds, \$383,948 of Treasure Island Infrastructure and Revitalization Financing District (IRFD) tax increment, and \$166,052 of Treasure Island Community Facilities District (CFD) special taxes, and placing these amounts on Controller's Reserve in FY 2024-25 (File 24-1086);
3. Resolution authorizing the Stage 2 contribution as debt to the Treasure Island CFD and confirming that the property is annexed into the CFD as Improvement Area No. 3 of the CFD (File 24-1098) and associated transaction documents;
4. Resolution authorizing the Stage 2 contribution as debt of the Treasure Island IRFD (File 24-1099) and associated transaction documents; and
5. Resolution amending the City's 10-year Capital Expenditure Plan for FY 2024-33 (File 24-1138).

The COPs would be used to fund improvements in the Stage 2 area of the Treasure Island Project. This includes geotechnical studies, demolition of existing structures, deep utility work, and roadway infrastructure. The COP ordinance authorizes a lease for City property at 1995 Evans

Avenue to secure the COPs. This authorization is the first of three anticipated tranches of Treasure Island COPs, totaling \$115 million in proceeds.

Infrastructure and Revitalization Financing District and Community Facilities District

The legislation includes two resolutions that authorize the Stage 2 contribution as debt to the Treasure Island IRFD and CFD in maximum principal amounts not to exceed \$25 million each. This mechanism allows \$550,000 in annual residual property tax increment and special taxes to pay debt service on the COPs. These revenues would not be pledged as security for the COP debt service but may be used to pay for such debt service, up to \$550,000 per year.

Under the DDA's Financing Plan, 17.5 percent of IRFD revenues are set-aside for housing and 82.5 percent of IRFD revenues are set-aside for infrastructure. Under the proposed IRFD resolution (File 24-1099), only the facilities portion of the revenues would be allowed to pay for COP debt service.

Capital Plan Amendment

The proposed Capital Plan Amendment memorializes changes to the City's use of COP debt to finance capital projects through FY 2031-32, as required by the Administrative Code and by the 2024 ordinance authorizing changes to the Treasure Island DDA. The 10-year Capital Expenditure Plan for FY 2024-33 includes \$70 million in COPs to finance the acquisition and improvement of a replacement building for the Human Service Agency's headquarters at 170 Otis Street. Since the City plans to move a portion of staff and programs from 170 Otis Street to a leased facility at 1455 Market Street, the City will pursue a smaller replacement project and the Capital Planning Committee is proposing to reduce the 170 Otis Street COPs from \$70 million to \$55 million and delaying the issuance from FY 2023-24 to FY 2025-26. The Capital Planning Committee has also proposed increasing the FY 2024-25 Critical Repairs COPs from \$30 million to \$45 million to enhance the street paving program (the issuance of which was already approved by the Board of Supervisors, File 24-0784). Finally, the proposed Capital Plan amendment delays full funding of the Hall of Justice Replacement Project from FY 2029-30 to FY 2031-32 (which was not stated in the resolution). The changes are shown in Exhibit 1 below:

Exhibit 1: Proposed Capital Plan Amendment, COP Schedule (\$ in Millions)

<u>Current</u>			<u>Proposed</u>		
Issuance	Project	Amount	Issuance	Project	Amount
FY 2024	HSA HQ Relocation	\$70	FY 2024	Critical Repairs	\$30
FY 2024	Critical Repairs	30	FY 2024	Street Resurfacing	30
FY 2024	Street Resurfacing	30	FY 2025	Critical Repairs & Street Resurfacing	45
FY 2025	Critical Repairs	30	FY 2025	Treasure Island	50
FY 2027	HOJ Replacement	167	FY 2026	HSA HQ Relocation	55
FY 2030	HOJ Replacement	200	FY 2026	Treasure Island	50
Total		\$527	FY 2027	Treasure Island	15
<u>By Fiscal Year</u>			FY 2027	HOJ Replacement	157
FY 2024		130	FY 2030	HOJ Replacement	180
FY 2025		30	FY 2032	HOJ Replacement	30
FY 2027		167	Total		\$642
FY 2030		200	<u>By Fiscal Year</u>		
Total		\$527	FY 2024		\$60
			FY 2025		95
			FY 2026		105
			FY 2027		172
			FY 2030		180
			FY 2032		30
			Total		\$642

Source: Proposed resolution

It is anticipated that the Treasure Island COPs will be issued in three tranches as follows: \$50 million in FY 2024-25, \$50 million in FY 2025-26, and \$15 million in FY 2026-27.

FISCAL IMPACT

The proposed legislation would authorize the issuance of Treasure Island COPs in a principal amount not to exceed \$65,000,000. The COP proceeds, as well as \$550,000 in Treasure Island IRFD tax increment and CFD special taxes, would be appropriated for TIDA and placed on Controller's Reserve. The sources and uses of the appropriation are shown in Exhibit 2 below.

Exhibit 2: Estimated Sources and Uses of COPs

Sources	Amount
COP Proceeds	\$65,000,000
Infrastructure Financing District Revenues	383,948
Special Tax Proceeds	166,052
Total Sources	\$65,550,000
Uses	Amount
Project Fund	\$50,000,000
Capitalized Interest	5,705,756
Debt Service Reserve Fund	5,754,249
Cost of Issuance	800,000
Debt Service, IRFD & CFD	550,000
Underwriter's Discount	439,600
CSA Audit Fee (0.2%)	100,000
Reserve for Market Uncertainty	2,200,395
Total Uses	\$65,550,000

Source: Appropriation Ordinance

The estimates above are based on good faith estimates provided to OPF by KNN Public Finance. Based on an estimated 6.34 percent true interest cost and an anticipated par amount of \$62.8 million, the total debt service paid over the estimated 20-year term of the COPs is approximately \$113.1 million. Based on market conditions, OPF reports that the COPs may be structured with up to a 30-year term. Debt service would be paid by annual \$550,000 residual tax increment and special tax revenue from Treasure Island, with the remainder paid by the City's General Fund.

The 2024 ordinance authorizing the Amended and Restated DDA required the Treasure Island COP debt service not be paid from the General Fund until FY 2026-27. According to debt service projections provided by the Office of Public Finance, the proposed COPs would be issued in FY 2024-25 but the first debt service payment would occur in FY 2026-27. The proceeds would accrue capitalized interest totaling approximately \$5.7 million during FY 2024-25 and FY 2025-26, would then be paid down as part of the City's debt service payments, totaling an estimated \$5.75 million per year, of which approximately \$5.2 million would be paid for by the General Fund.

The proposed COPs would reimburse the Treasure Island developer on a monthly basis for eligible costs. This provides additional public financing for Stage 2 of the project, which otherwise would have to wait until the IRFD and CFD generate sufficient revenue. The COPs will reduce the reimbursement from these sources over the long-term.

City Debt Policy

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues. According to projections from the Controller's Office, the proposed COP authorization (including future tranches) would increase the debt service paid in FY 2028-29 to approximately 3.24 percent of General Fund revenues, just below

the 3.25 percent limit. According to Anna Van Degna, OPF Director, debt service may be less than this projected amount due to actual issuance of COPs being less than the maximum authorized amount and changes in interest rates. Furthermore, actual revenues in FY 2028-29 may exceed the current projections, which would reduce the percentage of revenues used on COP debt service (unless additional COPs are authorized).

Treasure Island Project Fiscal Impact

The Treasure Island Project is anticipated to eventually provide positive net revenue to TIDA and the City's General Fund. According to a November 2024 analysis by Keyser Marston Associates, the Treasure Island project will generate \$5.35 million in net new General Fund revenues (in 2016 dollars) at build-out. This figure accounts for new revenues generated from more residents and businesses on Treasure Island, property taxes diverted to the IRFD, new General Fund expenses to provide services for the new residents and businesses, and baseline transfers out of the General Fund. However, this estimate does not account for debt service paid on COPs, which may make the project negative net revenue until approximately 2053. Because the proposed action is consistent with previous Board of Supervisors action, the Budget and Legislative Analyst recommends approval.

RECOMMENDATION

Approve the proposed ordinances and resolutions.

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EXHIBIT A

IMPROVEMENT AREA NO. 3 RATE AND METHOD

(ATTACHED)

**IMPROVEMENT AREA NO. 3 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Taxable Parcel in Improvement Area No. 3 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Taxable Parcels, as described below. All Taxable Parcels in Improvement Area No. 3 shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 3.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Accessory Square Footage” means, within a non-residential building on a Taxable Parcel, any square footage within the building that is not used directly as part of the business or hotel operations, including, but not limited to, walkways, elevator shafts, mezzanines, corridors, and stairwells.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City and TIDA carrying out duties with respect to the CFD and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller’s Office and/or the City Treasurer and Tax Collector’s Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the City and any major property owner, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TIDA in any way related to the establishment or administration of the CFD.

“Administrator” means the Director of the Office of Public Finance or his/her designee who shall be responsible for administering the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land parcel.

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

“Association Property” means any property within the boundaries of Improvement Area No. 3 that is owned in fee or by easement by a homeowners association or property owners association and does not fall within a Land Use Category, not including any such property that is located directly under a residential structure.

“Authority Housing Lot” means the lots identified as owned or expected to be owned by TIDA, as originally shown in the Housing Plan, and as may be amended in the Development Approval Documents. Authority Housing Lots expected within Improvement Area No. 3 at the time Improvement Area No. 3 annexed into the CFD are identified in Attachment 3 hereto.

“Authority Housing Unit” means a For-Sale Unit or Rental Unit developed on an Authority Housing Lot.

“Authorized Expenditures” means those public facilities and public services authorized to be funded by the CFD as set forth in the documents adopted by the Board at CFD Formation, as may be amended from time to time.

“Base Facilities Special Tax” means, for any Land Use Category, the per-square foot Facilities Special Tax for square footage within such Land Use Category, as identified in Section C.2a below.

“Base Services Special Tax” means, for any Land Use Category, the per-square foot Services Special Tax for square footage within such Land Use Category, as identified in Section C.2b below.

“Base Special Tax” means, collectively, the Base Facilities Special Tax and Base Services Special Tax.

“Board” means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2016-1.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, that are issued or assumed by or for Improvement Area No. 3 to finance Authorized Expenditures and are secured by the Facilities Special Tax.

“Building Height” means the proposed height, as defined in the D4D, of a residential, non-residential, or mixed-use structure, as set forth on the Building Permit issued for the building, or if the height is not clearly indicated on the Building Permit, the height determined by reference to the Sub-Phase Application, Vertical DDA, condominium plan, or architectural drawings for the building. If there is any question as to the Building Height of any building in the CFD, the Administrator shall coordinate with the Review Authority to make the determination, and such determination shall be conclusive and binding.

“Building Permit” means the first permit, whether a site permit or building permit, issued by the City that, immediately upon issuance or ultimately after addenda to the permit, allows for vertical construction of a building or buildings.

“Capital Reserve Requirement” means, for the Project as a whole, the target amount of capital reserves to be established for Sea Level Rise Improvements, which shall be \$250 million in Fiscal Year 2016-17 dollars, escalating, on July 1, 2017 and on each July 1 thereafter, by the Escalator.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD” or **“CFD No. 2016-1”** means the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

“CFD Formation” means the date on which the Board approved documents to form the CFD.

“City” means the City and County of San Francisco, California.

“Commercial/Retail Square Footage” means the net saleable or net leasable square footage within a building that is or is expected to be square footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to, museums, restaurants, bars, entertainment venues, health clubs, spas, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, any other square footage in a building that is used for commercial, office, or industrial business operations and is not Accessory Square Footage or Association Property shall be taxed as Commercial/Retail Square Footage. Commercial/Retail Square Footage shall be determined based on reference to the condominium plan, site plan, Building Permit, or Development Approval Documents, or as provided by the Developer or the City. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Commercial/Retail Square Footage on any Parcel within Improvement Area No. 3, and such determination shall be conclusive and binding. Commercial/Retail Square Foot means a single square-foot unit of Commercial/Retail Square Footage. Incidental retail or commercial uses in an otherwise exempt building (e.g., a snack bar in a recreation center on Association Property) shall not constitute Commercial/Retail Square Footage.

“Converted Rental Residential Building” means, in any Fiscal Year, a building: (i) that had, in the prior Fiscal Year, been a Rental Residential Building, and (ii) within which one or more Residential Units have been sold to individual homeowners or investors, which investors shall not include parties involved in the sale of the building to a subsequent landlord that intends to operate the building as a Rental Residential Building. In the first Fiscal Year in which the Administrator identifies a building as a Converted Rental Residential Building, the Administrator shall determine if the building is part of a Low-Rise Project, Mid-Rise Project, Tower Project, or Townhome Project and, based on such determination, assign the Converted For-Sale Units in the building to the appropriate Residential Product Type. Rental Units in the Converted Rental Residential Building shall continue to be taxed as Rental Units unless and until such units become Converted For-Sale Units.

