CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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January 9, 2026

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 14, 2026 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
3 & 4	25-1216 25-1217	General Obligation Bond Election - Earthquake Safety and Emergency Response - Not to Exceed $535,000,000 General Obligation Bonds - Earthquake Safety and Emergency Response - Not to Exceed $535,000,000	1
5	25-1225	Administrative Code - Film Commission Programs	10
8	25-1180	Appropriation - Revenue Bonds Proceeds - Capital Improvement Projects - Airport Commission - $9,016,051,176 - FY2025-2026	18
13	25-1261	Infrastructure Financing Plan and Related Documents and Actions - San Francisco Enhanced Infrastructure Financing District No. 3 (3333/3700 California Street	33
14	25-1262	Infrastructure Financing Plan and Related Documents and Actions - San Francisco Enhanced Infrastructure Financing District No. 2 (Stonestown)	40

Items 3 & 4 Files 25-1216, 25-1217	Departments: Public Utilities Commission, Municipal Transportation Agency, Police, Fire, City Administrator, Controller

EXECUTIVE SUMMARY

Legislative Objectives

- **File 25-1216**: is an ordinance that would provide for a special election on June 2, 2026, to request voter approval for a $535 million general obligation bond to fund five Earthquake Safety and Emergency Response program areas.
- **File 25-1217:** is a resolution that would determine and declare that incurring the proposed debt is necessary and in the public interest.

Key Points

- The FY 2026-2035 Capital Plan includes a schedule of planned debt and other capital financing and was approved by the Board of Supervisors in April 2025 (File 25-0233). In December 2025, the Capital Planning Committee approved an amended FY 2026-2035 Capital Plan, which is currently pending approval by the Board of Supervisors (File 25-1215).
- The proposed bonds, which would require approval by at least two-thirds of San Francisco voters, would fund: $130 million for the Emergency Firefighting Water System, $100 million for firefighting facilities and infrastructure projects, $72 million for police facilities and infrastructure projects, $200 million for Potrero Bus Yard resiliency upgrades, and $33 million for public safety facilities and infrastructure projects.

Fiscal Impact

- According to the Office of Public Finance, the proposed bonds are assumed to have an annual interest rate of 6.0 percent and term of 26 years, with estimated total debt service payments of $933 million, including approximately $398 million in interest and $535 million in principal. Because the bonds will be sold in tranches, the Office of Public Finance estimates average annual debt service payments of $35.9 million.

Policy Consideration

- Specific bond projects for the $33 million Public Safety Building Repairs program area have not yet been determined. Examples of potential projects include renovations or improvements of boilers, roofs, generators, elevators, HVAC systems, and electrical upgrades. The Office of Resilience and Capital Planning will work with the public safety departments and Public Works to develop specific project recommendations for consideration by the Mayor's Office, Capital Planning Committee, and Board of Supervisors, which will have to approve bond sales and appropriations of bond proceeds. The project selection process may include criteria related to project readiness, legal mandates, life safety, and other factors.

Recommendation

- Approve the proposed ordinance and resolution.

MANDATE STATEMENT

City Administrative Code Section 2.34 requires that a resolution determining the public interest and necessity for the acquisition, construction or completion of any municipal improvement funded by property taxes be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. Approval of such resolutions requires a 2/3 vote by the Board of Supervisors.

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of general obligation bonds in accordance with the Constitution of the State of California. There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose.

BACKGROUND

The FY 2026-2035 Capital Plan includes a schedule of planned debt and other capital financing and was approved by the Board of Supervisors in April 2025 (File 25-0233). In December 2025, the Capital Planning Committee approved an amended FY 2026-2035 Capital Plan. Exhibit 1 below shows the amendments to the government obligation bond program schedule.

Exhibit 1. Amended FY 2026-2035 Capital Plan's Government Obligation Bond Program

	Original		Amended	
Bond Program	**Election Date**	**Amount**	**Election Date**	**Amount**
Earthquake Safety and Emergency Response	Nov 2028	$350,000,000	June 2026	$535,000,000
Parks and Open Space	June 2030	$200,000,000	March 2028	$250,000,000
Waterfront & Climate Safety	March 2028	$350,000,000	Nov 2028	No change
Public Health	Nov 2030	$250,000,000	No change	No change
Transportation	Nov 2026	$235,000,000	Removed	Removed
	Nov 2032	$200,000,000	No change	No change
Affordable Housing	Nov 2034	$200,000,000	No change	No change

Source: FY 2026-2035 Original and Amended Capital Plans

The proposed resolution amending the FY 2026-2035 Capital Plan to reflect these changes to the government obligation bond program is currently pending approval by the Board of Supervisors (File 25-1215).

