CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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April 12, 2024

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: April 17, 2024 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- **File 24-0198** is an ordinance that would approve a First Amendment to the Development Agreement between the City and Treasure Island Community Development LLC.
- **File 24-0202** is a resolution that would approve an Amended and Restated Disposition and Development Agreement between the Treasure Island Development Authority (TIDA) and Treasure Island Community Development LLC (TICD) for the Treasure Island Project.

Key Points

- The Treasure Island/Yerba Buena Development Project (Project) will include up to 8,000 residential units, including 2,173 affordable units (27 percent), retail and commercial space, up to 500 hotel rooms, and 300 acres of public open space. Due to delays associated with City permitting and changes in market conditions, the project is eight years behind schedule and 90 percent over budget compared to 2011 estimates.
- The Amended and Restated Disposition and Development Agreement (DDA) extends the term of the agreement by 10 years for a total 40-year term and amends the Financing Plan, Schedule of Performance, Housing Plan, and transportation subsidies to provide $115 million in General Fund Certificates of Participation (COPs) to fund Stage 2 infrastructure and improve the financial feasibility of the Project. The proposed First Amendment to the Development Agreement makes corresponding changes to the Financing Plan.

Fiscal Impact

- The Plan anticipates issuing the $115 million in General Fund COPs in three tranches, each subject to the Board of Supervisors' approval. The Office of Public Finance estimates that the COPs would have an annual principal and interest payment of $13.7 million, assuming an estimated interest rate of 6.50 percent and a 20-year term for each financing. Total net debt service is estimated to be $245.9 million.

Policy Consideration

- We estimate the COPs required by the proposed amendments will fully consume the City's COP issuance capacity through at least FY 2027-28, unless interest rates decrease, prior COP authorizations are rescinded, or the delivery dates of other capital projects are extended. Because this proposal is occurring outside the normal capital planning process, which will next take place in the Spring 2025, it is difficult to weigh it against other City needs, including other new infrastructure and deferred maintenance on existing assets.

Recommendation

- Approval of the proposed resolution and ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

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) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

Administrative Code Chapter 56 provides for the City to enter into development agreements with private developers for housing and mixed-use developments to reduce risk for the developer while requiring public benefits that exceed existing requirements. Section 56.14 provides for Board of Supervisors approval of such development agreements.

BACKGROUND

Treasures Island/Yerba Buena Development Project

The Treasure Island/Yerba Buena 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 will include 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.

Financing Plan

The Financing Plan attached to these agreements obligates the City to provide funding for certain public improvements through: (a) the issuance of special tax bonds[2] issued by one or more community facilities districts (CFDs); and (b) tax increment revenue bonds[3] issued by the Treasure

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

[2] The 1982 Mello-Roos Community Facilities Act allows for the formation of CFDs to fund public infrastructure improvements by levying special taxes on taxable property within a CFD. In 2017, the Board of Supervisors approved a resolution forming Community Facilities District No. 2016-1 on Treasure Island and determining necessity to incur bonded indebtedness in an amount not to exceed $5 billion to finance eligible project costs, with the issuance of up to $250 million of special tax bonds authorized for Improvement Area No. 1 of the CFD (Files 16-1122 and 16-1127) and the remaining $4.75 billion identified for future annexations of new Improvement Areas. Subsequently, up to $278.2 million in special tax bonds were authorized at the annexation of Improvement Area No. 2 (File 20-0977) and up to $731.4 million in special tax bonds were authorized at the annexation of Improvement Area No. 3.

[3] State Infrastructure and Revitalization Financing District (IRFD) law allows for a portion of property tax revenues to be allocated to IRFDs to pay for public improvements. In 2017, the Board of Supervisors approved the formation of

Island Infrastructure and Revitalization Financing District (IRFD). To date, the City has issued a total of $100.58 million in special tax bonds on behalf of the CFD, and the IRFD has issued a total of $38.6 million in tax increment revenue bonds to finance the project.