“Converted For-Sale Unit” means, in any Fiscal Year, an individual Residential Unit within a Converted Rental Residential Building for which an escrow has closed, on or prior to June 30 of the preceding Fiscal Year, in a sale to an individual homeowner or investor, as determined by the Administrator. Once identified, the Administrator shall categorize Converted For-Sale Units to the appropriate Residential Product Type for purposes of taxing the unit pursuant to this RMA.

“County” means the City and County of San Francisco, California.

“D4D” means the Treasure Island and Yerba Buena Island Design for Development, approved by the Planning Commission and TIDA, and dated June 28, 2011, and as amended from time to time.

“DA” means the Development Agreement Relative to Treasure Island/Yerba Buena Island, including all exhibits and attachments, executed by the City and TICD, dated June 28, 2011, and as amended from time to time.

“DDA” means the Disposition and Development Agreement (Treasure Island/Yerba Buena Island), including all exhibits and attachments, executed by TIDA and TICD, dated June 28, 2011, and as amended from time to time.

“Developed Property” means, in any Fiscal Year, all Taxable Parcels for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year, but not prior to January 1, 2015.

“Developer” means the developer of a Major Phase or Sub-Phase located in Improvement Area No. 3, which shall not include a Vertical Developer that has entered into a Vertical DDA.

“Developer Maintenance Payment” means a payment that TIDA requires to be made by the Developer to pay for Ongoing Park Maintenance as described in and pursuant to Section 2.7 of the Financing Plan.

“Development Approval Documents” means, collectively, any Major Phase Application, Sub-Phase Application, Vertical DDA, tentative subdivision map, Final Map, Review Authority approval, or other such approved or recorded document or plan that identifies the type of structure(s), acreage, square footage, and/or number of Residential Units approved for development on Taxable Parcels.

“Development Project” means a residential, non-residential, or mixed-use development that includes one or more buildings that are planned and entitled in a single Building Permit.

“Escalator” means the lesser of the following: (i) the increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by TIDA and the City to be appropriate, and (ii) five percent (5%).

“Estimated Base Facilities Special Tax Revenues” means, at any point in time, the amount calculated by the Administrator by multiplying the Base Facilities Special Tax by square footage within each Land Use Category proposed for development on a Parcel or within a Sub-Block.

“Expected Land Uses” means the total square footage in each Land Use Category expected within each Sub-Block in Improvement Area No. 3. The Expected Land Uses at the time Improvement Area No. 3 annexed into the CFD are identified in Attachment 2 and may be revised pursuant to Sections B, C, D, and E below. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.

“Expected Maximum Facilities Special Tax Revenues” means the aggregate Facilities Special Tax that can be levied based on application of the Base Facilities Special Tax to the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues for each Sub-Block at the time Improvement Area No. 3 annexed into the CFD are shown in Attachment 2 and may be revised pursuant to Sections B, C, D, and E below.

“Expected Taxable Property” means any Parcel within Improvement Area No. 3 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as set forth in Section H below.

“Facilities Special Tax” means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) replenish reserve funds created for the Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Expenditures, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the Financing Plan, so long as such levy under this clause (vi) does not increase the Facilities Special Tax levied on Undeveloped Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Undeveloped Property until the amount collected from Undeveloped Property that is used to pay for park maintenance is equal to the aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (b) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Facilities Special Taxes; and (c) any other revenues available to pay such costs, each as determined in the sole discretion of the Administrator.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates

individual lots on which Building Permits for new construction may be issued without further subdivision.

“Financing Plan” means the Financing Plan attached as Exhibit D to the DA and Exhibit EE to the DDA, as such plan may be amended or supplemented from time to time in accordance with the terms of the DA and DDA.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“For-Sale Units” means: (i) Residential Units that are available or, upon completion, will be available for sale to individual homeowners or investors, (ii) Converted For-Sale Units, and (iii) all Residential Units in a building within which one or more Residential Units are available for sale to individual homeowners or investors, unless such building is a Converted Rental Residential Building. The Administrator shall make the final determination as to whether a Residential Unit is a For-Sale Unit or a Rental Unit. After the first series of Bonds has been issued for Improvement Area No. 3, a For-Sale Unit shall never be re-categorized as a Rental Unit, regardless of changes of use in the building or a decision to permanently or temporarily rent the For-Sale Unit.

“Future Annexation Area” means that geographic area that, at the time of CFD Formation, was considered potential annexation area for the CFD and which was, therefore, identified as “future annexation area” on the recorded CFD boundary map. Such designation does not mean that any or all of the Future Annexation Area will annex into Improvement Area No. 3, but should property designated as Future Annexation Area choose to annex, the annexation may be processed pursuant to the annexation procedures in the Act for territory included in a future annexation area, as well as the procedures established by the Board.

“Hotel” means a structure or portion of a structure that constitutes a place of lodging, providing temporary sleeping accommodations for travelers, which structure may include one or more of the following: spa services, restaurants, gift shops, meeting and convention facilities. Residential Units that are offered for rent to travelers (e.g., units offered through Airbnb) shall not be categorized as Hotel.

“Hotel Condominium” means a Residential Unit within a Hotel Project.

“Hotel Project” means a Development Project within which a building proposed to be constructed is either a Hotel or a residential or mixed-use building being developed in conjunction with a Hotel that will share common area and amenities with the Hotel. Notwithstanding the foregoing, if a Development Project includes multiple buildings, one of which is a Hotel, and one or more other buildings in the Development Project do not share common area or amenities with the Hotel and are not otherwise affiliated with the Hotel, such other building(s) shall be considered a separate Development Project for purposes of this RMA and shall be categorized as a Low-Rise Project, Mid-Rise Project, Tower Project, or Townhome Project based on the definitions set forth herein. If a Hotel Project is constructed on a Parcel that is owned by TIDA, such Parcel shall be treated as a Hotel Project, not Public Property, for purposes of this RMA.

“Hotel Square Footage” means the usable square footage within a building that is, or is expected to be, a Hotel, as reflected on a condominium plan, site plan, or Building Permit, as provided by the Developer or the City, or as expected pursuant to Development Approval Documents. All square footage that is not Residential Square Footage or Accessory Square Footage and shares an Assessor’s Parcel number within such a structure, including square footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses, shall be categorized as Hotel Square Footage. Upon assignment of Assessor’s Parcel numbers to the Airspace Parcels for any Hotel Condominiums, the Hotel Condominiums shall be assigned a Maximum Special Tax based on application of the appropriate Base Special Tax for Hotel Condominiums, as set forth in Section C below. If there are separate Assessor’s Parcel numbers for the retail uses associated with the Hotel, the Base Special Tax for Commercial/Retail Square Footage shall be used to determine the Maximum Special Tax for such Parcels, and the Base Special Tax for Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on which uses in the building other than Hotel Condominiums and retail uses are located, including office space associated with Hotel operations. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Hotel Square Footage within a building, and such determination shall be conclusive and binding. Hotel Square Foot means a single square-foot unit of Hotel Square Footage.

“Housing Plan” means Exhibit E to the DDA, which sets forth the plan for development of Market Rate Units, Inclusionary Units, and Authority Housing Units on Treasure Island and Yerba Buena Island.

“Improvement Area No. 3” means Improvement Area No. 3 of the CFD, as it existed when the area annexed into the CFD and as expanded with future annexations to Improvement Area No. 3 (if any).

“Inclusionary Unit” means a Residential Unit that is, pursuant to the Housing Plan, subject to restrictions related to the affordability of the Residential Unit or income restrictions for its occupants, and is not an Authority Housing Unit.

“Indenture” means any indenture, fiscal agent agreement, resolution, or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Category” means, individually, Low-Rise Units, Mid-Rise Units, Tower Units, Treasure Island Townhome Units, Yerba Buena Island Townhome Units, Rental Units, Hotel Condominiums, Hotel Square Footage, or Commercial/Retail Square Footage.

“Land Use Change” means a change to the Expected Land Uses within Improvement Area No. 3 after annexation of Improvement Area No. 3 into the CFD.

“LDDA” means a Disposition and Development Agreement between TIDA and a Vertical Developer that has a leasehold interest in property that is subject to the Public Trust, as defined in the DDA.

“Low-Rise Project” means a Development Project that meets either of the following criteria: (i) the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings has or, based on the Building Permit, will have a Building Height that is greater than 50 feet and less than or equal to 70 feet, or (ii) the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is less than or equal to 50 feet and one or more of the ground floor Residential Units within such building do not have a main entry door that is directly accessible from a public street, private street, or courtyard instead of from a common corridor.

All For-Sale Units within a Low-Rise Project, regardless of the height of each individual building within the Development Project, shall be categorized as Low-Rise Units for purposes of this RMA. For example, if a Development Project includes three separate buildings, the highest building is proposed to be 50 feet tall, and one or more of the ground floor Residential Units within the 50-foot tall building will not have a main entry door that is directly accessible from a street or courtyard, then the For-Sale Units in all three buildings in the Development Project will be taxed as Low-Rise Units. If a Development Project includes two buildings that have the same proposed Building Height, both buildings are less than 50 feet tall, and only one of the two buildings has ground floor Residential Units, all of which have main entry doors that will be directly accessible from a street or courtyard, the For-Sale Units within the Development Project will be categorized as Low-Rise Units and not Treasure Island Townhome Units or Yerba Buena Townhome Units.

“Low-Rise Unit” means a For-Sale Unit in a Low-Rise Project.

“Major Phase” is defined in the DDA.

“Major Phase Application” means the application and associated documents required to be submitted for each Major Phase Approval, as defined in the DDA.

“Market Rate Unit” means a Residential Unit that is not an Authority Housing Unit or Inclusionary Unit.

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

“Maximum IA3 Revenues” means, at any point in time, the aggregate Maximum Facilities Special Tax that can be levied on all Taxable Parcels.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

“Maximum Special Tax” means, prior to the Transition Year, the Maximum Facilities Special Tax and, in the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes

shall continue to be levied against the Parcel and shall, in addition to the Services Special Tax, be part of the Maximum Special Tax for the Parcel until paid.

“Mid-Rise Project” means a Development Project within which the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is greater than 70 feet but less than or equal to 125 feet. All For-Sale Units within a Mid-Rise Project, regardless of the height of each individual building within the Development Project, shall be categorized as Mid-Rise Units for purposes of this RMA. For example, if a Development Project proposes three buildings that are 90 feet, 60 feet, and 40 feet, respectively, all For-Sale Units within all three buildings will be categorized as Mid-Rise Units.

“Mid-Rise Unit” means a For-Sale Residential Unit within a Mid-Rise Project.

“Planning Code” means the Planning Code of the City and County of San Francisco, as it may be amended from time to time.

“Project” is defined in the DDA.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Parcels of Developed Property. For Vertical DDA Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Parcels of Vertical DDA Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Parcels of Undeveloped Property. For Expected Taxable Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Parcels of Expected Taxable Property.

“Public Property” means any property within the boundaries of Improvement Area No. 3 that is owned by the federal government, the State of California, TIDA, the City, or other public agency. Notwithstanding the foregoing, any property subject to an LDDA with a term of twenty (20) years or more shall not, during the lease term, be considered Public Property and shall be taxed and classified according to the use on the Parcel(s) unless such Parcel is an Authority Housing Lot.

“Qualified Project Costs” has the meaning set forth in the Financing Plan and refers to the Project as a whole.

“Remainder Special Taxes” means, as calculated between September 1st and December 31st of any Fiscal Year, any Facilities Special Tax revenues that were collected in the prior Fiscal Year and were not needed to: (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Special Taxes are being calculated; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds; (iii) replenish reserve funds created for the Bonds under the Indenture; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds, or (vi)

apply towards park maintenance costs that are not fully funded because of delinquent Developer Maintenance Payments.

“Rental Residential Building” means a building within Improvement Area No. 3 for which a building permit or use permit has been issued or is expected to be issued for construction of a residential structure within which all Residential Units are offered for rent to the general public, and cannot be purchased by individual homeowners or investors.

“Rental Unit” means (i) Residential Units within a Rental Residential Building, and (ii) all Rental Units within a Converted Rental Residential Building that have yet to be sold to an individual homeowner or investor. “Rental Unit” shall not include: (i) any Residential Unit which has been purchased by a homeowner or investor and subsequently offered for rent to the general public, or (ii) any Residential Units within a building that includes one or more For-Sale Units unless such building is a Converted Rental Residential Building. The Administrator shall make the final determination as to whether a Residential Unit is a For-Sale Unit or a Rental Unit.