DETAILS OF PROPOSED LEGISLATION

File 25-1216: is an ordinance that would provide for a special election on June 2, 2026, to request voter approval for a $535 million general obligation bond to fund five Earthquake Safety and Emergency Response (ESER) program areas listed below.

(1) $130 million for the Emergency Firefighting Water System,

(2) $100 million for firefighting facilities and infrastructure projects,

(3) $72 million for police facilities and infrastructure projects,

(4) $200 million for Muni bus storage and maintenance facility improvements and infrastructure projects at Potrero Yard, and

(5) $33 million for public safety facilities and infrastructure projects.

All contracts funded by bond proceeds must comply with the City's First Source Hiring program and Local Business Enterprise program.

File 25-1217: is a resolution that would determine and declare that the public interest and necessity demand the improvement, renovation, construction, expansion, acquisition, rehabilitation, and seismic retrofitting of the following: Emergency Firefighting Water System, Firefighting Facilities and Infrastructure, Police Facilities and Infrastructure, transportation facilities for the Municipal Railway Bus Storage and Maintenance Facility at Potrero Yard, and other Public Safety Facilities and Infrastructure projects.

The proposed legislation would also:

- Find that the estimated cost of $535 million for such proposed projects will be too great to be paid out of the ordinary annual income and revenue of the City and will require expenditures greater than the amount allowed by the annual tax levy;
- Find that the bond proposal is not subject to review under the California Environmental Quality Act (CEQA);
- Find that the proposed bonds are in conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b);
- Waive the time requirements for approving the resolution specified in Administrative Code Section 2.34; and
- Authorize landlords to pass-through 50 percent of the resulting property tax increase to residential tenants under Administrative Code, Chapter 37; and,

Proposed uses of the bond proceeds are summarized in Exhibit 2 below, including projects that have been identified in the bond report associated with this request and projects identified by

City departments that could be funded within each program. Appendix I provides more details on the projects to be funded by the proposed bond proceeds.

Exhibit 2: Proposed Uses of Bond Funds

Program	Amount[1]	Projects
Emergency Firefighting Water System	$130,000,000	• Construction of Westside pipeline segment[2] • Construction of fireboat manifold at Fort Mason[3]
Neighborhood Fire Stations and Support Facilities	$100,000,000	• Neighborhood Fire Station 2 (1340 Powell St.) replacement[4]/seismic improvements • Neighborhood Fire Station 40 (2155 18th Ave) replacement/seismic improvements • Neighborhood Fire Station 8 (36 Bluxome St.) replacement/retrofit • Relocation of the Community Paramedicine Facility
District Police Stations and Support Facilities	$72,000,000	• Retrofit of Taraval Police Station • Relocation of the Property Control Division from the Hall of Justice
Potrero Bus Yard Resiliency Upgrades	$200,000,000	• Replacement of Potrero Bus Yard with modern facility
Public Safety Building Repairs	$33,000,000	• Repairs and improvements of public safety facilities. Specific projects to be determined. Examples of potential projects include replacement of roofs, boilers, generators, elevators, HVAC systems, electrical upgrades or other necessary renovations or improvements.
Total	**$535,000,000**	

Sources: Public Utilities Commission, Municipal Transportation Agency, Police, Fire, City Administrator, 2026 ESER Bond Report

Approval of the proposed $535 million general obligation bond would require approval by at least two-thirds of San Francisco voters. All issuances of the bonds and appropriations of the bond fund proceeds would be subject to Board of Supervisors' approval. At that time, CEQA review and approval of specific projects may be required, and the project costs would be identified.

[1] Amounts include estimated costs of issuance and other financing costs (e.g., City Services Auditor) for each program area. Amounts are rounded.

[2] According to SFPUC, the new infrastructure for the remaining westside pipeline segments will require system monitoring, exercise valves, etc., which are relatively minor operational impacts relative to SFPUC's overall system (based on the department's assessment),

[3] SFPUC states this project will not have any new operational impacts.

[4] According to the Fire Department, the replacement of a fire station includes the demolition of the existing facility and construction of a new facility that meets current standards. For the proposed fire station replacement projects, the personnel and equipment assigned to the location are temporarily relocated during construction.