Project Status

To date, the Project has completed infrastructure improvements on Yerba Buena Island and Treasure Island Phase I, including a new public park, street improvements and utilities, new water storage facilities, and a new ferry terminal. In addition, 229 new housing units have been completed, and approximately 745 units are under construction with expected completion in early 2025.

The 2011 DDA anticipated a twenty-year development timeline, with project completion anticipated in 2034. According to an April 2023 schedule of performance adjustment letter, TIDA anticipates project completion by 2042. The letter reflects the fifth revision to the Schedule of Performance attached to the DDA and extends the previous development timeline by two to three years based on delays related to City permitting, the unanticipated complexity of project phasing, and current market conditions, including high interest rates, which have impacted access to private capital and increased financing costs for infrastructure. Additionally, slower land/pad sales to residential developers for condominium development have slowed down the timing of revenues available to finance infrastructure development according to TIDA staff.

The total budget for the project has increased by 90 percent from $1.334 billion anticipated in the 2011 DDA to $2.5 billion, as currently estimated by TICD and TIDA staff. Increases in the budget are primarily due to development schedule delays and higher than anticipated escalation and construction costs compared to the original DDA proforma. According to TIDA, these cost increases will be primarily covered by higher special tax and property tax revenues, which have also been revised upward since 2011. However, the availability of public financing sources for Stage 2 is currently limited due to the constraints of the taxing capacity within the CFD or IRFD to issue additional tax increment or special tax bonds, which is tied to the pace and delivery of development. The current budget for Stage 1, located on Yerba Buena and Treasure Island, is approximately $750 million, and the current budget for Stage 2, on Treasure Island, is approximately $204 million. Both Stage 1 and Stage 2 are included within the boundaries of Major Phase 1. Exhibit 1 below shows the project budget and housing units by stage. The phasing map is shown in Attachment 2.

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the Treasure Island IRFD No. 1, adopted the Infrastructure Financing Plan, and authorized the issuance of up to $780 million in tax increment bonds to finance eligible project costs (Files 16-1120 and 16-1121). Each bond issuance (of the $780 million total authorized) is subject to Board of Supervisors' approval of the terms of sale and related documents. In February 2022, the Board of Supervisors approved the addition of territory to the IRFD and amendments to the Infrastructure Financing Plan (File 21-1196).

Exhibit 1: Project Budget and Housing Units by Stage

Stage	Corresponding Sub-Phases	Estimated Units*	Estimated Budget	Estimated Start to Finish Infrastructure
Stage 1	1YA, 1YB, 1B, 1C, 1E	1,993	$750 M	2016-2024
Stages 2, 3	1A, 1D, 1F, 1G, 1H, 1I	2,169	$750 M	2018-2028
Stages 5, 6	2A, 2C, 3A	1,480	$460 M	2027-2030
Stages 4, 7, 8	2B, 3B, 4A, 4B, 4C, 4D	2,358	$600 M	Stage 4 2030-2031 Stages 7 and 8 parcels subject to land currently under Navy control
Total		**8,000**	**$2.56 B**	**2016-2042**

Source: TIDA

*Delivery of housing units is subject to vertical development schedules and market conditions

Developer Performance

According to TIDA staff, TIDA gauges developer performance based on achieving project milestones and deliverables. To date, the Board of Supervisors and TIDA Board of Directors have accepted the following infrastructure and assets: (a) Panorama Park and Signal Point improvements on Yerba Buena Island[4]; (b) street and public infrastructure associated with sub-phases 1B, 1C, 1E, 1YA, and 1YB (File 23-1245); and (c) ferry terminal and other TIDA improvements (File 23-1269). TIDA staff also report that TIDA and the developer have met multiple times to review the status of the Schedule of Performance and there have not been any performance issues to date.

