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**CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2022-1
(Power Station)**

SPECIAL TAX DISTRICT REPORT

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CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2022-1
(Power Station)

INTRODUCTION

The Board of Supervisors (the “Board of Supervisors”) of the City and County of San Francisco (the “City”) under Chapter 43, Article X of the San Francisco Administrative Code (the “Code”), which Code incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended (the “Mello-Roos Act”), on January 25, 2022, adopted a resolution entitled “Resolution of Intention to establish City and County of San Francisco Special Tax District No. 2022-1 (Power Station), Improvement Area No. 1 and a Future Annexation Area, and determining other matters in connection therewith” (the “Resolution of Intention”).

In the Resolution of Intention, the Board of Supervisors expressly ordered the preparation of a written Special Tax District Report (the “Report”), for the proposed (i) “City and County of San Francisco Special Tax District No. 2022-1 (Power Station)” (the “Special Tax District”), (ii) “Improvement Area No. 1 of the City and County of San Francisco Special Tax District No. 2022-1 (Power Station)” (“Improvement Area No. 1”) and (iii) “City and County of San Francisco Special Tax District No. 2022-1 (Power Station) (Future Annexation Area)” (the “Future Annexation Area”).

The Resolution of Intention ordering the Report directed that the Report generally contain the following:

(a) A description of the facilities (the “Facilities”) and the services (the “Services”) by type which will be required to adequately meet the needs of the Special Tax District, Improvement Area No. 1 and the Future Annexation Area.

(b) An estimate of the fair and reasonable cost of the Facilities including the cost of acquisition of lands, rights-of-way and easements, any physical facilities required in conjunction therewith and incidental expenses in connection therewith, including the costs of the proposed bond financing and all other related costs as provided in Section 53345.3 of the Mello-Roos Act.

(c) An estimate of the fair and reasonable cost of the Services and incidental expenses in connection therewith, and all other related costs.

For particulars, reference is made to the Resolution of Intention for the Special Tax District, as previously approved and adopted by the Board of Supervisors.

NOW, THEREFORE, I, the Director of the Office of Public Finance, do hereby submit the following data:

A. DESCRIPTION OF FACILITIES AND SERVICES. A general description of the proposed Facilities and Services is as shown in Exhibit “A” attached hereto and hereby made a part hereof. The Special Tax District, Improvement Area No. 1, and each improvement area created in connection with the annexation of territory in the Future Annexation Area to the

Special Tax District (each a “Future Improvement Area”) are authorized to finance the Facilities and Services without limitation.

In general, the Facilities to be funded are those described in the Development Agreement by and between the City and California Barrel Company LLC, dated September 22, 2020, relating to the Potrero Power Station development project (the “Development Agreement”) that are eligible to be funded under the Code.

The Services to be financed by the Special Tax District consist of the Contingent Services described in the Development Agreement.

B. PROPOSED BOUNDARIES OF THE SPECIAL TAX DISTRICT. The proposed boundaries of the Special Tax District and Improvement Area No. 1 are those properties and parcels in which special taxes may be levied to pay for the costs and expenses of the Facilities. The proposed boundaries of the Special Tax District and Improvement Area No. 1 are described on the map of the Special Tax District on file with the Clerk of the Board of Supervisors, to which reference is hereby made.

Parcels within the Future Annexation Area shall be annexed to the Special Tax District only with the unanimous approval of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, and in accordance with the annexation approval procedures set forth in the Resolution of Intention. The proposed boundaries of the Future Annexation Area are also described on the map of the Special Tax District on file with the Clerk of the Board of Supervisors, to which reference is hereby made.

C. **COST ESTIMATE.** The cost estimate for the Facilities and the Services and incidental expenses for the Special Tax District is set forth in Exhibit "B" attached hereto and hereby made a part hereof.

Dated as of January 25, 2022

By: _____
Director of the Office of Public Finance,
City and County of San Francisco

EXHIBIT A

City and County of San Francisco Special Tax District No. 2022-1 (Power Station)

DESCRIPTION OF FACILITIES AND SERVICES TO BE FINANCED BY THE SPECIAL TAX DISTRICT AND EACH IMPROVEMENT AREA THEREIN

FACILITIES

The Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area) shall be authorized to finance all or a portion of the costs of the acquisition, construction, improvement, maintenance, repair or replacement of improvements authorized by Chapter 43, Article X of the San Francisco Administrative Code (as it may be amended from time to time, "Code"), which Code incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended ("Mello-Roos Act"), including, but not limited to, the improvements described below that are either owned by the City and County of San Francisco (including through its Port Commission or other City agencies, collectively, "City") or privately-owned and privately-maintained but dedicated to public access and use. Capitalized terms used herein but not defined herein have the meanings given them in the Development Agreement by and between the City and California Barrel Company LLC, dated September 22, 2020, relating to the Potrero Power Station development project, as amended from time to time (including all exhibits thereto, "Development Agreement").