Bond Oversight

As required by Administrative Code Section 5.31, the Citizen's General Obligation Bond Oversight Committee will conduct an annual review of bond expenditures and report on the bond program to the Mayor and the Board of Supervisors.

The City must maintain a public webpage outlining the bond program, progress, and updates. In addition, the City will hold annual and periodic public hearings on the program and its implementation before the Capital Planning Committee, the Police and Fire Commissions, and the Citizen's General Obligation Bond Oversight Committee.

FISCAL IMPACT

Debt Service

According to the Controller's Office of Public Finance, the proposed bonds are assumed to have an annual interest rate of 6.0 percent[5] over approximately 26 years, with estimated total debt service payments of $933 million, including approximately $398 million in interest and $535 million in principal. Because the bonds will be sold in tranches, the Office of Public Finance estimates average annual debt service payments of $35.9 million.

Property Taxes

Property tax revenue would be used to secure and pay for the proposed debt service. According to the Office of Public Finance, the average property tax rate for the proposed bonds would be $7.45 per $100,000 of assessed valuation, half of which could be passed through to tenants in accordance with Chapter 37 of the Administrative Code.

Debt Limits

According to the Office of Public Finance, the proposed bonds are consistent with the City's current debt management policy to maintain the property tax rate for City general obligation bonds at or below the FY 2005-06 rate of $0.12 per $100 of assessed value and are also consistent with the City Charter limit for outstanding general obligation bond indebtedness to stay below three percent of assessed property values.

POLICY CONSIDERATION

List of Public Safety Building Repairs Projects to Be Funded Not Yet Final

Specific bond projects for the $33 million Public Safety Building Repairs program area have not yet been determined. According to the Office of Resilience and Capital Planning, the funds will be used for critical repairs and improvements at public safety facilities in departments such as

[5] The Office of Public Finance uses a standardized planning assumption of 6.0% for tax-exempt debt and 7.0% for potentially taxable debt.

Fire, Police, Juvenile Probation, Sheriff's Office, and Emergency Management. This may include projects such as renovations or improvements of boilers, roofs, generators, elevators, HVAC systems, and electrical upgrades. The Office of Resilience and Capital Planning will work with the public safety departments and Public Works to develop specific project recommendations for consideration by the Mayor's Office, Capital Planning Committee, and Board of Supervisors, which will have to approve bond sales and appropriations of bond proceeds. The project selection process may include criteria related to project readiness, legal mandates, life safety, and other factors.

RECOMMENDATION

Approve the proposed ordinance and resolution.

Appendix I: Projects to be Funded by Proposed 2026 ESER Bonds

Project	Bond Amount	Description	Project Phase	Estimated Completion	Basis for Estimate
Emergency Firefighting Water System					
Sunset District/Richmond District/Golden Gate Park Pipelines	$92,000,000	Construction of the Westside pipeline segments to Golden Gate Park and the Richmond District. Seismic and electrical evaluation of Lake Merced Pump Station.	Design	2029-2032 depending on segment	Construction cost estimate at 95% design for initial segment and interpolated to subsequent segments.
Fireboat Manifold at Fort Mason	$36,000,000	Construction of the fireboat manifold and associated piping at Fort Mason.	Design	Winter 2032	Construction cost estimate at the planning level.
Cost of Issuance/Other Financing	*$1,920,000*				
Subtotal	**$129,920,000**				
Neighborhood Fire Stations and Support Facilities					
Neighborhood Fire Station 2 (1340 Powell St.)	$35,000,000	Replacement of the aging and seismically unsafe Battalion Station 2.	Design	Fall 2031	Cost estimate developed by external cost estimator based on preliminary design option, schedule and anticipated date of mid-point of construction
Neighborhood Fire Station 40 (2155 18th Ave)	$20,000,000	Replacement of the aging and seismically unsafe Battalion Station 40.	Planning	Spring 2030	Cost estimate developed by external cost estimator based on preliminary design option, schedule and anticipated date of mid-point of construction
Neighborhood Fire Station 8 (36 Bluxome St.)	$30,000,000	Replacement or retrofit of seismically unsafe Battalion Station 8.	Planning	Spring 2032	Unit cost based on completed prior similar projects multiplied by the project's total area plus escalation through the anticipated mid-point of construction