TIDA does not formally document developer performance, so we could not verify developer performance. However, based on current costs, the developer has completed over 90 percent of Stage 1 work and is currently constructing approximately 25 percent of Stage 2 work, which was originally expected to be complete by 2025 based on the adjusted Schedule of Performance.

DETAILS OF PROPOSED LEGISLATION

File 24-0202 is a resolution that would approve an Amended and Restated Disposition and Development Agreement between the Treasure Island Development Authority and Treasure Island Community Development LLC for the Treasure Island Project, including changes to the Financing Plan, Housing Plan, transportation subsidies, and Schedule of Performance.

File 24-0198 is an ordinance that would approve a First Amendment to the Development Agreement between the City and Treasure Island Community Development LLC for the Treasure Island Project to make changes to the Financing Plan.

[4] Acceptance of Panorama Park was approved by TIDA Board of Directors. In February 2024, the Board of Supervisors approved an ordinance delegating powers related to acceptance of public parks and open space required as part of the Treasure Island project to TIDA (File 23-0859).

The DDA between TIDA and TICD establishes: (a) the rights of the Developer to develop the Project in a series of phases and to ground lease or sell lots to vertical developers for development; and (b) the responsibilities of the Developer to develop public infrastructure, affordable housing, and other community benefits. The Development Agreement between the City and TICD reduces uncertainty in the City's entitlements for the Project site to ensure the Project may be developed consistent with the provisions of the DDA.

Due to the reduced availability of both private and public financing for the Project and increased costs, TIDA, together with City staff, have negotiated proposed changes to the Development Agreement and Disposition and Development Agreement to finance Stage 2 infrastructure and to improve the overall financial feasibility of the Project. Proposed changes to the agreements preserve the project's public benefits, including affordable housing and public open space.

Amended & Restated Disposition & Development Agreement (File 24-0202)

The Amended and Restated Disposition and Development Agreement extends the term of the agreement by 10 years for a total term of 40 years and makes changes to the Financing Plan, Schedule of Performance, Housing Plan, and transportation subsidies as described below.

Financing Plan (Exhibit EE)

The financing plan describes the sources and uses of the project and describes the distribution of net revenues, including the rate of return for the developer. Revenues accrue to the developer through lot transfers with vertical developers for market rate and commercial uses. In light of the limited availability of tax increment financing and special tax bonds for the project, the proposed Financing Plan commits the City to provide "Alternate Financing" to fund remaining costs of Stage 2 infrastructure. The Plan anticipates Stage 2 Alternate Financing will consist of $115 million in General Fund Certificates of Participation (COPs) to be issued in three tranches. Issuance of each tranche of the proposed COPs will be subject to Board of Supervisors' approval.

The proposed Financing Plan redirects $550,000 per year in residual property tax increment and residual special taxes to the City to offset lease payments from the General Fund over the term of the COPs. In addition, the plan states that certain developer revenues must be reinvested in the Project until completion of Stage 2 infrastructure. The Financing Plan states that the City's General Fund will not be available to provide alternate financing to the project beyond Stage 2 Alternate Financing.

The proposed Financing Plan preserves the existing distribution of net revenues. Net revenues are distributed in a tiered structure as follows:

- First Tier – net revenues accrue to TICD until TICD has achieved an 18 percent annual internal rate of return;
- Second Tier – Once TICD has achieved an 18 percent annual internal rate of return, net revenues accrue to the Navy until the Navy has received $50 million;
- Third Tier – once the Navy has received $50 million, net revenues accrue to TICD until TICD has achieved a 22.5 percent annual internal rate of return;

- Fourth Tier – once TICD has achieved a 22.5 percent internal rate of return, net revenues are split by TICD (55 percent), TIDA (10 percent), and the Navy (35 percent) until TICD has achieved a 25 percent internal rate of return;
- Fifth Tier – once TICD has achieved a 25 percent internal rate of return, remaining net revenues are split by TICD (50 percent), TIDA (15 percent), and the Navy (35 percent).