“Required Coverage” means the amount by which the Maximum IA3 Revenues must exceed the Bond debt service and priority Administrative Expenses (if any), as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

“Residential Product Type” means a Low-Rise Unit, Mid-Rise Unit, Tower Unit, Treasure Island Townhome Unit, Yerba Buena Townhome Unit, or Hotel Condominium. If there is any confusion as to the Residential Product Type that applies to Residential Units within a Development Project, the Administrator shall coordinate with the Review Authority to make the determination, which shall be conclusive and binding.

“Residential Property” means, in any Fiscal Year, all Taxable Parcels for which Building Permits have been issued, or based on Development Approval Documents, are expected to be issued for construction of a structure that includes one or more Residential Units.

“Residential Square Footage” means the square footage of a Residential Unit or residential structure reflected on a condominium plan, site plan, or Building Permit, provided by the Developer or the City, or expected pursuant to Development Approval Documents. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Residential Square Footage on a Taxable Parcel, and such determination shall be conclusive and binding. Residential Square Foot means a single square-foot unit of Residential Square Footage.

“Residential Unit” means a room or suite of two or more rooms that is designed for residential occupancy for 32 consecutive days or more, including provisions for sleeping, eating and sanitation. “Residential Unit” will include, but not be limited to, an individual townhome, condominium, flat, apartment, or loft unit, and individual units within a senior or assisted living facility.

“Review Authority” means, for Parcels within the Tidelands Trust Overlay Zone, the Executive Director of TIDA, and for Parcels outside the Tidelands Trust Overlay Zone, the City Planning

Director, or an alternate designee from TIDA or the City who is responsible for approvals and entitlements of a Development Project.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Sea Level Rise Improvements” means public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island.

“Services Special Tax” means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

“Services Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay the costs of operations and maintenance or other public services that are included as Authorized Expenditures; (ii) cure delinquencies in the payment of Services Special Taxes in the prior Fiscal Year; and (iii) pay Administrative Expenses.

“Special Tax” means, prior to the Transition Year, the Facilities Special Tax and, in and after the Transition Year, the Services Special Tax.

“Special Tax Requirement” means, prior to the Transition Year, the Facilities Special Tax Requirement and, in and after the Transition Year, the Services Special Tax Requirement. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel in addition to the Services Special Tax Requirement for that Fiscal Year.

“Special Use District” means the Treasure Island/Yerba Buena Island Special Use District, included as Section 249.52 of the Planning Code.

“Sub-Block” means a specific geographic area within Improvement Area No. 3 for which Expected Land Uses have been identified. Sub-Blocks and Expected Land Uses within Improvement Area No. 3 at the time of annexation of Improvement Area No. 3 into the CFD are identified in Attachments 1 and 2 of this RMA and may be revised pursuant to Sections B, C, D, and E below.

“Sub-Phase” is defined in the DDA.

“Sub-Phase Application” means the application and associated documents required to be submitted for each Sub-Phase Approval, as defined and set forth in the DDA.

“Taxable Parcel” means any Parcel within Improvement Area No. 3 that is not exempt from the Special Tax pursuant to law or Section H below.

“TICD” means Treasure Island Community Development, LLC, a California limited liability company, and its successors and permitted assigns under the DDA.

“TIDA” means the Treasure Island Development Authority, a California non-profit public benefit corporation, or any successor public agency designated by or under law, which may include the City or the San Francisco Port Commission.

“Tidelands Trust Overlay Zone” means the areas on Treasure Island and Yerba Buena Island that are subject to the Tidelands Trust after completion of all Tidelands Trust exchanges, as identified in figures set forth in the Special Use District.

“Tower Project” means a Development Project within which the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is greater than 125 feet. All For-Sale Units within a Tower Project, regardless of the height of each individual building within the Development Project, will be categorized as Tower Units for purposes of this RMA. For example, if a Development Project proposes three buildings that are 140 feet, 90 feet, and 40 feet, respectively, all For-Sale Units within all three buildings will be categorized as Tower Units.

“Tower Unit” means a Residential Unit within a Tower Project.

“Townhome Project” means a Development Project that meets both of the following criteria: (i) the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is less than or equal to 50 feet, and (ii) the main entry doors for all ground floor Residential Units within such building will be directly accessible from a public street, private street, or courtyard instead of from a common corridor. All For-Sale Units within a Townhome Project will be categorized as Treasure Island Townhome Units or Yerba Buena Townhome Units for purposes of this RMA.

“Transition Event” shall be deemed to have occurred when the Administrator determines that either of the following events have occurred: (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Capital Reserve Requirement has been fully funded, or (ii) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Facilities Special Tax has been levied within Improvement Area No. 3 for one hundred (100) Fiscal Years.

“Transition Year” means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year.

“Treasure Island Townhome Unit” means a Residential Unit within a Townhome Project proposed for development on Treasure Island.

“Undeveloped Property” means, in any Fiscal Year, all Taxable Parcels that are not Developed Property, Vertical DDA Property, or Expected Taxable Property.

“Vertical DDA” means a Vertical DDA or a Vertical LDDA, as defined in the DDA, for a Taxable Parcel.

“Vertical DDA Property” means, in any Fiscal Year, any Parcel that is not yet Developed Property against which a Vertical DDA has been recorded, and for which the Developer or the Vertical Developer has, by June 30 of the prior Fiscal Year, notified the Administrator of such recording.

“Vertical Developer” means a developer that has entered into a Vertical DDA for construction of vertical improvements on a Taxable Parcel.

“Yerba Buena Townhome Unit” means a Residential Unit within a Townhome Project proposed for development on Yerba Buena Island.

B. DATA FOR CFD ADMINISTRATION

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels. The Administrator shall also determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Undeveloped Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type, number of Market Rate Units, Inclusionary Units, For-Sale Units, Rental Units, and Converted For-Sale Units, (v) whether there are any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

The Administrator shall review Development Approval Documents and coordinate with TIDA, the Developer, and Vertical Developers to identify the number of Inclusionary Units within each building. If there are transfers of Inclusionary Units and Market Rate Units, the Administrator shall refer to Section D.2 to determine the Maximum Special Tax for each Parcel after such transfer. If, at any time after issuance of the first series of Bonds, it is determined that an increase in the number of Inclusionary Units will decrease Maximum IA3 Revenues to a point at which Required Coverage cannot be maintained, then some or all of the Inclusionary Units that were not originally part of the Expected Land Uses shall be designated as Expected Taxable Property and shall be subject to the levy of the Facilities Special Tax pursuant to Step 4 in Section F below. In such a case, the Administrator shall determine how many Inclusionary Units must be subject to the Facilities Special Tax in order to maintain Required Coverage, and TIDA and the City shall determine which Inclusionary Units will be Expected Taxable Property, and the Administrator shall update Attachment 2 accordingly.

If TIDA notifies the Administrator of a change in the number or location of Authority Housing Lots, then at the request of TIDA and the owner of any private Parcel(s) affected by the change, the Administrator shall (i) amend and replace Attachment 3 to reflect the then-current location and designation of Authority Housing Lots, and (ii) amend and replace Attachment 2 to reflect the then-current Expected Land Uses on, and the Expected Maximum Facilities Special Tax Revenues for, the Parcel(s) that are affected by the change. If, at any time after issuance of the first series of Bonds, it is determined that an increase in the number of Authority Housing Units will decrease Maximum IA3 Revenues to a point at which Required Coverage cannot be maintained, then some or all of the Authority Housing Lots that were not originally part of the

Expected Land Uses shall be designated as Expected Taxable Property and shall be subject to the levy of the Special Tax pursuant to Step 4 in Section F below. In such a case, the Administrator shall determine how many Authority Housing Units must be subject to the Special Tax in order to maintain Required Coverage, and TIDA shall determine which Authority Housing Lots will be Expected Taxable Property, and the Administrator shall update Attachment 2 accordingly.

If a Building Permit has been issued for development of a structure, and additional structures are anticipated to be built within the Sub-Block as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth herein, categorize the building(s) for which the Building Permit was issued as Developed Property and any remaining buildings for which Building Permits have not yet been issued as Vertical DDA Property for purposes of levying the Special Tax. If the buildings share an Assessor's Parcel, the Administrator shall take the sum of the Special Taxes determined for each building after application of the steps in Section F to determine the Special Tax levy for the Parcel.

In any Fiscal Year, if it is determined that (i) a parcel map or condominium plan was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the map or plan was recorded, the Assessor does not yet recognize the newly-created parcels, and (iii) one or more of the newly-created parcels meets the definition of Developed Property or Vertical DDA Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the map or plan by determining the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor's Parcel that was subdivided by recordation of the parcel map or condominium plan.

In addition to the tasks set forth above, on an ongoing basis, the Administrator will review the Development Approval Documents for property in Improvement Area No. 3 and communicate with the Developer regarding proposed Land Use Changes. The Administrator will, upon receipt of each recorded Vertical DDA, and upon any proposed Land Use Change that is made known to the Administrator, update Attachment 2 to reflect the then-current Expected Land Uses on, and Expected Maximum Facilities Special Tax Revenues for, each Sub-Block.

C. MAXIMUM SPECIAL TAX

1. Undeveloped Property

1a. Facilities Special Tax

Prior to the Transition Year, the Maximum Facilities Special Tax for Undeveloped Property in Improvement Area No. 3 shall be the Expected Maximum Facilities Special Tax Revenues shown in Attachment 2 of this RMA, as it may be amended as set forth herein. If, in any Fiscal Year, separate Assessor's Parcels have not yet been created for property within each Sub-Block, the Administrator shall sum the Expected Maximum Facilities Special Tax Revenues for all Sub-Blocks within an Assessor's Parcel to determine the Maximum Facilities Special Tax that shall apply to the Parcel in such Fiscal Year.

If an Assessor's Parcel contains a portion of one or more Sub-Blocks, the Maximum Facilities Special Tax shall be determined by allocating the Expected Maximum Facilities Special Tax Revenues for each Sub-Block proportionately among such Assessor's Parcels based on the Expected Land Uses on each Parcel, as determined by the Administrator. The Maximum IA3 Revenues after such allocation shall not be less than the Maximum IA3 Revenues prior to this allocation.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Undeveloped Property in Improvement Area No. 3, unless there are delinquent Facilities Special Taxes on a Parcel of Undeveloped Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

1b. Services Special Tax

Prior to the Transition Year, there shall be no Services Special Tax levied on Undeveloped Property in Improvement Area No. 3. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax for Undeveloped Property in Improvement Area No. 3 shall be \$652,661 per acre, which amount shall be escalated as set forth in Section D.2 below.

2. Vertical DDA Property

2a. Facilities Special Tax

Prior to the Transition Year, when a Parcel becomes Vertical DDA Property, the Administrator shall review the recorded Vertical DDA and coordinate with the Developer and/or the Vertical Developer to confirm the Expected Land Uses on the Sub-Block(s) covered by the Vertical DDA. Using the Base Facilities Special Taxes shown in Table 1 below, the Administrator shall calculate the Estimated Base Facilities Special Tax Revenues based on the Expected Land Uses reflected in the Vertical DDA and the square footage estimated by the Vertical Developer. Prior to issuance of the first series of Bonds, the Maximum Special Tax for each Parcel shall be the Estimated Base Facilities Special Tax Revenues for the Parcel.