Project	Bond Amount	Description	Project Phase	Estimated Completion	Basis for Estimate
Community Paramedicine Facility	$13,400,000	Relocation of the Paramedicine Facility from the seismically unsafe Bureau of Equipment at 1415 Evans Street.	Planning	TBD	Rough Order of Magnitude based on preliminary project scope
Cost of Issuance/Other Financing	*$1,476,000*				
Subtotal	**$99,876,000**				
District Police Stations and Support Facilities					
Taraval Police Station	$61,000,000	Retrofit of the seismically unsafe Taraval Station and addition of an annex.	Design	Summer 2030	Cost estimate developed by external cost estimator based on preliminary design option, schedule and anticipated date of mid-point of construction
Property Control Division Phase II	$10,000,000	Relocation of the Property Control Division from the seismically unsafe Hall of Justice to 1828 Egbert Steet.	Planning	Summer 2029	Cost estimate developed by external cost estimator based on preliminary design option, schedule and delivery timeframe.
Cost of Issuance/Other Financing	*$1,065,000*				
Subtotal	**$72,065,000**				
Potrero Bus Yard Resilience Upgrades					
Potrero Yard Modernization Project	$197,000,000	Replacement of the seismically unsafe Potrero bus yard with a modern facility that will allow Muni to service electric vehicles and remain functional after an earthquake.	Design	Summer 2030	Preliminary Design-Build Contractor pricing based on 30% of the design.
Cost of Issuance/Other Financing	*$2,955,000*				
Subtotal	**$199,955,000**				

Project	Bond Amount	Description	Project Phase	Estimated Completion	Basis for Estimate
Public Safety Building Repairs					
Projects TBD	$32,600,000	Specific projects TBD. Projects will address critical repairs and improvements to keep Public Safety facilities safe and functional.	Varies/TBD	2027-2031	Level of funding is expected to fund high priority Public Safety renewal projects for three to four years. Estimates are based on average annual facility renewal funding levels for public safety departments (e.g., Fire, Police, Juvenile Probation, Sheriff, Emergency Management)
Cost of Issuance/Other Financing	*$489,000*				
Subtotal	**$33,089,000**				
Proposed 2026 ESER Total	**$534,905,000**				

Sources: Public Utilities Commission, Municipal Transportation Agency, Police, Fire, City Administrator

Item 5 File 25-1225	**Department:** Film Commission

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance amends Chapter 57 of the Administrative Code to modify the film rebate program by revising eligibility requirements, expanding eligible production costs, and increasing the maximum rebate per production. It also broadens tax-exempt status for the Film Commission to waive daily use fees, updates production notification requirements, and authorizes the Executive Director to enter into Film SF logo licensing agreements.

Key Points

- Since film rebate program's inception in 2006, 46 projects have participated. Collectively, these productions spent $95 million locally, including $26.2 million on local wages. In total, the City has provided $7,644,672 in rebates. For every dollar the City rebated, participating productions generated approximately $12.40 in local spending.
- According to our estimates, rebate costs would have been approximately 44 percent higher over the past five fiscal years under the rules of the proposed ordinance, increasing from $1.4 million under current law to about $2.0 million. Average annual costs would increase from approximately $0.3 million under current rules to $0.5 million under the proposed rules.

Fiscal Impact

- The Film Rebate Program is funded by the General Fund. As of December 2025, the fund has a remaining balance of $1,993,51, no appropriation in FY 2025-26, and a $600,000 transfer from the General Fund to support spending in FY 2026-27. Based on projected program costs, this remaining balance would be sufficient to fund program administration through the proposed expiration date of June 2027.

Policy Consideration

- The proposed ordinance would increase the maximum rebate amount per production from $600,000 to $1,000,000. The program may increase economic activity in San Francisco and enhance the City's reputation. For budgetary reasons, the Board of Supervisors may wish to consider maintaining the current cap or adopting a more modest increase.

Recommendation

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

MANDATE STATEMENT

City Charter Section 2.205 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

Film Rebate Program

In 2006, the City established a film rebate program to encourage film production as a means of stimulating economic development and job creation. The program does this by reimbursing eligible productions $1 for every $1 of qualifying production costs. Exhibit 1 below summarizes program eligibility

Exhibit 1: Film Rebate Program Eligibility, Qualified Costs, and Rebate Structure

Category	Description
Eligibility	• Must conduct 55 to 65 percent of total filming activity within the City.[1]
Qualified Production Costs	• Money paid to the city for the use of city property, equipment, or employees.[2]
Rebate	• City pays $1 for each $1 the production paid of a qualified production cost (City fees and taxes). • Maximum rebate of $600,000 per film or per season of a series.