- Shoreline Improvements: Maintenance, repair, and replacement of improvements in the Shoreline Area undertaken following Completion of the initial Improvements to that area required under the Development Agreement
- Future Sea Level Rise Improvements: Future improvements deemed necessary or appropriate by the City to ensure that the shoreline, related public or publicly accessible facilities (located on public or private property), and public access improvements will be protected should sea level rise at or near the Project Site.
- Additional Community Facilities: (i) Public facilities (located on public or private property) that serve the Project Site, including maintenance, restoration, rehabilitation, reconstruction or replacement of facilities previously financed under the Financing Plan of the Development Agreement, (ii) Future Sea Level Rise Improvements and (iii) Shoreline Improvements.
- Infrastructure: Infrastructure to be constructed by Developer as described in the Infrastructure Plan attached as Exhibit G to the Development Agreement.
- Parks and Open Space: All of the publicly-accessible open spaces developed in accordance with the Design for Development attached as Exhibit E to the Development Agreement.
- Public Improvements: The facilities, both on- and off-site, to be improved, constructed and dedicated by Developer and, upon Completion in accordance with the Development Agreement, accepted by the City. Public Improvements include the streets within the Project Site shown on Exhibit N of the Development Agreement, and all Infrastructure and public utilities within such streets (such as electricity, water and sewer lines but

excluding any non-municipal utilities), including sidewalks, landscaping, bicycle lanes, bus boarding island, street furniture, and paths and intersection improvements (such as curbs, medians, signaling, traffic controls devices, signage, and striping). The Public Improvements also include the SFPUC Infrastructure, and the SFMTA Infrastructure. The Public Improvements do not include Privately-Owned Community Improvements or, if any, privately owned facilities or improvements in the public right of way.

- Privately-Owned Community Improvements: Those facilities and services that are privately-owned and privately-maintained, at no cost to the City (other than any public financing set forth in the Financing Plan), for the public benefit and not dedicated to the City, including any Infrastructure that is not a Public Improvement. The Privately-Owned Community Improvements are shown generally on Exhibit L-1 of the Development Agreement and further described in the Design for Development. Privately-Owned Community Improvements include certain pedestrian paths, alleys (such as Craig Lane) storm drainage facilities, open spaces, SFMTA employee restroom, Muni bus shelter, and community or recreation facilities to be built on land owned by Developer, or on land owned by the City if the Privately-Owned Community Improvements thereon are subject to an encroachment permit or other permit allowing their installation on such land.

SERVICES

Special taxes collected in the Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area) may finance, in whole or in part, the following services (“services” shall have the meaning given that term in the Code). Capitalized terms used herein but not defined herein have the meanings given them in the Development Agreement.

- Maintenance, repair, replacement and operation of the following (i) Privately-Owned Community Improvements, (ii) Infrastructure, (iii) Parks and Open Space and (iv) Public Improvements, in each case, developed by Developer or the Port Property Maintenance Party on the Port Lease Property
- Maintenance, repair, replacement and operation of Craig Lane

OTHER

The Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area) may also finance any of the following:

1. Bond related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.
2. Administrative fees of the City and the bond trustee or fiscal agent related to the Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area) and the Bonds.
3. Reimbursement of costs related to the formation of the Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area) advanced by the City, the landowner(s) in the Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area), or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area) or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the Special Tax District (and each Improvement Area therein, as originally designated and as designated in the future in conjunction with the annexation of the Future Annexation Area).

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2022-1
(Power Station)

COST ESTIMATE

FACILITIES

The following is a summary of the total estimated costs of acquisition and construction of the Facilities, including related incidental expenses.

The Financing Plan of the Development Agreement contemplates two tranches of bonds to be issued for the Special Tax District, a first tranche that would finance the Facilities that are required for the initial development of the Project Site, and a second tranche that would finance Shoreline Improvement Costs, Future Sea Level Rise Improvement Costs with respect to Future Sea Level Rise Improvements in the vicinity of the Project Site and Additional Community Facilities Costs. Because the second tranche bonds will be issued approximately 35-40 years after the initial first tranche bonds, the estimated Facilities costs set forth below do not include the estimated costs of the Facilities to be financed by the second tranche bonds.

<u>Type of Facility</u>	<u>Estimated Cost</u> <u>(in Millions)</u>
Shoreline Improvements	\$35,000,000
Infrastructure	19,000,000
Parks & Open Spaces	9,000,000
Public Improvements	76,000,000
Privately-Owned Community Improvements	<u>60,000,000</u>
Total	\$199,000,000

SERVICES

It is estimated that the cost of providing the Services to the territory in the Special Tax District, Improvement Area No. 1 and the Future Annexation Area will be \$737,169 for Fiscal Year 2021-22, with the cost escalating annually thereafter.

OTHER

In addition to the acquisition and construction costs of the Facilities and the cost of providing the Services, the City will finance bond or other debt-issuance costs, capitalized interest, a debt service reserve fund and other costs associated with the sale of bonds or other debt and annual administration of the Special Tax District.

The estimated bond or other debt issuance costs are approximately 5% of the principal amount of the bond or other debt.

The estimated costs of determining the amount of taxes, collecting special taxes, allocating special taxes, and other costs incurred in order to carry out the authorized purposes of the Special Tax District is approximately \$200,000 per year (not including Project Management services).

The estimated costs of forming the Special Tax District are approximately \$150,000.