<p style="text-align: center;">Table 1 Base Facilities Special Tax</p>		
Land Use Category	Base Facilities Special Tax Before the Transition Year (in Fiscal Year 2020-21 dollars) *	Base Facilities Special Tax In and After the Transition Year (in Fiscal Year 2020-21 dollars) *
Low-Rise Units	\$6.64 per square foot	\$0.00 per square foot
Mid-Rise Units	\$7.69 per square foot	\$0.00 per square foot
Tower Units	\$8.81 per square foot	\$0.00 per square foot
Treasure Island Townhome Units	\$5.83 per square foot	\$0.00 per square foot
Yerba Buena Townhome Units	\$6.30 per square foot	\$0.00 per square foot
Rental Units	\$3.03 per square foot	\$0.00 per square foot
Hotel Condominiums	\$6.43 per square foot	\$0.00 per square foot
Commercial/Retail Square Footage	\$1.63 per square foot	\$0.00 per square foot
Hotel Square Footage	\$3.25 per square foot	\$0.00 per square foot

*** The Base Facilities Special Taxes shown above shall be escalated as set forth in Section D.1.**

After issuance of the first series of Bonds, for the Sub-Block(s) included in the Vertical DDA, the Administrator shall compare the Estimated Base Facilities Special Tax Revenues to the Expected Maximum Facilities Special Tax Revenues for the Sub-Block as reflected in Attachment 2, and:

- *If the Estimated Base Facilities Special Tax Revenues are greater than or equal to the Expected Maximum Facilities Special Tax Revenues, then the Maximum Facilities Special Tax for the Vertical DDA Property shall be the Estimated Base Facilities Special Tax Revenues. The Administrator shall update Attachment 2 to reflect this amount as the Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) in the Vertical DDA. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.*
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, but the Maximum IA3 Revenues are still sufficient to provide Required Coverage, then the Maximum Facilities Special Tax for the Vertical DDA Property shall be the Estimated Base Facilities Special Tax Revenues. The Administrator shall revise Attachment 2 to reflect the decreased Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) within the Vertical DDA and the decreased Maximum IA3 Revenues. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.*
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, and such reduction causes the Maximum IA3 Revenues to be insufficient to provide Required Coverage, then the Base Facilities Special Taxes applied to each Land Use*

Category in the Vertical DDA shall be increased proportionately until the amount that can be levied on Expected Land Uses in the Vertical DDA, combined with the Expected Maximum Facilities Special Tax Revenues from other Sub-Blocks in Improvement Area No. 3, is sufficient to maintain Required Coverage. The Administrator shall revise Attachment 2 to reflect the new Expected Facilities Maximum Special Tax Revenues for the Sub-Block(s) within the Vertical DDA. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.

If it is determined that only a portion of a Sub-Block is included within a Vertical DDA, the Administrator shall refer to Attachments 1 and 2 to estimate the Expected Land Uses that should be assigned to the portion of the Sub-Block that is included within the Vertical DDA. The Administrator shall confirm this determination with the Review Authority, the Developer, and the Vertical Developer.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Vertical DDA Property in Improvement Area No. 3, unless there are delinquent Facilities Special Taxes on a Parcel of Vertical DDA Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

2b. Services Special Tax

Prior to the Transition Year, there shall be no Services Special Tax levied on Vertical DDA Property in Improvement Area No. 3. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax for a Parcel of Vertical DDA Property shall be determined by applying the Base Services Special Taxes identified in Table 2 below by the Expected Land Uses for the Parcel, as determined by the Administrator.

Table 2 Base Services Special Tax		
Land Use Category	Base Services Special Tax Before the Transition Year (in Fiscal Year 2020-21 dollars) *	Base Services Special Tax In and After the Transition Year (in Fiscal Year 2020-21 dollars) *
Low-Rise Units	\$0.00 per square foot	\$2.03 per square foot
Mid-Rise Units	\$0.00 per square foot	\$2.35 per square foot
Tower Units	\$0.00 per square foot	\$2.69 per square foot
Treasure Island Townhome Units	\$0.00 per square foot	\$1.79 per square foot
Yerba Buena Townhome Units	\$0.00 per square foot	\$1.92 per square foot
Rental Units	\$0.00 per square foot	\$0.93 per square foot
Hotel Condominiums	\$0.00 per square foot	\$1.97 per square foot
Commercial/Retail Square Footage	\$0.00 per square foot	\$0.51 per square foot
Hotel Square Footage	\$0.00 per square foot	\$1.00 per square foot

*** The Base Services Special Taxes shown above shall be escalated as set forth in Section D.2.**

3. *Developed Property*

3a. Facilities Special Tax

Prior to the Transition Year, when a Building Permit is issued, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created for land uses within the building:

- Step 1.* Review the Building Permit, condominium plan, architectural drawings, information provided by the Developer and/or Vertical Developer, and any other documents that identify the Building Height, number of Residential Units, square footage within each Land Use Category, and expected layout of Airspace Parcels within the building(s) that will be constructed pursuant to the Building Permit. If additional Building Permits will be issued for other buildings that are within the same Development Project, coordinate with the Review Authority, the Developer, and the Vertical Developer to determine the Building Height for buildings that remain to be developed within the Development Project in order to determine the appropriate Residential Product Type for all Residential Units within the Development Project.
- Step 2.* Determine the Residential Square Footage of each Residential Unit that will be constructed pursuant to the Building Permit, as well as the Commercial/Retail Square Footage and Hotel Square Footage within the building(s).
- Step 3.* Identify the number of Inclusionary Units within the building, as well as the Residential Square Footage of each Inclusionary Unit.
- Step 4.* Using the information from the first three steps, the Administrator shall separately calculate the following:
 - For Market Rate Units in the building, multiply the applicable Base Facilities Special Tax from Table 1 for the Residential Product Type that applies to the Development Project by the total aggregate Residential Square Footage of all Market Rate Units expected within the building.
 - Multiply the Base Facilities Special Tax from Table 1 for Commercial/Retail Square Footage by the total Commercial/Retail Square Footage expected in the building.
 - Multiply the Base Facilities Special Tax from Table 1 for Hotel Square Footage by the total Hotel Square Footage expected in the building.
 - If, based on the Expected Land Uses, the Administrator determines that there is Expected Taxable Property within the building, multiply the applicable Base Facilities Special Tax from Table 1 based on what had

been anticipated on the Expected Taxable Property by the square footage of the Expected Land Uses for that property.

Prior to issuance of the first series of Bonds, the Maximum Facilities Special Tax for each Taxable Parcel in the building shall be determined by adding all of the amounts calculated above. Steps 5 and 6 below shall not apply.

After issuance of the first series of Bonds, the Administrator shall apply Steps 5 and 6 to determine the Maximum Facilities Special Tax for each Taxable Parcel.

- Step 5.* Sum the amounts calculated in Step 4 to determine the Estimated Base Facilities Special Tax Revenues for the building(s) for which a Building Permit was issued.
- Step 6.* Compare the Estimated Base Facilities Special Tax Revenues from Step 5 to the Expected Maximum Facilities Special Tax Revenues for the property, and apply one of the following, as applicable:
- *If the Estimated Base Facilities Special Tax Revenues are greater than or equal to the Expected Maximum Facilities Special Tax Revenues*, then the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created shall be determined by multiplying the applicable Base Facilities Special Tax by the square footage of each Land Use Category expected on each Taxable Parcel within the building(s) for which the Building Permit has been issued. The Administrator shall update Attachment 2 to reflect the adjusted Expected Maximum Facilities Special Tax Revenues for the Sub-Block and the increased Maximum IA3 Revenues. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.
 - *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, but the Maximum IA3 Revenues are still sufficient to provide Required Coverage*, then the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created shall be determined by multiplying the applicable Base Facilities Special Tax by the square footage of each Land Use Category expected on each Taxable Parcel within the building(s) for which the Building Permit has been issued. The Administrator shall revise Attachment 2 to reflect the decreased Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) and the decreased Maximum IA3 Revenues. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.
 - *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, and such reduction causes the Maximum IA3 Revenues to be insufficient to provide Required Coverage*, then the Base Facilities Special Taxes that were applied in

Step 4 shall be increased proportionately until the amount that can be levied on Taxable Parcels within the building for which the Building Permit was issued, combined with the Expected Maximum Facilities Special Tax Revenues from other Sub-Blocks in Improvement Area No. 3, is sufficient to maintain Required Coverage.

After proportionately increasing the Base Facilities Special Taxes to an amount that will maintain Required Coverage, the Administrator shall use these adjusted per-square foot rates to calculate the Maximum Facilities Special Tax for each Taxable Parcel that has been, or is expected to be, created within the building(s) for which the Building Permit has been issued. The Administrator shall also revise Attachment 2 to reflect the new Expected Maximum Facilities Special Tax Revenues. Such update shall be maintained internally by the Administrator and shall not require recordation of an amended RMA.

Until individual Assessor's Parcels are created for each Residential Unit and for any Commercial/Retail Square Footage, and/or Hotel Square Footage, within a building, the Administrator shall sum the Facilities Special Tax that, pursuant to Section F below, would be levied on all land uses on a Parcel and levy this aggregate Facilities Special Tax amount on the Parcel.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Developed Property in Improvement Area No. 3, unless there are delinquent Facilities Special Taxes on a Parcel of Developed Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

3b. Services Special Tax

Prior to the Transition Year, there shall be no Services Special Tax levied on Developed Property in Improvement Area No. 3. In the Transition Year, the Maximum Services Special Tax for a Parcel of Developed Property shall be determined by the Administrator as follows:

If the Parcel had been taxed as Developed Property in the Fiscal Year prior to the Transition Year and the Administrator is not aware of any changes to land uses on the Parcel since the Facilities Special Tax was levied, the Administrator shall, based on the information that was used to prepare the prior year's Facilities Special Tax levy, apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel, which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.

If the Parcel had been taxed as Developed Property in the Fiscal Year prior to the Transition Year and the Administrator is aware of changes to the Land Use Categories or square footage on the Parcel since the Facilities Special Tax was levied, the Administrator shall update the land use information and apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel

to calculate the Maximum Services Special Tax for each Parcel which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.

If the Parcel becomes Developed Property after the Transition Year, the Administrator shall update the land use information and apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel, which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.

4. *Expected Taxable Property*

4a. Facilities Special Tax

Prior to the Transition Year, the Maximum Facilities Special Tax assigned to any Parcel of Expected Taxable Property shall be the Expected Maximum Facilities Special Tax Revenues that were assigned to the Parcel (as determined by the Administrator) based on the Expected Land Uses prior to the Administrator determining that such Parcel had become Expected Taxable Property. In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Expected Taxable Property.

4b. Services Special Tax

Prior to the Transition Year, there shall be no Services Special Tax levied on Expected Taxable Property. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax assigned to any Parcel of Expected Taxable Property shall be determined by the Administrator by applying the Base Services Special Tax to each Land Use Category that is built on each Parcel of Expected Taxable Property, and such determination shall be conclusive and binding.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. *Annual Escalation of Facilities Special Tax*

Beginning July 1, 2021 and each July 1 thereafter, the Base Facilities Special Taxes in Table 1, the Expected Maximum Facilities Special Tax Revenues in Attachment 2, and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 3 shall be increased by 2% of the amount in effect in the prior Fiscal Year.

2. *Annual Escalation of Services Special Tax*

Beginning July 1, 2021 and each July 1 thereafter until the Transition Year, the Base Services Special Taxes in Table 2 shall be increased by 3.4% of the amount in effect in the prior Fiscal Year. On July 1 of the Transition Year and each July 1 thereafter, the Base Services Special Taxes and the Maximum Services Special Tax assigned to each Parcel in Improvement Area No. 3 shall be escalated by the Escalator.

3. *Inclusionary Unit and Market Rate Unit Transfers*

If, in any Fiscal Year after issuance of the first series of Bonds, the Administrator determines that a Residential Unit that had previously been designated as an Inclusionary Unit no longer qualifies as such, the Maximum Facilities Special Tax on the Residential Unit shall be increased to the Maximum Facilities Special Tax that would be levied on a Market Rate Unit of the same square footage. If, after issuance of the first series of Bonds, a Market Rate Unit becomes an Inclusionary Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit and, by exempting the Inclusionary Unit, the Administrator determines that Maximum IA3 Revenues will be reduced to a point at which Required Coverage cannot be maintained, then the Inclusionary Unit shall be designated as Expected Taxable Property and shall be subject to the levy of the Facilities Special Tax pursuant to Step 4 in Section F below.

4. *Changes in Land Use Category on a Parcel of Developed Property*

If the square footage on any Parcel that had been taxed as Developed Property in a prior Fiscal Year is rezoned or otherwise changes Land Use Category, the Administrator shall multiply the applicable Base Special Taxes by the square footage within each of the new Land Use Category(ies); if the first series of Bonds has not yet been issued, this amount shall be the Maximum Special Tax for the Parcel. If the first series of Bonds has been issued, the Administrator shall apply the remainder of this Section D.4.

If the amount determined is greater than the Maximum Facilities Special Tax that applied to the Parcel prior to the Land Use Change, the Administrator shall increase the Maximum Facilities Special Tax for the Parcel to the amount calculated for the new Land Use Category(ies). If the amount determined is less than the Maximum Facilities Special Tax that applied prior to the Land Use Change, there will be no change to the Maximum Facilities Special Tax for the Parcel. Under no circumstances shall the Maximum Facilities Special Tax on any Parcel of Developed Property be reduced, regardless of changes in Land Use Category or square footage on the Parcel, including reductions in square footage that may occur due to demolition, fire, water damage, or acts of God.

