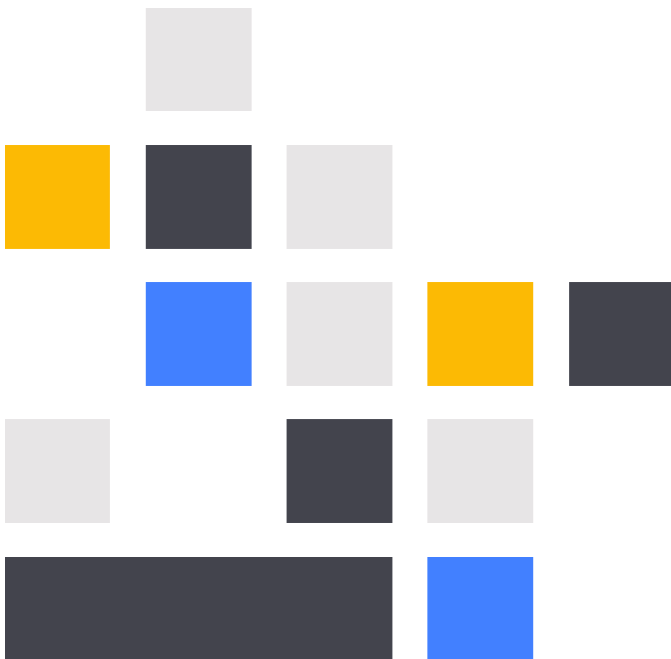


Infrastructure & Revitalization Financing District No. 1 (Treasure Island)

BUDGET & FINANCE COMMITTEE

Bond Resolution: Authorizing the issuance and sale of one or more series of Tax Increment Revenue Bonds for the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island)
Not to Exceed \$30,000,000



April 13, 2022

City & County of San Francisco
Treasure Island Development Authority &
Controller's Office of Public Finance

Map of the Treasure Island IRFD

PROPOSED BOUNDARIES OF CITY AND COUNTY OF SAN FRANCISCO INFRASTRUCTURE AND REVITALIZATION FINANCING DISTRICT NO.1 (TREASURE ISLAND PUBLIC INFRASTRUCTURE)



Milestones for Infrastructure & Revitalization Financing District No. 1 (Treasure Island)

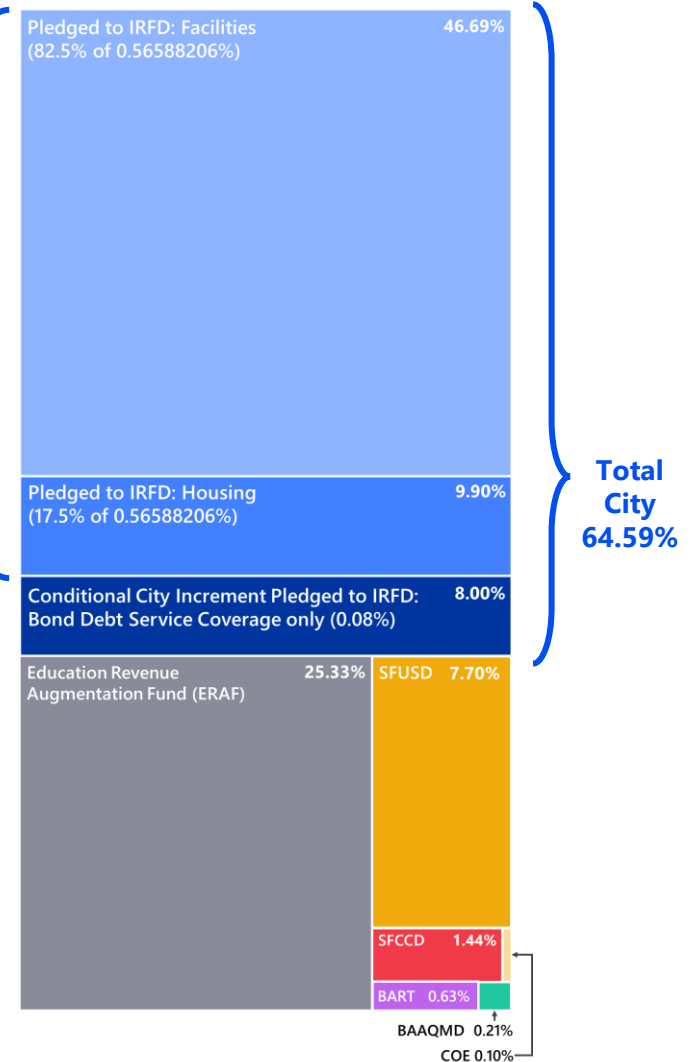
- **June 2011** – Disposition and Development Agreement signed
- **January 2017** – Infrastructure and Revitalization Financing District (IRFD) and CFD formed
 - IRFD initially included Project Area A (Yerba Buena Island) and Project Areas B, C, D & E (Treasure Island), as the initial phases of development - future project areas to be annexed
- **January 2017** – Board approves \$780 million in bonds for Treasure Island IRFD
- **Dec. 2019/April 2020** – 1st property tax increment collected for the IRFD in **Project Area A (Yerba Buena Island)** & 1st special tax levy in the geographically identical area of the CFD (IA No. 1)
- **October 2020, July 2021, January 2022** – Three CFD bond issuances totaling \$83.6 million
- **September 2021 – February 2022** – Board of Supervisors adopted Amended Infrastructure Financing Plan (IFP) of and annexed certain properties to the IRFD for administrative purposes
- *April 2022* – Board of Supervisors considers the Bond Resolution for the Treasure Island IRFD
- *May/June 2022* - Planned first issuance for the Treasure Island IRFD of Tax Increment Revenue Bonds
- **Dec. 2022/April 2023 (Anticipated)** – 1st year of tax increment collected for the IRFD in **Project Area B** and **Project Area E** & 1st special tax levy in geographically overlapping areas of the CFD (IA No. 2)