Source: Administrative Code Chapter 57

Since the program's inception, 46 projects have participated.[3] Collectively, these productions spent $95 million locally. This includes spending on local goods and services, such as hotels, equipment, and catering; and $26.2 million on local wages. In total, the City has provided $7,644,672 in rebates. For every dollar the City rebated, participating productions generated approximately $12.40 in local spending.

Exhibit 2 summarizes program participation from FY 2007 through FY 2026, including the number of productions, total local spending, and rebates provided.

[1] Principal photography is defined as the time and phase of film production during which the main photography occurs. 55 percent of principal photography days applies to low-budget film productions with a budget of $3,000,000 or less.

[2] Qualified production costs include taxes (except sales and hotel), any fees paid to any City department, and daily use fees charged by the film commission. Police services cannot exceed 4 officers for maximum of 12 hours per day.

[3] A project refers to the overall title or program. A production refers to a specific filming effort under that project, such as an individual season. For example, a series may count as one project but have multiple productions across different seasons.

Exhibit 2: Rebate Amount and Local Return Spending FY 2007 through FY 2026

Fiscal Year	Rebate Amount	Total Local Spending
2007	$42,151	$372,715
2009	171,014	18,164,004
2010	699,489	24,277,480
2011	550,715	7,706,212
2012	76,416	1,330,685
2013	231,025	2,756,235
2014	831,505	5,316,844
2015	1,097,654	12,826,828
2016	800,000	3,058,390
2017	800,000	7,210,914
2018	222,876	814,403
2019	553,435	4,334,982
2021	313,522	1,698,321
2022	202,659	988,266
2023	56,356	170,366
2024	747,057	3,397,960
2025	101,780	496,891
2026	147,020	478,692
Total	**$7,644,672**	**$95,400,191**

Source: Film Commission

Notes: Productions participating in the rebate program are required to submit local expenditures, general ledgers, and budgets documentation to the Film Commission. The 'Total Local Spending' column includes total local spending, including goods, services, taxes, and City fees. This only includes local spending during pre-production and principal production. It does not include local spending during post-production.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends Chapter 57 of the Administrative Code to make several changes to the City's Film Rebate Program and related Film Commission authorities. Most notably, the ordinance loosens program eligibility requirements, expands the categories of production costs eligible for rebates, and revises the rebate structure, including increasing the maximum rebate amount per production from $600,000 to $1,000,000. In addition, the ordinance would expand the definition of tax-exempt entities eligible for rebates from daily use fees charged by the Film Commission, revise production notification requirements, and authorize the Film Commission Executive Director to enter into licensing agreements for the use of the Film SF logo.

Modifications to Film Rebate Program

The proposed ordinance amends Section 57.8 of the Administrative Code governing the Film Rebate Program. As summarized in Exhibit 3, the proposed changes fall into three primary categories: (1) eligibility requirements, (2) qualifying production costs, and (3) the rebate structure and maximum rebate amount.

Eligibility Requirements

Under current law, productions must conduct at least 65 percent of filming within the City to qualify for a rebate. The proposed ordinance replaces this requirement with lower and more flexible thresholds. Specifically, productions would qualify by spending at least $500,000 (or $250,000 for low-budget projects) on eligible costs incurred during pre-production, principal photography, and post-production, provided that a minimum of five principal photography days occur within the City. Lastly, if a production has a production office, it must be based in the City.

By allowing qualifying expenditures across all phases of production, rather than limiting eligibility to principal filming activity, and by reducing the minimum filming-day requirement, the proposed changes make it substantially easier for productions to qualify for the rebate. The Film Commission indicated that the precise impact on eligibility is uncertain. However, the department estimates that the changes could increase the number of eligible productions by approximately 25 percent based on film productions that did not qualify but expressed interest in a more competitive incentive model beyond City fee rebate.

Qualifying Production Costs

Under current law, qualifying production costs are largely limited to fees paid directly to City departments. The proposed ordinance significantly expands the range of costs eligible for rebates. Specifically, the proposal would allow rebates for fees paid to third-party property owners when no suitable City-owned property is available, local labor costs capped at $100,000 per individual, and goods and services purchased or rented from businesses located within the City. The proposal would also remove taxes as a qualifying expenditure and eliminate the cap on police services.