5. *Reduction in Maximum Facilities Special Taxes Prior to First Bond Sale*

As set forth in, and subject to the requirements of, Section 2.3(n) of the Financing Plan, the Maximum Facilities Special Taxes assigned to Taxable Parcels in Improvement Area No. 3 may be proportionately or disproportionately reduced once prior to issuance of the first series of Bonds. Such reduction shall be made without a vote of the qualified CFD electors following: (i) initiation upon written request of TICD, and (ii) consultation with the City and TIDA regarding such request. The reduction shall be codified by recordation of an amended Notice of Special Tax Lien against all Taxable Parcels within Improvement Area No. 3.

6. *Converted Rental Residential Building*

If a Rental Residential Building in the CFD becomes a Converted Rental Residential Building, the Administrator shall rely on information from the County Assessor, site visits to the sales office, data provided by the entity that is selling Residential Units within the building, and any other available source of information to track sales of Residential Units. In the first Fiscal Year in which there is a Converted For-Sale Unit within the building, the Administrator shall

determine the applicable Base Special Tax based on the appropriate Residential Product Type for For-Sale Units in the Development Project. Such Base Special Tax shall be used to calculate the Maximum Special Tax for all Converted For-Sale Units in the building in that Fiscal Year. In addition, this Base Special Tax, escalated as set forth in Section D.1 or, as applicable, D.2 above, shall be used to calculate the Maximum Special Tax for all future Converted For-Sale Units within the building. Rental Units within the Converted Rental Residential Building shall continue to be subject to the Maximum Special Tax for Rental Units until such time as the units become Converted For-Sale Units. The Maximum Special Tax for all Residential Units within the building shall escalate each Fiscal Year as set forth in Section D.1 or, as applicable, D.2 above.

E. ANNEXATIONS

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into Improvement Area No. 3, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1.** Working with City staff and the landowner, the Administrator shall determine the Expected Land Uses for the area to be annexed.
- Step 2.** The Administrator shall prepare and keep on file updated Attachments 1, 2, and 3 to reflect the annexed property and identify the revised Expected Land Uses and Maximum IA3 Revenues. After the annexation is complete, the application of Sections C and F of this RMA shall be based on the adjusted Expected Land Uses and Maximum IA3 Revenues including the newly annexed property.
- Step 3.** The Administrator shall ensure that a Notice of Special Tax Lien is recorded against all Parcels that are annexed to the CFD.

F. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied according to the steps outlined below:

- Step 1.* In all Fiscal Years prior to and including the earlier of (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the first series of Bonds was issued for Improvement Area No. 3, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the first series of Bonds was issued for Improvement Area No. 3, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the

Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

- Step 2.* If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Vertical DDA Property, up to 100% of the Maximum Special Tax for each Parcel of Vertical DDA Property for such Fiscal Year.
- Step 3.* If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year.
- Step 4:* If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Expected Taxable Property, up to 100% of the Maximum Special Tax for each Parcel of Expected Taxable Property.

G. COLLECTION OF SPECIAL TAX

Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax bill for any Parcel subject to a leasehold interest will be sent to the same party that receives the possessory interest tax bill associated with the leasehold.

The Facilities Special Tax shall be levied and collected until the earlier of: (i) the Fiscal Year in which the City determines that all Qualified Project Costs have been funded pursuant to the Financing Plan and all other Authorized Expenditures that will be funded by the CFD have been funded, and (ii) the Transition Year. The Services Special Tax shall be levied and collected in perpetuity beginning in the Transition Year. Pursuant to Section 53321(d) of the Act, the Facilities Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

H. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Public Property or Association Property, except Public Property or Association Property that is determined to be Expected Taxable Property or a Hotel Project, (ii) Authority Housing Lots or Inclusionary Units unless any such lots or units have been determined to be Expected Taxable

Property, (iii) Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, or open space, and (iv) the Yerba Buena Officers Quarters.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Tax and any security for any Bonds.

J. SPECIAL TAX APPEALS

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section J shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.

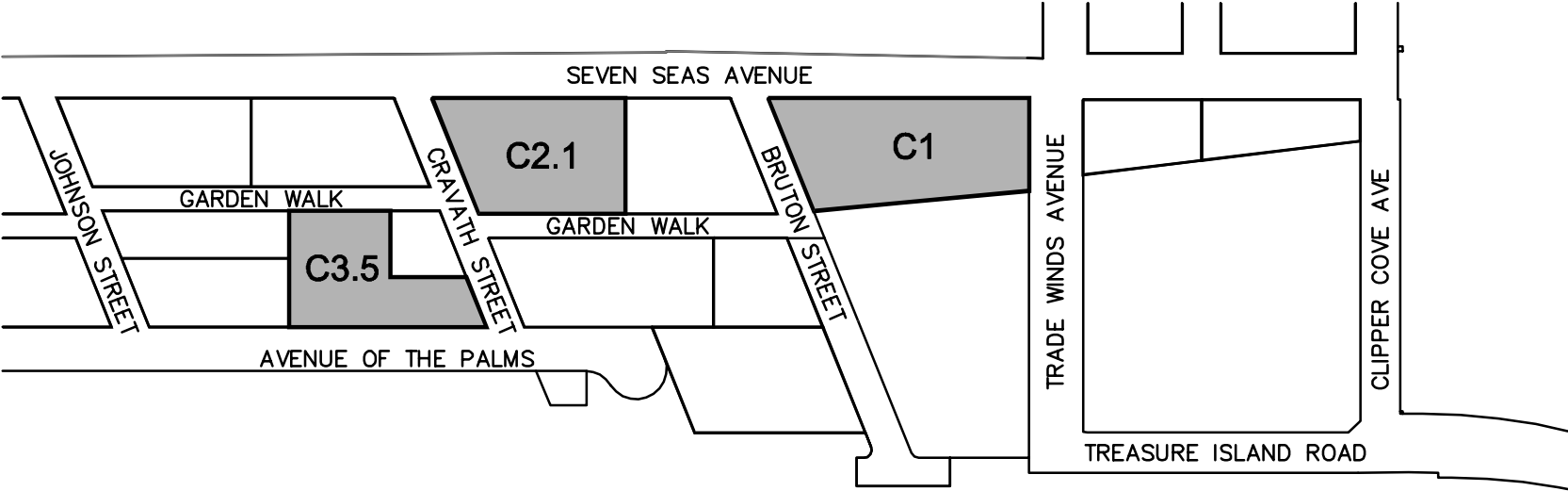
ATTACHMENT 1

**Improvement Area No. 3 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)**

**Identification of Sub-Blocks in
Improvement Area No. 3**

ATTACHMENT 1
Improvement Area No. 3 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)

Identification of Sub-Blocks



NOT TO SCALE

Legend



Improvement Area No. 3 Sub-blocks

ATTACHMENT 2

Improvement Area No. 3 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)

Expected Land Uses and Expected Maximum Facilities Special Tax Revenues by Sub-Block

Sub-Block /1	Expected Land Use	Expected Number of Residential Units	Expected Square Footage	Base Facilities Special Tax (FY 2020-21) /1	Expected Maximum Facilities Special Tax Revenues (FY 2020-21) /1
C2.1	<u>Tower Units</u> Market Rate Units Inclusionary Units	265 0	304,750 0	\$8.81 per square foot \$0.00 per square foot	\$2,684,848 \$0
C3.5	<u>Mid-Rise Units</u> Market Rate Units Inclusionary Units	148 8	155,400 9,200	\$7.69 per square foot \$0.00 per square foot	\$1,195,026 \$0
C1	<u>Tower Units</u> Market Rate Units Inclusionary Units	286 0	371,800 0	\$8.81 per square foot \$0.00 per square foot	\$3,275,558 \$0
Total Expected Units/Square Feet		699	831,950	N/A	N/A
Maximum IA3 Revenues (Fiscal Year 2020-21 \$)					\$7,155,432

1. See Attachment 1 for the geographic area associated with each Sub-Block.
2. Beginning July 1, 2021 and each July 1 thereafter, the dollar amounts shown above shall be escalated as set forth in Section D.1.

ATTACHMENT 3

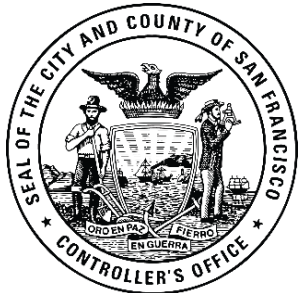
**Improvement Area No. 3 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)**

**Identification of Authority Housing Lots
in Improvement Area No. 3**

[No Authority Housing Lots are expected within Improvement Area No. 3.]



Treasure Island: Development Program Update and Certificates of Participation



Controller's Office
of Public Finance



Treasure Island Development
Authority

December 4, 2024

Agenda

- 1 Development Program Update
- 2 Project Agreement Amendments
- 3 Capital Plan Amendments
- 4 Treasure Island Public Financing

Committee Actions

1

Ordinance Authorizing COPs (Treasure Island - Stage 2 Infrastructure Projects) - Not to Exceed \$65,000,000

2

Ordinance appropriating \$65,550,000 to TIDA including \$65,000,000 of COP proceeds for Stage 2 Infrastructure Projects

3

Resolution Authorizing Stage 2 Contribution - CFD No. 2016-1 (Treasure Island) and Annexation of Property as Improvement Area No. 3

4

Resolution Authorizing Stage 2 Contribution – IRFD No. (Treasure Island)

5

Resolution amending the City's 10-year capital expenditure plan for Fiscal Years (FYs) 2024-2033 - COP program



Development Program Update





Development Program Update:

Treasure Island/Yerba Buena Island

Total TICD Capital Program = \$2,471 M; Buildout expected to continue through 2042

Major Projects

- 8,000 unites on TI and YBI (27.2% affordable)
- Geotechnical improvements
- Sea level rise mitigation and adaptive strategies
- New utilities (electric, water, stormwater sewer)
- 300 acres of open space improvements (trails, parks, waterfront)
- New ferry facilities
- Building 1 & Hangar 2 renovation

Major Funding Sources

- Private capital
- Community Facilities District, Infrastructure & Revitalization Financing District proceeds
- State and Federal Funds

Development Program Update:

Treasure Island/Yerba Buena Island



Development Program Update:

Housing Production

Yerba Buena Island:

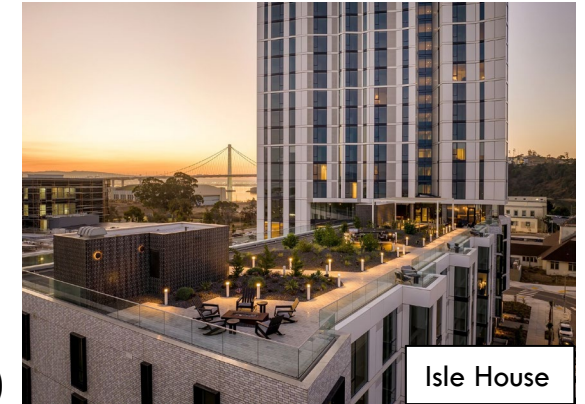
- 124-unit condominium development completed in 2022
- 31 flats and townhomes completed in 2024
- Over 100 additional residences planned



Source: Yerba Buena Island Developer

Treasure Island:

- Isle House Apartments (250 units) – TCO issued June 2024; Leasing underway
- 490 Ave. of the Palms (148 units) – TCO est. Q2 2025
- Hawkins Apartments (178 units) – TCO est. December 2024
- Sub-Blocks B1, C2.1, C2.3, C3.5 – 625 units with site permit issued or under review



Development Program Update:

Affordable Housing Production

Complete:

Maceo May Apartments – 105 Units

- Fully leased August 2023

Star View Court – 138 Units

- Fully leased September 2024

In progress:

Behavioral Health Building – 240 Beds

- Construction start expected Q1 2026

Senior Housing – 100 Units

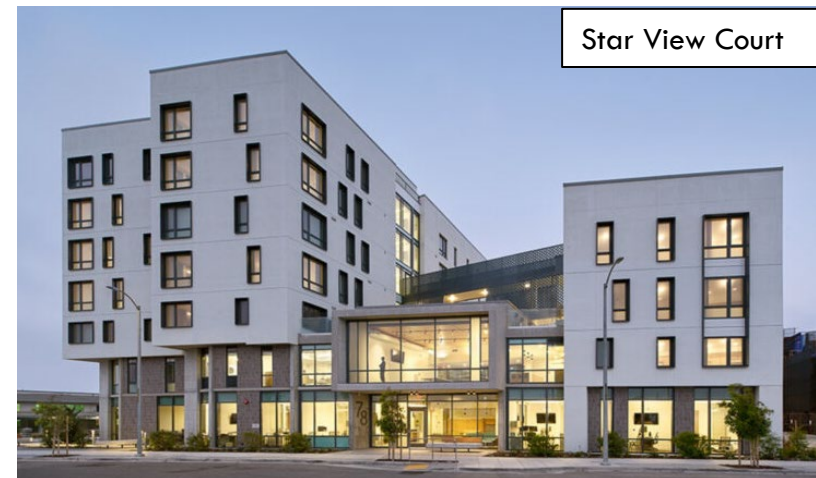
- Construction start expected Q3 2026

Sub-Block IC4.3 – 150 Units

- Construction start expected Q4 2026



Maceo May Apartments



Star View Court

Development Program Update:

Parks



Project Agreement Amendments





Project Agreement Amendments:

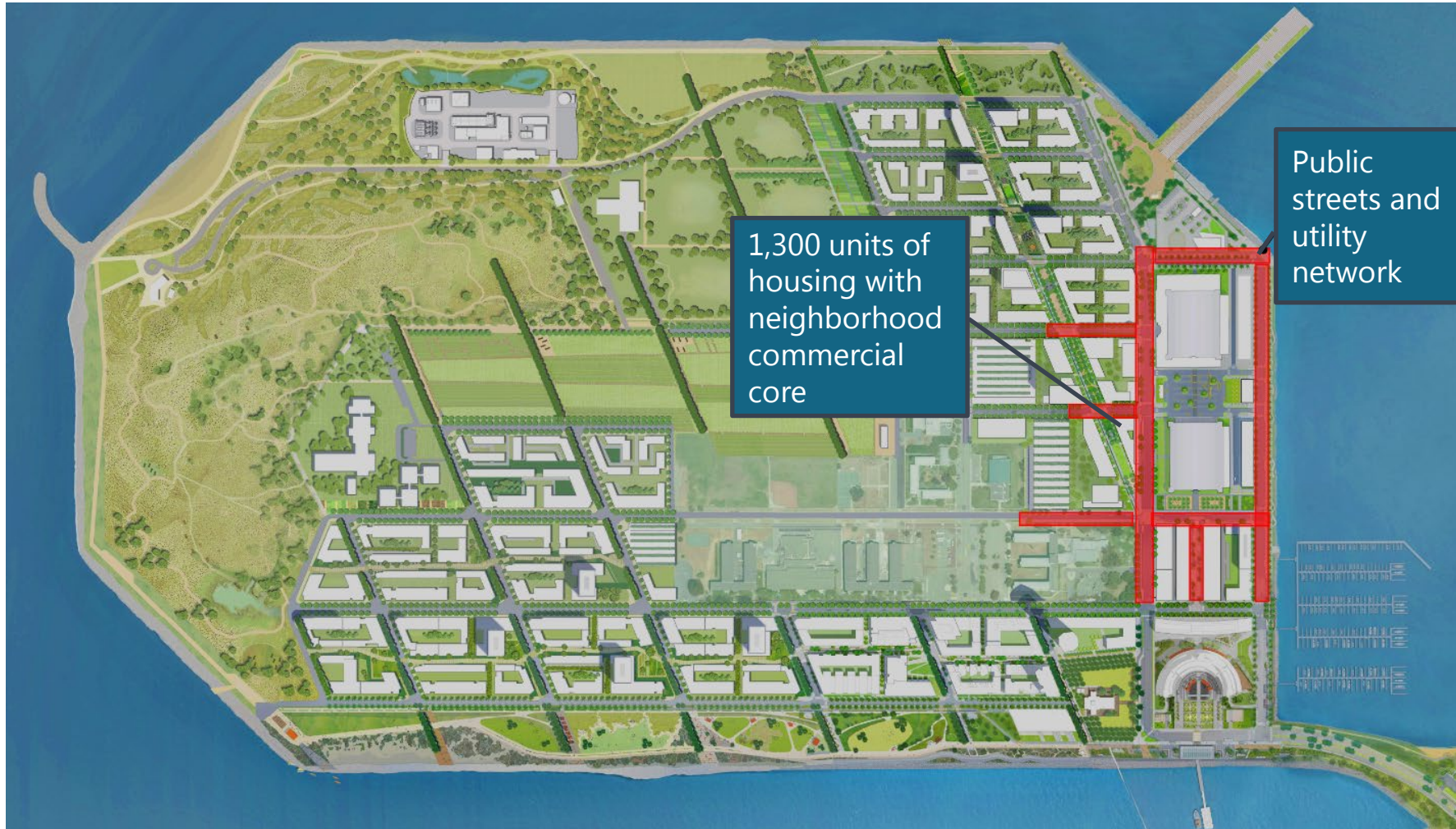
DDA/DA Financing Plan

BOS Resolution No. 196-24 (May 2024)

- **Accelerate public financing:** \$115M net proceeds of Certificates of Participation (COPs) will expedite developer reimbursements
 - Issued in three separate issuances (FY 25-27) & appropriated separately by the Board of Supervisors
- **Construction Momentum:** Enables resources from Stage 1 to move into work on Stage 2 in 2025
- **Stage 2 Contribution:** Up to \$550,000/year from residual IRFD property tax increment/CFD special taxes to offset Stage 2 lease payments
- **Debt Authorization:** COPs issuance will be payable from Stage 2 Contribution

Project Agreement Amendments:

Stage 2 Infrastructure Improvements



Capital Plan Amendments



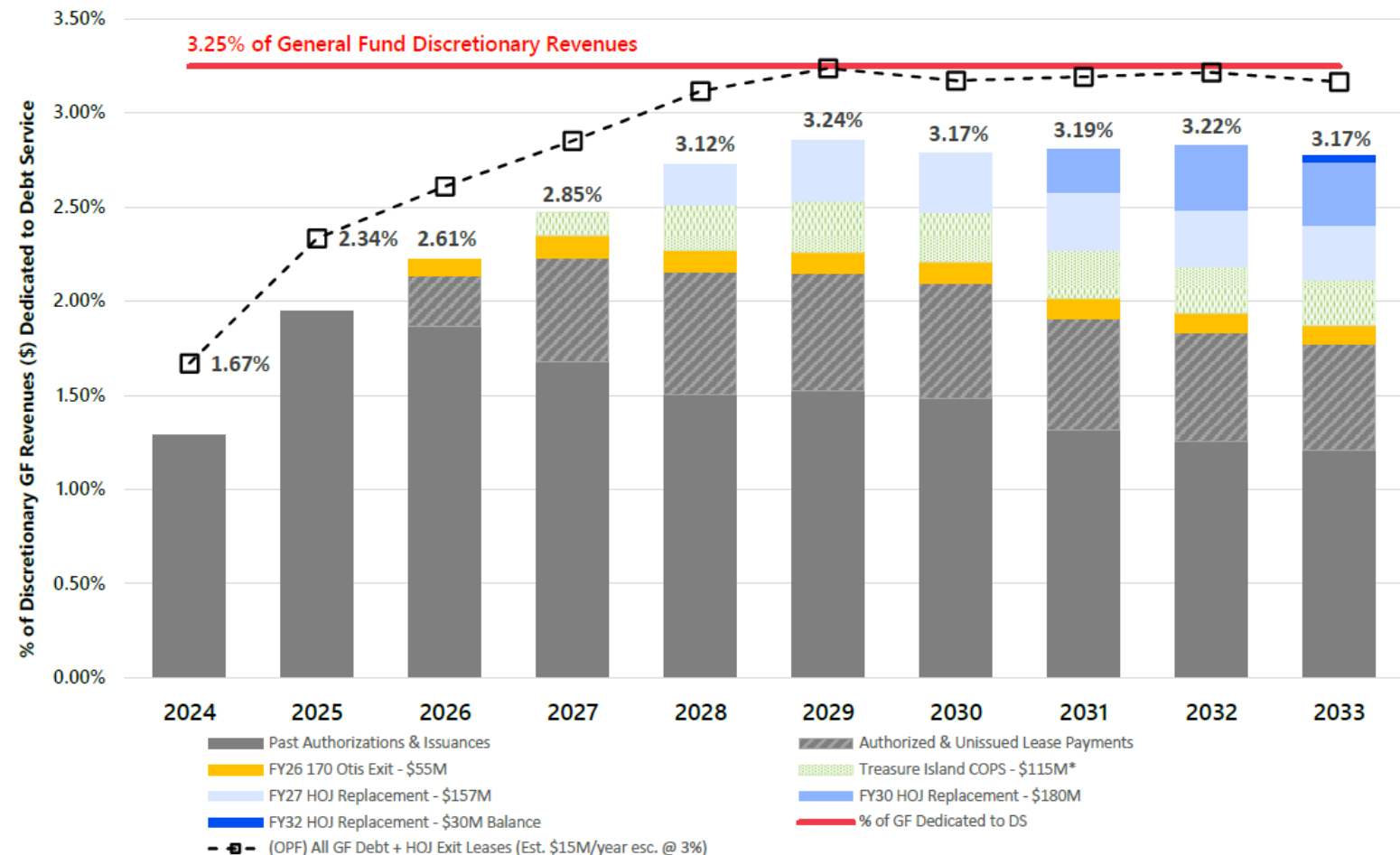
Proposed Capital Plan Amendments:

FY24-33 COP Program Amendments			
Year	Issuance Program	Current Plan (\$M)	Proposed Plan (\$M)
FY25	Critical Repairs /Streets	30	45
FY25	Treasure Island Infrastructure	n/a	50
FY26*	HSA HQ (170 Otis) Relocation	70	55
FY26	Treasure Island Infrastructure	n/a	50
FY27	Treasure Island Infrastructure	n/a	15
FY27	Hall of Justice Replacement	167	157
FY30	Hall of Justice Replacement	200	180
FY32	Hall of Justice Replacement	n/a	30
		527*	582

*The timing of HSA Headquarters (170 Otis) Relocation changed from FY24 in the current capital plan; excludes \$60M previously authorized FY24 Critical Repairs/Streets.

Proposed Capital Plan Amendments:

Capital Plan - General Fund Debt Program FY2024-2033
Discretionary Revenues as of November 2024
Includes Treasure Island COP, Adjusted 170 Otis and HOJ Replacement



* Treasure Island COPS to be sold in three tranches (FY25, FY26, FY27)

As of 11-13-2024

Treasure Island Public Financing



TI Public Financing Update:

Prior Financings

Community Facilities District (CFD) – special tax

- City has issued 4 series of bonds for the Treasure Island CFD in a total initial par amount of \$100,580,000
- CFD Bond proceeds are used to reimburse the master developer (TICD) for infrastructure and development costs

Infrastructure and Revitalization Financing District (IRFD) – tax increment

- City has issued 2 series of bonds for the Treasure Island IRFD in total initial par amount of \$38,600,000
- 82.5% of IRFD Bond proceeds are used to reimburse the master developer (TICD) for infrastructure and development costs; 17.5% of IRFD Bond proceeds are used to fund affordable housing

2025 Certificates of Participation (COPs):

Project Fund Expenditures for First Series of COPs:

\$50.0 million – Expected reimbursement of qualified project costs of the developer including:

1. Demolition work required to construct public capital improvements
2. Geotechnical work required to construct public capital improvements
3. Street Improvements



2025 Certificates of Participation (COPs):

Current Plan of Finance

- Not to exceed par amount of \$65M
- Final maturity of April 1, 2045
- True interest cost of 6.34%
- Capitalized interest through end of FY 2025-26
- Average annual debt service of \$5.75M*

Lease-Lease Back Structure

- COPs are structured as lease-lease back agreement, in which the City leases City-owned property to a Trustee and Trustee sub-leases the property back to the City.
- It is anticipated that the Traffic Company and Forensic Services Division Building located at 1995 Evans Avenue will serve as the leased property.
- Assets can be added or substituted as needed.

Sources and Uses

Sources:

COPs Proceeds

Estimated Par Amount	\$62,800,000
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Uses:

Project Funds	\$50,000,000
CSA Audit Fee (0.2% of Project Funds)	\$100,000

Capitalized Interest	\$5,705,756
Debt Service Reserve Fund	\$5,754,249

Delivery Date Expenses

Cost of Issuance	\$800,000*
Underwriter's Discount	\$439,600

Total Uses	\$62,800,000*
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<i>Plus: Reserve for Market Uncertainty</i>	<i>\$2,200,395</i>
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Maximum Not-to-Exceed Par Amount	\$65,000,000
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Source: KNN Public Finance

*The Good Faith Estimate includes a bond rounding amount of \$396 which is incorporated into Cost of Issuance as additional contingency. For purposes of the Supplemental Appropriation, this amount is reflected in the Reserve for Market Uncertainty.

Next Steps:

Milestones	Dates*
• Capital Planning Committee Hearing	December 2, 2024
• Budget and Finance Committee Hearing	December 4, 2024
• Board Considers Approval of Resolutions and the Ordinances (1 st Reading)	December 10, 2024
• Final Board Approval of the Ordinances (2 nd Reading)	December 17, 2024
• Sale and Closing of FY25 COPs	Spring 2025

*Please note that dates are estimated unless otherwise noted.