TICD Funding for TIDA (Section 19)

The DDA requires the developer to reimburse TIDA for development-related expenses. TIDA also incurs expenses to manage commercial leases on Treasure Island and other matters that are not tied to development, referred to in the DDA as "Authority Costs." If commercial leasing and other revenues are not sufficient to meet TIDA's Authority Costs, the developer provides backup funding. According to TIDA staff, this has only occurred once, in FY 2021-22, when COVID impacted commercial leasing.

The proposed Amended and Restated DDA removes Section 19.6, which obligates TICD to provide funding for Authority Costs. According to TIDA staff, this will not impact operations.

Schedule of Performance (Exhibit JJ)

The Schedule of Performance has been amended five times since the DDA was executed. Under the proposed Schedule of Performance, the project completion date is 2042, which is consistent with the existing Schedule of Performance and eight years later than the project completion date in the 2011 DDA (2034), as shown in Exhibit 2 below. The proposed revised Schedule of Performance by sub-phase is shown in Attachment 1.

Exhibit 2: Schedule of Performance Changes

	Horizontal Improvements			Open Space & Parks		
Major Phase	**Original Start & Completion**	**Revised Start & Completion**	**Change in Completion (Years)**	**Original Completion**	**Revised Completion**	**Change in Completion (Years)**
1	2014 - 2025	2017 - 2032	7	2024	2038	14
2	2020 - 2027	2029 - 2036	9	2027	2035	8
3	2023 - 2030	2031 - 2042	12	2029	2042	13
4	2026 - 2034	2034 - 2042	8	2034	2042	8

Sources: Exhibit JJ from 2011 DDA and proposed Amended & Restated DDA

The proposed Schedule of Performance delays developer obligations to deliver certain community facilities, parks and open space, and subsidies to make more cash available for the project in the near term. Under the amended Schedule of Performance:

- The developer will obtain a building permit for construction of a joint Police and Fire Station once building permits have been issued for a total of 4,000 housing units (compared to 2,500 housing units under the 2011 DDA) which better reflects the timing of the need for this facility according to TIDA staff, in consultation with Police Department and Fire Department staff;

- The San Francisco Unified School District will obtain a building permit for construction of an elementary school once building permits have been issued for a total of 4,000 housing units (compared to 2,500 housing units);
- The developer will pay the $5 million school subsidy at a later date consistent with the delay in construction start of the school, with a portion ($1 million) due at completion of 30 percent design;
- The developer will deliver Building 1 Plaza and Marina Plaza, two open space parcels in Phase 1, seven years later compared to the fifth amendment of the Schedule of Performance with completion in 2037 instead of 2030.

The purpose of delaying the delivery of the public improvements is to better align them with the expected delivery of market rate housing and commercial development, which are sources of IFD and CFD public financing.

Housing Plan (Exhibit E)

The proposed Housing Plan preserves the requirement that 27.2 percent of the 8,000 total housing units constructed will be affordable units (including inclusionary units), and the requirement that five percent of all residential units constructed in market rate parcels must be inclusionary units. Proposed changes to the Housing Plan delay construction of some inclusionary units, delay payment of the Developer Housing Subsidy for an initial period[5], and increase the Area Median Income (AMI) ranges for rental inclusionary units to improve financial feasibility. The plan swaps one affordable housing lot in Phase 1 (IC2.2) for a lot in Phase 3 (C13.4) and designates the Phase 1 lot (IC2.2) as market rate housing in return, thereby moving up construction of some market rate housing units.