Rebate Structure and Maximum Rebate Amount

The proposed ordinance would replace the current dollar-for-dollar rebate structure with a tiered rebate system, including a 10 percent rebate on qualifying costs up to $1 million, a 20 percent rebate on qualifying costs above $1 million, and a 100 percent rebate on City fees. In addition, the ordinance would increase the maximum rebate amount per film or season from $600,000 to $1,000,000. The proposal would also provide rebates for costs paid to third-party property owners if a City property is not available, with the applicable percentage determined by Film Commission guidelines.

Exhibit 3: Comparison of Current Law and Proposed Changes to the Film Rebate Program

Category	Current Law	Proposed Changes
Eligibility	• At least 55 to 65% of filming activity must occur within the City.[4]	• Minimum of 5 filming days within the City. • Minimum local spend of $250,000 - $500,000 across pre-production, principal photography, and post-production.[5] • Production office must be based in San Francisco.
Qualifying Production Costs	• Fees paid to City departments, including: - Taxes (excluding sales and hotel taxes). - Police services, capped at four officers per day. - Use of City-owned property. - City fees.	• Removes taxes as a qualified expenditure. • Removes cap on police services. • Adds fees paid to third-party property owners when no suitable City-owned property is available. • Adds local labor costs, capped at $100k per person. • Adds goods and services purchased or rented from businesses located within the City.
Rebate Structure	• $1 for every $1 spent on qualifying costs (City fees and certain taxes).	• 10% rebate on qualifying costs up to $1,000,000 • 20% rebate on qualifying costs above $1,000,000 • 100% rebate on City fees • Rebate for third-party property costs, with the applicable percentage determined by Film Commission guidelines.
Maximum Rebate	• $600,000 per film/season	• Increases cap to $1,000,000 per film/season

Source: BLA

[4] 55% threshold applies to low-budget projects with a total budget of no more than $3M.
[5] $250,000 threshold applies to low-budget projects with a total budget of no more than $3M.

As shown in Exhibit 4, we estimate a 5-year average increase of 44 percent on rebate costs. This estimate is based on applying the rules in the proposed ordinance to productions that participated in the Film Rebate Program over the last five fiscal years. Specifically, rebate payments would have increased from $1.4 million under current law to an estimated $2.0 million under the proposed ordinance, an increase of about $0.6 million or 44 percent over the five-year period. Average annual costs increase from $0.3 million to $0.4 million, or by $124,944 per year. On an annual basis, the estimated increase in rebates range from 20 to 54 percent, reflecting variation in local spending patterns across fiscal years.

Exhibit 4: Estimated Rebate Amount Under Proposed Changes, FY 2021 – FY 2025

Fiscal Year	Actual Rebate Amount	Rebate Amount under Proposed Ordinance	Difference	Percent Change
2020-21	313,522	484,339	170,817	54%
2021-22	202,659	281,219	78,561	39%
2022-23	56,356	67,757	11,401	20%
2023-24	747,057	1,059,823	312,766	42%
2024-25	101,780	152,953	51,174	50%
Total	**1,421,373**	**2,046,092**	**624,719**	**44%**
Average	284,275	409,218	124,944	44%

Source: BLA

Notes: Estimates are subject to several limitations. (1) Post-production costs that would become eligible under the proposed ordinance are not included; accounting for this would *increase* the rebate amount under the proposed ordinance. (2) Our projections include taxes as production costs, which would not qualify as eligible production costs under the proposed ordinance; accounting for this would *decrease* the rebate amount under the proposed ordinance. (3) Our projections do not include the increase in program eligibility resulting from the $500,000 minimum spending threshold; accounting for this effect would *increase* the rebate amount under the proposed ordinance. (4) The estimates also do not assume any increase in film production in San Francisco resulting from proposed changes to program rules, which would *increase* the rebate amount beyond what is shown in Exhibit 4 above.

The five-year period shown above includes pandemic years, which may not provide a reasonable projection of production activity. If we include FY 2017-18 and FY 2018-19 in the analysis (no productions received rebates in FY 2019-20), then the average annual rebate cost is $313,955, which would increase to $494,623 per year under the proposed program rules, an average increase of $180,668 per year.