Questions?



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Board of Supervisors of the City and County of San Francisco

FROM: Anna Van Degna, Director of the Controller's Office of Public Finance
Bridget Katz, Deputy Director, Controller's Office of Public Finance
Grant Carson, Debt Capital Markets Specialist, Controller's Office of Public Finance
Bob Beck, Director, Treasure Island Development Authority
Jamie Querubin, Finance Manager, Treasure Island Development Authority
Leigh Lutenski, Deputy Director – Joint Development, Office of Economic and Workforce Development

DATE: November 5, 2024

SUBJECT: Ordinance Authorizing Certificates of Participation (Treasure Island – Stage 2 Infrastructure Projects) – Not to Exceed \$65,000,000 and Approving Related Documents and Actions

Ordinance Appropriating \$65,550,000 to the Treasure Island Development Authority including \$65,000,000 of Certificates of Participation proceeds and \$550,000 of Treasure Island Infrastructure and Revitalization Financing District Tax Increment and Treasure Island Community Facilities District Special Taxes – FY2024-25

Resolution Authorizing Stage 2 Contribution – City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island); Confirming Annexation of Property to City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) as Improvement Area No. 3

Resolution Authorizing Stage 2 Contribution – City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) – Not to Exceed \$25,000,000

Recommended Action

Staff respectfully requests that the Board of Supervisors (“Board”) consider and approve the following:

- (i) Ordinance authorizing Certificates of Participation (Treasure Island – Stage 2 Infrastructure Projects) in a principal amount not to exceed \$65,000,000 and approving related documents and actions (“COPs Ordinance”);
- (ii) Ordinance appropriating \$65,550,000 to the Treasure Island Development Authority, including \$65,000,000 of Certificates of Participation proceeds and \$550,000 of Treasure Island Infrastructure and Revitalization Financing District Tax Increment and Treasure Island Community Facilities District Special Taxes – FY2024-25 (“COPs Appropriation Ordinance”);
- (iii) Resolution authorizing Stage 2 Contribution – City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (“CFD”) and confirming annexation of property to the CFD as Improvement Area No. 3 (“CFD Resolution”); and
- (iv) Resolution authorizing Stage 2 Contribution – City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) (“IRFD”) in an amount not to exceed \$25,000,000 (“IRFD Resolution”).

Background

Since 1997, the City and County of San Francisco (“City”) and the Treasure Island Development Authority (“TIDA”) have worked together on the Treasure Island/Yerba Buena Island Development Project (“Project”) to redevelop the former Treasure Island Naval Station (“NSTI”) in connection with the conveyance of the Navy-owned lands to TIDA. In early 2003, TIDA and the Treasure Island Community Development, LLC (“TICD” or the “Developer”) entered into an Exclusive Negotiating Agreement and began work on a Development Plan.

In 2011, TICD and TIDA entered into the Disposition and Development Agreement (“DDA”) and TICD and the City entered into the Development Agreement (“DA”) to deliver the Project.

The development plan for the Project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, as well as new commercial and retail space, two hotels, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on the Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. The Project’s master plan also includes public facilities serving the Project, utility improvements; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

The DDA provides that the purposes of the Project are (i) alleviating blight in the Project site through development of physical improvements consistent with the development requirements established by the City and TIDA, (ii) geotechnically stabilizing the Project site, (iii) constructing infrastructure and stormwater management facilities to support the Project and other proposed uses on NSTI, such as roads and utilities, and including infrastructure and stormwater management facilities to support the construction of affordable housing units, (iv) constructing and improving certain public parks and open spaces, (v) remediating certain existing hazardous substances, and (vi) selling and ground leasing developable parcels for construction of dwelling units and commercial and public facilities.

The Financing Plan attached to the DDA and DA provides for reimbursement to the Developer for costs incurred to construct public infrastructure, primarily through the issuance of special tax bonds issued for the CFD and tax increment bonds issued by the IRFD, and the Financing Plan also establishes a perpetual special tax funding mechanism for the costs of operating and maintaining park and open space improvements within the Project Site.

Financing Plan Amendment

In May 2024, the Board of Supervisors approved Resolution No. 196-24 and Ordinance No. 93-24, which approved an Amended and Restated Disposition and Development Agreement and an Amended and Restated Development Agreement for the Project, respectively. Pursuant to Resolution No. 196-24 and Ordinance No. 93-24, the Board of Supervisors also approved an Amended and Restated Financing Plan, which, among other things, provides for the issuance of general fund-backed public financing that will generate a maximum of \$115,000,000 of net proceeds ("Stage 2 Alternative Financing") to finance Stage 2 public infrastructure project costs (as defined in the Financing Plan, "Stage 2 Qualified Project Costs"). It is anticipated that the Stage 2 Alternative Financing will be issued in the form of three tranches of certificates of participation ("Stage 2 COPs") – this proposed COPs Ordinance would authorize the issuance of the first proposed tranche of Stage 2 COPs under this program ("FY25 COPs").

The Planning Commission recommended approval of Ordinance No. 93-24 after holding a duly noticed public hearing on April 4, 2024. The Budget and Finance Committee held a duly noticed public hearing to consider Ordinance No. 93-24 and Resolution No. 196-24 on April 17, 2024.

Performance Milestones

Pursuant to Section 4.1(d)(v) of the Amended and Restated Financing Plan, each Stage 2 Alternative Financing legislative package will describe "the performance milestones to be met by the Developer before approval by the Board of Supervisors of a subsequent Stage 2 Alternative Financing."

City staff agree the following Stage 2 performance milestones must be met prior to introducing legislation to the Board of Supervisors for subsequent tranches of Stage 2 COPs. TIDA shall certify, in consultation with the Controller's Office, in writing, that the following performance milestones have been met:

- (1) Developer must demonstrate that work completed to date funded by the existing tranche(s) of Stage 2 COPs are entirely Stage 2 Qualified Project Costs;
- (2) Developer must demonstrate a reasonable level and pace of spending on the existing tranche(s) of Stage 2 COPs issued to date to justify the issuance of the next series of Stage 2 COPs;
- (3) Developer must demonstrate a reasonable readiness to award a construction contract to continue Stage 2 infrastructure work once the next tranche of Stage 2 COPs are issued;
- (4) Developer must provide a construction draw-down schedule to demonstrate that proceeds of the next tranche of Stage 2 COPs can be spent on Stage 2 Qualified Project Costs in accordance with IRS rules, as reviewed and confirmed by the City's assigned bond counsel; and
- (5) Developer must certify it has not received land parcel sales or IRFD/CFD revenues that can otherwise be used to fund the Stage 2 Qualified Project Costs that the Developer has proposed to fund with the next tranche of Stage 2 COPs.

Stage 2 Contribution

The Amended Financing Plan provides for the redirection of residual property tax increment from the IRFD and residual special taxes from one or more improvement areas in the CFD in an amount up to \$550,000 per year, to directly offset lease payments related to the Stage 2 COPs paid by the General Fund. The annual contribution ("Stage 2 Contribution") will start in FY 2025 and continue to the earlier of (i) the final maturity date of the COPs and (ii) the date on which the aggregate Stage 2 Contributions are equal to the maximum annual lease payments related to the Stage 2 COPs after issuance of the final tranche of the Stage 2 COPs plus annual fees related to the Stage 2 COPs that are appropriated by the City from the General Fund. The IRFD Resolution and CFD Resolution authorize the payment of the Stage 2 Contribution.

Treasure Island Generated Revenues

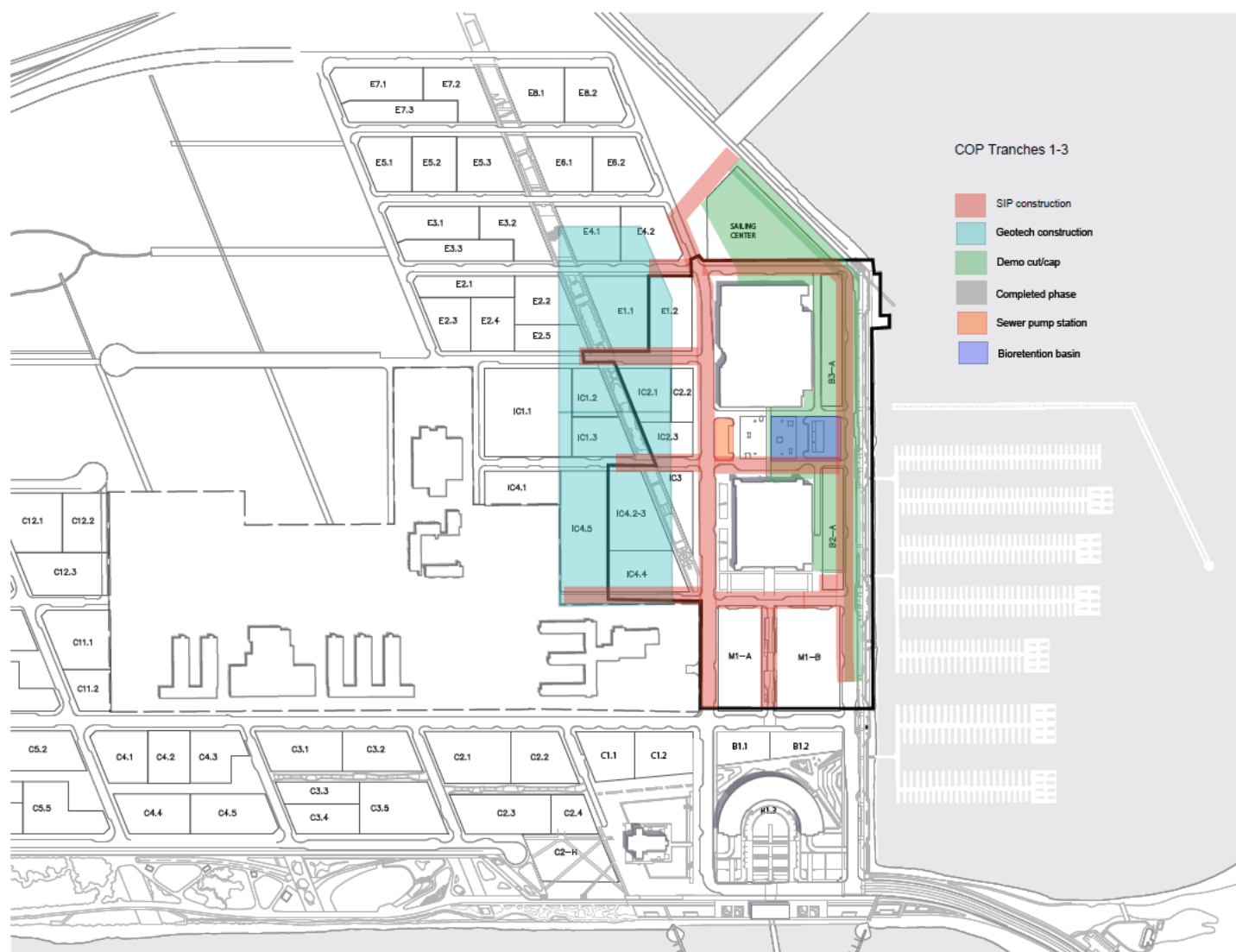
Although the Stage 2 COPs will represent Base Rental payments that are appropriated from the City's General Fund, the City expects that, except for the annual Stage 2 Contribution amount, the Base Rental payments will be paid from General Fund revenues derived from the Treasure Island Project that would not exist but for the Treasure Island Project.

The Capital Plan

Pursuant to Section 4.1(d)(iv) of the Amended and Restated Financing Plan, the City will cause the first tranche of COPs, and subsequent tranches, to be executed and delivered only after the ten-year City Capital Plan is updated to demonstrate capacity for, and incorporates, the Stage 2 COPs in the City's COP program. This will also satisfy the requirement that the COPs are in compliance with Section 10.62 of the City's Administrative Code that the proposed lease payments for the FY25 COPs and the lease payments payable with respect to outstanding general fund COPs will not exceed 3.25% of General Fund discretionary revenue. The City anticipates introducing a subsequent resolution in November 2024 to amend the Adopted Capital Plan and incorporate the Stage 2 COPs.