Under the proposed housing plan, inclusionary rental units must be occupied by households earning between 60 and 100 percent of AMI (up from "up to 60 percent of AMI"), with an average of 80 percent of AMI.[6] The Developer can determine how many inclusionary units are constructed in each market rate lot but must demonstrate compliance with the inclusionary requirements at various milestones. The proposed housing plan delays some of the milestones which will give the developer the flexibility to delay construction of some inclusionary units while still requiring compliance with inclusionary requirements.[7] According to a March 2024 TIDA staff memo on the

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[5] The Developer Housing Subsidy is a subsidy paid by the Developer to TIDA for development of affordable housing units on affordable housing lots. The amount of the subsidy is equal to $17,500 time the number of market rate units that may be constructed on each market rate lot per the Vertical DDA for the lot, subject to true-up provisions that ensure the subsidy is not less than $73.5 million.

[6] Under the existing and proposed Housing Plans, inclusionary for-sale units must be occupied by households with incomes up to 120 percent of AMI, with an average of 100 percent of AMI.

[7] Per Section 5.1(c) of the Housing Plan, the developer must demonstrate compliance when market rate lots are conveyed to vertical developers for development of: (i) 1,460 residential units; (ii) 3,990 residential units; and (iii) the last market rate residential lot. The milestones under the existing Housing Plan are: (i) 2,210; (ii) 3,160, (iii) 4,740, (iv) the last market rate residential lot.

proposed DDA changes, this change would delay construction of 27 inclusionary units from Stage 2 to future stages.

The Developer must pay a Developer Housing Subsidy to TIDA upon transferring each market rate lot to a vertical developer based on the number of market rate residential units that may be built upon the lot. The amount of the subsidy, $17,500 per unit, is not changing in the proposed amendments. However, for an initial period following approval of the first sub-phase, the subsidy accrues but is not payable until TIDA provides notice that it requires all or a portion of the accrued subsidy to fulfil its obligations for affordable, replacement, or transition housing. The proposed plan extends the initial period when the subsidy accrues and is not payable until TIDA's provides notice from five years to 15 years and allows that subsidy amount to continue to accrue after the initial period if TIDA does not request payment.

Transportation Subsidies (Section 13.3.2)

The Amended and Restated DDA provides more flexibility on how transportation subsidies may be applied, eligible uses of transportation subsidies, and the timelines for accessing the subsidies. The Amended and Restated DDA adds a new $13.9 million Transportation Capital Contribution Subsidy for capital costs of transportation projects to serve the project and removes prior obligations to deliver specific equipment, including buses for East Bay service and On Island shuttle buses, according to the proposed Schedule of Performance. According to the March 2024 TIDA staff memo, this change does not reduce the value of the developer's contribution to transportation for the Project but will give the Treasure Island Mobility Management Agency (TIMMA) greater flexibility to determine how the developer's contribution will best serve transit operations on Treasure Island. The proposed DDA preserves other existing transit subsidies, including the annual transportation subsidy ($30 million net present value), the additional transportation subsidy ($5 million maximum), and the SFMTA subsidy ($1.8 million).

The Amended and Restated DDA establishes that the first annual transportation subsidy payment will be due six months before the first year of permanent transit service and annually thereafter and allows the developer to credit interim public ferry or public shuttle service against the operating subsidy beginning January 2025 if TIMMA has not yet established permanent service. The terms of interim service provided by the developer (such as service hours and frequency of service) will be subject to TIMMA's and TIDA's approval.

First Amendment to the Development Agreement (File 24-0198)

The proposed First Amendment to the Development Agreement updates the Financing Plan (Exhibit D) to mirror the changes proposed under the Amended and Restated DDA Financing Plan described above. There is no change to the term of the agreement which ends when the DDA expires.