Treasure Island IRFD: Overview

- City has pledged a portion its incremental ad valorem property taxes collected on properties within the IRFD (56.588206% of the 1%, "**Net Available Increment**") to finance:
 - **82.5%** will reimburse eligible developer public infrastructure costs ("2022A Facilities Bonds")
 - **17.5%** will provide funding for affordable housing ("2022B Housing Bonds")
- The City's remaining (8.00% of the 1%) portion of its share of property tax increment is pledged to the IRFD to provide *additional* debt service coverage
 - Funds will return to the general fund each year if not needed to cover revenue shortfalls due to declines in assessed value

Apportionment of 1.00% Ad Valorem property tax



Plan of Finance for Tax Increment Revenue Bonds

BOND OVERVIEW & RISKS

- The Bonds will be sold Non-Rated as tax increment financings (“TIFs”) where increment is derived from the assessed value (“AV”) of a relatively small geographic area and in an early stage of development with a highly concentrated taxpayer base would likely not receive an investment grade rating

RISK: TIFs have unique credit considerations and risk factors, described in further detail in the Preliminary Official Statement (POS) (see beginning pg. 65 of draft POS):

- TIFs are supported by a passive revenue stream, derived solely from AV
 - Until fully built-out, all TIFs bear some degree of development risk and in challenging real estate markets projects may struggle or be abandoned which may lead to declining AV
 - Taxpayer concentration risk, as the Bonds are secured by only incremental property taxes paid by the developer and its related vertical development partners based on increases in AV from land sales and construction in progress
- The Bonds are limited obligations of the City, secured by and payable solely from the pledge of property tax increment collected by the IRFD
- RISK:*** While the Bonds are not debt of the City’s General Fund, and the General Fund is not liable for the payment of the debt other than the limited pledged City Conditional Increment of the IRFD, the IRFD bears the “City and County of San Francisco” name and market recognition → subject to reputational risk



Tax Increment Revenue Bond Structuring

- The Bonds and all future Parity Debt of the IRFD will be sold as separate series for Facilities and Housing, each with their own indenture, with the **Net Available Increment** (56.588206% of 1%) pledged separately:

82.5% ↓

Facilities (“Facilities Bonds”)

↓ 17.5%

Housing (“Housing Bonds”)

with the same proportionate share of the **Conditional City Increment** (8.00% of 1%) pledged to the debt service on each as additional coverage

- Bonds will be sized to leverage their respective share of just the Net Available Increment without no assumptions of AV growth (0%, level debt service) or future development that would not otherwise be on this year’s property tax roll (as of Jan. 1, 2022)
 - Projected AV for FY2022-23 includes actual construction in progress values as of Jan. 1, 2022 based on information submitted by the developer of Yerba Buena Island to the Assessor
- Bonds will be issued with debt service coverage to the Net Available Increment in accordance with the Development Agreement – the Conditional City Increment will not be leveraged and will only act as additional coverage for bond investors
- Each series of Bonds will fund a debt service reserve equal to 1-year of debt service as well

Capital Planning Committee | Infrastructure & Revitalization Financing District No. 1 (Treasure Island)



Planned Use of Proceeds

PROJECT FUNDS

Facilities Bonds (2022A)

- Expected reimbursement of qualified project costs of the developer including but not limited to geotechnical work conducted and attributable to supporting public infrastructure

Housing Bonds (2022B)

- Planned source for loan to Mercy Housing affordable housing project on Treasure Island Parcel C3.1 for 138 units



DEBT SERVICE RESERVE FUND

- Debt service reserve funds will be funded equal to approximately 1 year of debt service on each series of the Bonds

FINANCING COSTS

- Costs incurred in the formation of the IRFD and preparing the financing including but not limited to City administrative fees, legal fees, advisory fees, and underwriter's discount



Sources & Uses of Proceeds for the Bonds

EST. FINANCING TERMS

2022A & 2022B Bonds

- Final Maturity: Sept. 1, 2051
- Est. True Interest Cost: 4.92%
- Est. Bond Proceeds: \$22M
- Est. Financing Costs: \$1.03M
- Est. Total Debt Service: \$40.6M
- Est. annual debt service: \$1.36M (Level)

Source: Stifel and CSG Advisors, Inc. Market conditions as of March 2022 assuming all tax-exempt bonds are issued for both series with 30-year final maturities

SOURCES & USES

	2022A Facilities	2022B Housing	Total Bonds
Sources:			
Bond Proceeds			
Estimated Par Amount	\$17,910,000	\$3,775,000	\$21,685,000
Premium	\$268,000	\$57,000	\$325,000
Total Sources	\$18,178,000	\$3,832,000	\$22,010,000
Uses:			
Project Fund	\$16,201,700	\$3,413,800	\$19,615,500
Debt Service Reserve Fund	\$1,121,500	\$238,000	\$1,359,500
<u>Delivery Date Expenses</u>			
Cost of Issuance	\$557,500	\$117,500	\$675,000
Underwriter's Discount	\$297,300	\$62,700	\$360,000
Total Uses	\$18,178,000	\$3,832,000	\$22,010,000