The Project

The Developer expects to use the proceeds of the FY25 COPs to finance Stage 2 Qualified Project Costs including but not limited to demolition, geotechnical work and street improvements. Demolition includes but is not limited to removal of existing surface improvements, removal of existing subsurface and above ground utilities, capping of utilities at the project limits, building abatement and demolition, and installation of temporary utilities. Geotechnical work includes but is not limited to performing soils vibrocompaction, surcharging, wicks (prefabricated vertical drains) installation, deep soil mixing, and installation of associated erosion control measures. Street improvements includes but is not limited to utilities installation, street lighting, roadways, pump stations, landscaping and irrigation improvements, bioretention facilities, and street furnishings.



Stage 2 COP Construction Sequencing Plan (diagrammatic only)

The Current Plan of Finance

The proposed COPs Ordinance authorizes the execution and delivery of tax-exempt and/or, taxable FY25 COPs in one or more series with an aggregate par amount not-to-exceed \$65.0 million. It additionally allows for the issuance of short-term commercial paper, as needed.

Based on the initial project information, the Office of Public Finance ("OPF") currently anticipates issuing approximately \$62.8 million in FY25 COPs, though the final amount will be based on prevailing market assumptions at the expected time of sale. The difference between the expected issuance amount and the \$65.0 million not-to-exceed amount allows for changes in the tax-status of the FY25 COPs (tax-exempt vs taxable) as directed by bond counsel, market fluctuations in interest rates prior to the sale or sales of the FY25 COPs, any increased deposits to the debt service reserve fund, and possible additional delivery date expenses if the FY25 COPs are issued in more than one series.

Based upon an estimated 6.34% true interest cost (assuming current market rates plus an interest rate cushion) and an anticipated total par value of \$62.8 million, the total principal and interest payments over the approximate 20-year repayment term of the COPs are estimated to be approximately \$113.1 million. Based on market conditions or other factors expected at the time of the sale, the FY25 COPs could be structured with up to a 30-year term.

Approximately \$5.8 million of proceeds may be allotted to fund a Debt Service Reserve Fund, and approximately \$5.7 million of proceeds may fund Capitalized Interest. In addition, approximately \$1.2 million is projected to be allotted to cover costs associated with the issuance of the FY25 COPs, assuming one or more issuances. This includes amounts for underwriter compensation, legal fees, municipal advisory fees, trustee fees, rating agency fees, printing costs, and other issuance costs.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financing, see [Attachment 1](#). The information set forth in [Attachment 1](#) is based on estimates of prevailing market conditions, and the ability to finance the entirety of the projects on a tax-exempt basis. Actual results may differ if assumed market conditions or the final tax status requirements to be determined by bond counsel and the City Attorney's Office closer to the sale of the FY25 COPs.

The table below outlines anticipated sources and uses for the FY25 COPs, based on estimates provided by the Office of Public Finance's municipal advisor KNN Public Finance.

Estimated Sources & Uses of the Proposed FY25 COPs

Sources:

<u>FY25 COPs Proceeds:</u> Estimated Par Amount	\$62,800,000
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Uses:

Project Funds	\$50,000,000
CSA Audit Fee (0.2% of Project Funds)	\$100,000
Capitalized Interest	\$5,705,756
Debt Service Reserve Fund	\$5,754,249
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$800,000*
Underwriter's Discount	\$439,600

Total Uses	\$62,800,000*
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<i>Plus: Reserve for Market Uncertainty</i>	<i>\$2,200,395</i>
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Maximum Not-to-Exceed Par Amount	\$65,000,000
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Source: KNN Public Finance

*The Good Faith Estimate in Attachment I as provided by KNN Public Finance includes a bond rounding amount of \$396 which is incorporated into Cost of Issuance as additional contingency. For purposes of the Supplemental Appropriation, this amount is reflected in the Reserve for Market Uncertainty.

In addition to appropriating the \$65 million not-to-exceed FY25 COP amounts, the COPs Appropriation Ordinance appropriated \$550,000 of revenue from Infrastructure and Revitalization Financing District No. 1 (Treasure Island) and Community Facilities District No. 2016-1 (Treasure Island), as described earlier in the memo.

The FY25 Treasure Island COPs

Under the proposed COPs Ordinance, the City will structure the FY25 COPs using a lease-lease back structure.

Property Lease and Lease Agreement: Pursuant to the Property Lease, the City leases City-owned property including the improvements thereon to a third-party Trustee, currently U.S Bank Trust Company, National Association ("Trustee"). For the FY25 COPs, the leased property is expected to be the real property and improvements at 1995 Evans Ave. that are used by the San Francisco Police Department for its Traffic Company and Forensic Services Division. Pursuant to the Lease Agreement, the City leases back the leased property, together with the improvements thereon, from the Trustee. The City makes annual base rental payments to the Trustee in amounts representing the fair rental value for the improved leased property and equal to the amounts required to repay the FY25 COPs. When the FY25 COPs and any subsequent Stage 2 COPs issued as parity obligations under the Trust Agreement (defined below) are finally paid, the Property Lease and Lease Agreement (each as supplemented) terminate. The City's lease payments under the Lease Agreement are payable from any available source of funds, including the General Fund.

Trust Agreement: Pursuant to the Trust Agreement between the City and the Trustee acting on behalf and for the benefit of FY25 COPs holders, the Trustee administers and disburses payments with respect to the FY25 COPs and enforces the covenants and remedies in the event of a default by the City. The Trust Agreement provides for the terms of FY25 COPs, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The Trustee holds proceeds derived from the sale of the FY25 COPs and disburses payments for the costs incurred for the Project, as directed by authorized City representatives.

The Property Lease and Lease Agreement, each between the City and the Trustee, require the City to make base rental payments on each September 25 and March 25 during the term of the leases.

The Trust Agreement requires that the base rental payments be deposited in the base rental fund maintained by the trustee. On October 1 and April 1 of each year during the term of the Trust Agreement, the Trustee will apply such amounts as is necessary to make debt service payments with respect to the FY25 COPs .

Additional Information

The forms of the related financing documents—including the Preliminary Official Statement (including Appendix A), Purchase Contract, Official Notice of Sale, Notice of Intention to Sell, the Continuing Disclosure Certificate, and related documents—will also be submitted, as described below.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the FY25 COPs. The Official Statement describes the FY25 COPs, including sources and uses of funds; security for the FY25 COPs; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A,

the most recent Annual Comprehensive Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders, and owners of the FY25 COPs.

A *Preliminary Official Statement* is distributed to prospective investors prior to the sale of the FY25 COPs and within seven days of the public offering, the Final Official Statement (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the FY25 COPs.

The Board of Supervisors and the Mayor, in adopting and approving the proposed Ordinance, approve and authorize the use and distribution of the Official Statement by the City's Municipal Advisor with respect to the FY25 COPs. In accordance with Rule 15c2-12 of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are "deemed final" as of their respective dates.

Official Notice of Sale and Notice of Intention to Sell (if the FY25 COPs are sold competitively): The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the FY25 COPs. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the FY25 COPs announces the date and time of a competitive sale, including the terms relating to the FY25 COPs; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the official bid form for the purchase of the FY25 COPs. Pursuant to the Ordinance, the Controller and the Director of Public Finance are authorized to award the FY25 COPs to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Purchase Contract (if the FY25 COPs are sold on a negotiated basis): The City will work with its Municipal Advisor to determine whether a negotiated or competitive sale will be most advantageous for the transaction based on market conditions closer to the sale of the FY25 COPs. Should the FY25 COPs be sold via a negotiated sale with an underwriter(s), the Purchase Contract will be the document that details the terms, compensation, covenants, and conditions for the sale of the FY25 COPs through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents. For a negotiated sale, the City would either work with its Municipal Advisor to select qualified firm(s) from the City's Underwriter Pool, which was established via a competitive Request for Qualifications ("RFQ") process, or award to the highest scoring firm established during the RFQ process.

Continuing Disclosure Certificate: The City is required to provide certain financial information and operating data relating to the City ("Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. This undertaking has been made to assist initial purchasers of the FY25 COPs with their compliance with the Securities and Exchange Commission Rule 15c2-12(b)(5).

The CFD Resolution and IRFD Resolution

The IRFD Resolution authorizes the Stage 2 Contribution as a debt of the IRFD in a principal amount not to exceed \$25 million, and payment of the Stage 2 Contribution from the 82.5% of Net Available Increment ("Facilities Increment") that is not dedicated to funding Housing Costs (as those terms are defined in the Financing Plan). The Facilities Increment is not pledged as security for the Stage 2 Contribution and Stage 2 Contribution will be payable on a subordinate basis to any bonds issued by the IRFD that are secured by a pledge of the Facilities Increment.

Similarly, the CFD Resolution authorizes the Stage 2 Contribution as a debt of the CFD with respect to the improvement areas of the CFD in an aggregate principal amount not to exceed \$25 million; the aggregate principal amount will be allocated among the improvement areas as determined by the Director of the Office of Public Finance in consultation with the City Attorney. The Stage 2 Contribution will be payable from Remainder Taxes as defined in the Financing Plan. The Remainder Taxes are not pledged as security for the Stage 2 Contribution.

The CFD Resolution also confirms annexation of property into the CFD as Improvement Area No. 3 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) ("Improvement Area No. 3"). As described in the CFD Resolution, the annexation occurred as a result of the execution by the landowner, Treasure Island Series 1, LLC, of a Unanimous Approval in the manner contemplated by the Mello-Roos Community Facilities Act of 1982 and by the Resolution of Formation for the CFD (Resolution No. 8-17, which was adopted by the Board of Supervisors on January 24, 2017, and signed by the Mayor on February 3, 2017). The Rate and Method of Apportionment of Special Tax for Improvement Area No. 3 is attached to the CFD Resolution as Exhibit A.

Anticipated Financing Timeline

Preliminary Schedule	Dates*
• Introduction of the COPs Ordinance, COPs Appropriation Ordinance, CFD Resolution, and IRFD Resolution to the Board of Supervisors	November 5, 2024
• Introduction of Capital Plan Amendment Resolution	November 2024
• Capital Planning Committee	December 2, 2024
• Budget and Finance Committee Hearing	December 4, 2024
• Board Considers Approval of Resolutions and Ordinances (1 st Reading)	December 10, 2024
• Final Board Approval of the Ordinances (2 nd Reading)	December 17, 2024
• Sale and Closing of FY25 COPs	Spring 2025

*Please note that dates are estimated unless otherwise noted.

Please contact Anna Van Degna (Anna.VanDegna@sfgov.org), Bridget Katz (Bridget.Katz@sfgov.org), Grant Carson (Grant.Carson@sfgov.org), or Bob Beck (Bob.Beck@sfgov.org) if you have any questions. Your consideration of this matter is greatly appreciated.

Cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor's Office
Benjamin McClosky, Interim Mayor's Budget Director
Harvey Rose, Budget Analyst

Severin Campbell, Budget Analyst
Greg Wagner, Controller
Carmen Chu, City Administrator
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney
Andrico Penick, Director of Real Estate Division
Brian Strong, Office of Resilience and Capital Planning

Attachment 1

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, KNN Public Finance.

1. True interest cost of the FY25 COPs: 6.34%
2. Finance charge for the FY25 COPs, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,239,996
3. Amount of FY25 COPs proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the FY25 COPs: \$50,100,000
4. Total payment amount for the FY25 COPs, being the sum of (a) debt service on the FY25 COPs to final maturity, and (b) any financing costs not paid from proceeds of the FY25 COPs: \$113,094,595

The information set forth above is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

From: [Trejo, Sara \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Paulino, Tom \(MYR\)](#); [BLAKE, MARK \(CAT\)](#); [Tam, Madison \(BOS\)](#); [Querubin, Jamie \(ADM\)](#); [Lutenski, Leigh \(ECN\)](#); [Van Degna, Anna \(CON\)](#); [Katz, Bridget \(CON\)](#); [Hayward, Sophie \(ADM\)](#); [Carson, Grant \(CON\)](#)
Subject: Mayor -- Resolution -- Stage 2 Contribution - Community Facilities District No. 2016-1 (Treasure Island)
Date: Tuesday, November 5, 2024 2:44:36 PM
Attachments: [BOS Memo - TI Stage 2 COPs \(COP Ordinance COP Supplemental CFD IRFD Resolution\) Final.pdf](#)
[2 CFD Resolution - 2024 Stage 2 Contribution \(CLN\)MDB.DOCX](#)
[CFD Reso Attachment Exhibit A - Improvement Area No. 3 Rate and Method.pdf](#)

Hello Clerks,

Attached is a Resolution authorizing the Stage 2 Contribution as debt of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) with respect to one or more improvement areas; confirming that property is annexed to the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) as Improvement Area No. 3 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island); and determining other pertinent matters in connection therewith.

Please note, Supervisor Dorsey is cosponsor of this item.

Best regards,

Sara Trejo

Legislative Aide

Office of the Mayor

City and County of San Francisco