FISCAL IMPACT

Certificates of Participation

According to the March 2024 TIDA staff memo, the Developer has spent $60 million to date on geotechnical and soil improvements, and the proposed $115 million in COPs would fund estimated hard and soft costs of remaining infrastructure required to advance Stage 2 over an estimated three-year construction period, excluding $29 million to complete the parks. According to TIDA staff, the infrastructure scope includes geotechnical work, utility systems, and streets. The existing Financing Plan commits the City to fund these costs through the CFD, the IRFD, or other public sources, but there is not sufficient taxing capacity within the CFD or IRFD to issue additional tax increment or special tax bonds to fund $115 million of Stage 2 project costs at this time. The proposed changes to the financing plan to facilitate issuance of COPs result in the City contributing to these costs earlier than would be possible, allowing the project to proceed with the next stage of development. Since these Stage 2 improvements would be funded by the COPs rather than by the CFD or IRFD districts, capacity no longer needed in the IRFD and CFD to fund Stage 2 infrastructure could be used to fund other General Fund obligations on Treasure Island after project completion.

The Plan anticipates Stage 2 Alternate Financing will consist of $115 million in General Fund Certificates of Participation (COPs) to be issued in three tranches. Issuance of each tranche of the proposed COPs will be subject to Board of Supervisors' approval and will specify deliverables that must be accomplished to access COP funding. Consistent with the Financing Plan, the Office of Public Finance estimates that the first issuance could occur in fiscal year 2024-25, with one issuance annually thereafter.

Debt Service

The Office of Public Finance estimates that, across the anticipated three issuances totaling $115 million in project funds, the COPs would have an annual principal and interest payment of $13.7 million, assuming an estimated interest rate of 6.50 percent and a 20-year term for each financing. Total net debt service under these assumptions is estimated to be $245.9 million.

COPs are structured as a lease-lease back form of debt, in which a City-owned asset serves as the leased property to secure the COPs, and the City repays the COPs through lease payments, funded by the General Fund. As mentioned above, the proposed Financing Plan redirects $550,000 per year in residual property tax increment and residual special taxes to the City to offset lease payments from the General Fund over the term of the COPs.

TIDA Budget

Under the proposed Amended and Restated DDA, TICD is no longer obligated to cover TIDA's "Authority Costs," or costs unrelated to development. TIDA's FY 2023-24 adopted budget includes $3.1 million in reimbursement revenues from TICD for TIDA expenses. Although TIDA has budgeted for possible reimbursement from TICD in the case of an actual shortfall, since 2011, TIDA has only exercised this provision one time (in fiscal year 2021-22). According to TIDA staff, TIDA's proposed fiscal year 2024-25 budget and all annual budgets thereafter will present a balanced budget, in which TIDA expenditures will be covered by TIDA revenues.

Project Fiscal Impact

According to TIDA staff, a draft fiscal analysis by Keyser Marston Associates shows that the project generates net fiscal benefit to the City's General Fund, though expenses for service may exceed revenues in earlier years. We did not review the analysis because it was still in draft form.

POLICY CONSIDERATION

Need for Proposed Public Financing

According to TIDA staff, to assess the Project's need for fiscal changes and public financing, TIDA engaged Century Urban, a financial consultant. Century Urban provided a methodological summary of their efforts to TIDA, which was shared with our office. We did not review the underlying analysis, memos provided to City staff, or other work product, because TIDA staff could not locate them.

TIDA did not review the developer's financials directly, however Century Urban reviewed and validated the developer's proforma, found that project was not feasible without additional public financing, and evaluated the impact of potential changes to the DDA Financing Plan.

According to TIDA staff, the developer demonstrated sufficient funding for remaining stages of the project using CFD and IRFD bond proceeds and land pad sale revenues.

Housing Development

According to OEWD and TIDA staff, the proposed amendments are necessary to ensure timely delivery of housing development on Treasure Island. In 2023, the Board of Supervisors adopted the 2022 Housing Element to the City' General Plan (File 23-0001), which codified the City's plan to deliver 82,000 housing units by 2031, as required by State regulations. The current timeline for housing development on Treasure Island assumes approximately 3,200 units will be delivered by 2031, including the 1,300 units planned in Stage 2, subject of the proposed amendments.

The Housing Element does not require the proposed public financing on Treasure Island but does encourage public investment in infrastructure on Treasure Island (Program 8.7.1) and other under historically under resourced areas. If the housing development on Treasure Island does not proceed as planned, housing units will have to be developed elsewhere in the City. According to a January 20, 2023 letter from the State Housing and Community Development Department to the San Francisco Planning Department, "several federal, state, and regional funding programs consider housing element compliance as an eligibility or ranking criterion."

City Debt Policy & Capital Planning Process

The Controller's Office of Public Finance's Debt Policy, which was approved by the Board of Supervisors in March 2020 (File 20-0089), states that it is the City's policy to limit General Fund debt service at or below 3.25 percent of discretionary General Fund revenues. Based on the Joint Reports from March 2023 and March 2024 and the FY 2024-2033 Capital Plan, we estimate the

COPs required by the proposed amendments will fully consume the City's COP issuance capacity through at least FY 2027-28, unless interest rates decrease, prior COP authorizations are rescinded, or the delivery dates of other capital projects are extended. The proposed amendments would use $115 million COP of funding, which can be used for eligible capital project costs anywhere in San Francisco, instead of Treasure Island-specific public financing sources, which are not available due to development delays. Because this proposal is occurring outside the normal capital planning process, which will next take place in the Spring 2025, it is difficult to weigh it against other City needs, including other new infrastructure and deferred maintenance on existing assets.

The Controller's Office and City Administrator's Office will evaluate the proposed COPs' impact on the City's debt program as the City's 10-Year Capital Plan is revised.

Uncertainty of Market Conditions

The proposed amendments contemplate additional public financing to ensure delivery of horizontal infrastructure on Treasure Island that is necessary to support market rate and affordable housing. Current market conditions, including higher interest rates and construction costs, have rendered continuation of the project not financially feasible with existing sources of public financing, which are not available until development is complete. However, current market conditions may be temporary. For example, interest rates could decrease to such an extent that the project is feasible without COP financing. On the other hand, the developer may not obtain sufficient private investment at the scale or time horizon necessary to meet the vertical development timelines assumed by TIDA, even with the completion of horizontal infrastructure.

RECOMMENDATION

Approval of the proposed resolution and ordinance is a policy matter for the Board of Supervisors.

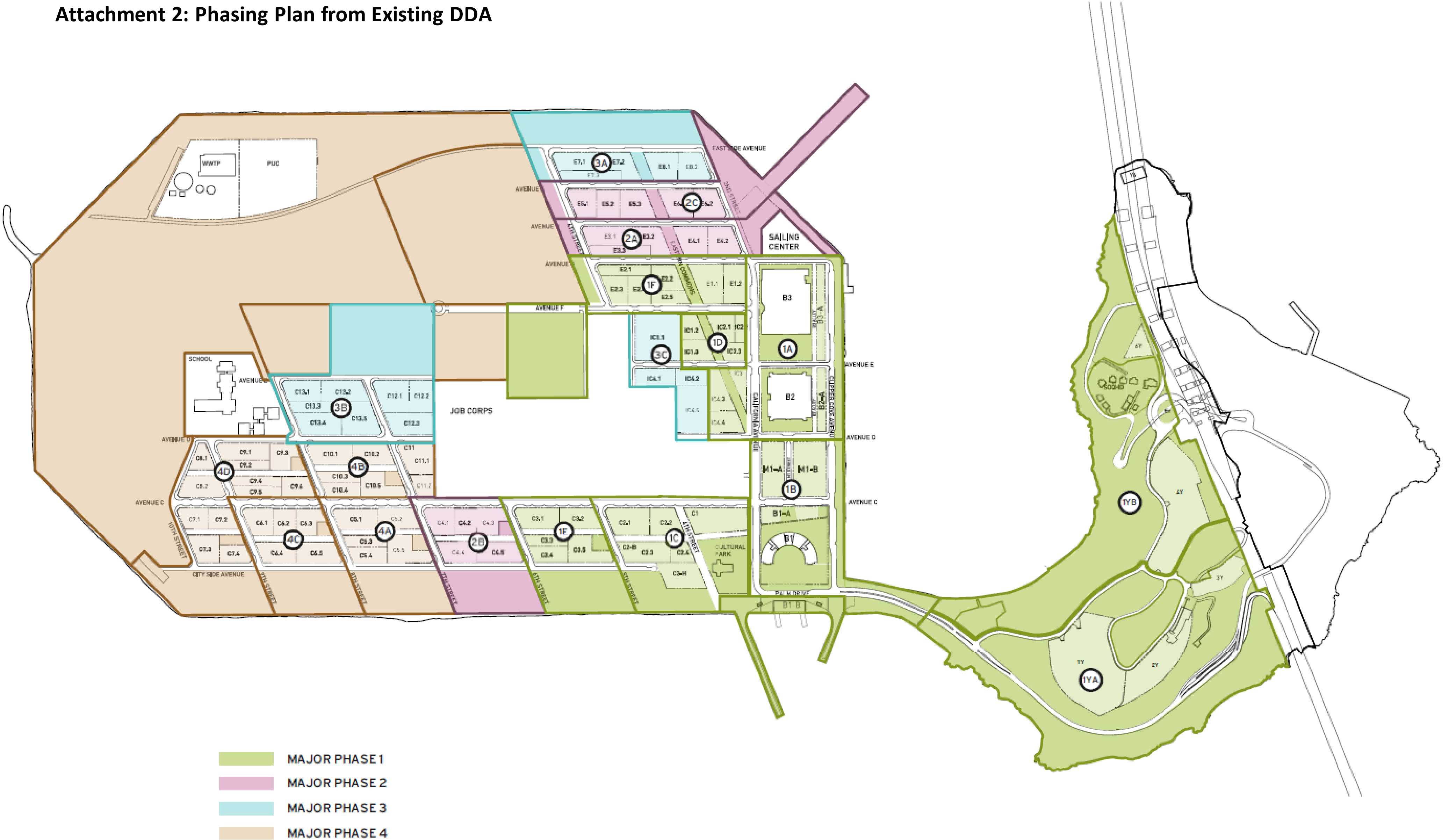
Attachment 1: Proposed Revised Schedule of Performance by Sub-Phase

Sub-Phase	Blocks	Revised Start & Completion	Open Space Completion
Phase 1		2017 - 2032	2031
1-A	B2-B3-M1-IC3-IC4	2021 - 2030	2028
1-B	B1	2018 - 2023	2026
1-C	C1-C2	2017 - 2023	2024
1-D	IC1-IC2	2028 - 2032	2031
1-E	C3	2021 - 2025	2024
1-F	E1-E2	2028 - 2032	2031
1G	IC1-IC4	2028 - 2032	2031
Phase 2		2029 - 2036	2033
2-A	E3-E4	2028 - 2030	2031
2-B	C4	2029 - 2031	2032
2-C	E5-E6	2030 - 2032	2033
Phase 3		2031 - 2042	2034
3-A	E7-E8	2031 - 2033	2034
3-B	C12-C13	2034 - 2042	2042
3-C	IC1-IC4	2033 - 2038	2033
Phase 4		2034 - 2042	2040
4-A	C5	2034 - 2036	2037
4-B	C10-C11	2035 - 2037	2039
4-C	C6	2036 - 2038	2038
4-D	C7-C8-C9	2037 - 2039	2040
Total		**2017 - 2042**	**2040**

Source: TIDA

Note: the revised Schedule of Performance does not include sub-phases 1-Y-A and 1-Y-B on Yerba Buena. According to TIDA staff, these sub-phases and associated open space have been completed.

Attachment 2: Phasing Plan from Existing DDA



TREASURE AND YERBA BUENA ISLANDS

EXHIBIT II, PHASING PLAN

JUNE 28, 2011