Expansion of Daily Use Fees Exemptions

Section 57.5(c) of the proposed ordinance expands the definition of tax-exempt entities that are exempt from the City's daily use fees. Daily use fees are fees imposed by the Film Commission on production companies who film in the City and range from $100 to $500 a day. Currently, public service announcements, qualifying student productions, and 501(c)(3) nonprofits are exempt from these fees.

The proposed ordinance amends Section 57.5(c) of the Administrative Code to include 501(c)(4) and 501(c)(6) organizations. This includes social welfare organizations and local associations of

employees, both of which, similarly to 501(c)(3), advance public, educational, or community interests. Furthermore, the proposed amendment removes public service announcements from being exempt from daily use fees. According to Film staff, this is to ensure that fee waivers are tied to a legally defined status, instead of a broad entity category, which can be subjective and open to interpretation.

Production Notification Guidelines

Section 57.6(c) of the Administrative Code outlines the guidelines for film companies to notify the public of filming activity. The proposed changes would allow the San Francisco Film Commission to maintain and amend its own notification guidelines, allowing for more flexibility. According to Film SF, this change would eliminate outdated notification guidelines that no longer reflect current production practices and instead allow the Department to maintain guidelines that preserve resident outreach while reducing administrative burdens for productions in San Francisco.

Film SF Logo Licensing

The proposed ordinance adds section 57.10 to the Administrative Code to authorize the Film Commission to license and sell merchandise. According to the Commission, this will aid in their marketing efforts and increase brand awareness.

In addition, film companies must provide on-screen credit to the City and promotional materials.

Program Expiration Date

The proposed ordinance sunsets the Film Rebate Program on June 30, 2027, or one year earlier than the current expiration date of June 2028.

FISCAL IMPACT

Funding

The Film Rebate Program is funded by the General Fund. As of December 2025, the fund has a remaining balance of $1,993,51, no appropriation in FY 2025-26, and a $600,000 transfer from the General Fund to support spending in FY 2026-27. Based on projected program costs, this remaining balance would be sufficient to fund program administration through the proposed expiration date of June 2027. As shown below, even if rebates were $1 million in FY 2025-26 and in FY 2026-27, or approximately double the average annual impact of $0.5 million we estimated above, the Film Rebate Program's fund balance is sufficient to fund rebate costs in both years without the vast majority of the $600,000 appropriation in FY 2026-27.

Exhibit 5: Film Rebate Program Projected Spending

	FY 2025-26	FY 2026-27
Appropriation	-	600,000
Beg Fund Balance	1,993,511	993,511
Rebates	(1,000,000)	(1,000,000)
End Fund Balance	993,511	593,511

Source: AAO, BLA

The Administrative Code caps program costs at $13 million. To date, the program has expended $8,390, 429.

POLICY CONSIDERATION

Amend the Rebate Project Cap for the Film Rebate Program

The proposed ordinance would increase the maximum rebate amount per production from $600,000 to $1,000,000. The program may increase economic activity in San Francisco and enhance the City's reputation.

For budgetary reasons, the Board of Supervisors may wish to consider maintaining the current cap or adopting a more modest increase. San Francisco's per-project rebate cap is already high compared to other city and regional film incentive programs. For example, several cities have substantially lower per-project caps, including San Antonio ($250,000), Sacramento ($250,000), Savannah ($250,000), and Jacksonville ($400,000).[6] However, there are some cities with higher project caps. For example, Fort Lauderdale's incentive program is capped at $2.5 million for major productions.[7] Given San Francisco's comparatively high cap, the Board may wish to balance incentive levels against the potential fiscal impact to ensure the program remains cost-effective. In addition, a lower per-project cap could help preserve funding availability by allowing rebates to be distributed across a greater number of productions, reducing the risk that program funds are exhausted by a small number of projects.

RECOMMENDATION

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

[6] Olsberg SPI, (2024). *Feasibility and Design Study for a New Oakland Production Incentive.; Sacramento Film + Media. (2025). Sacramento Film + Media rebate program guidelines: Fiscal year (FY) 2025-2026.*; Film & Television Office, City of Jacksonville. (2024). *Jacksonville qualified film & TV production incentive program: Film-TV application*.

[7] Film Lauderdale. *Screen industry incentive programs*. Retrieved January 7, 2026, from https://filmlauderdale.org/film-television-incentive-programs/

Item 8 File 25-1180	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate $9,016,051,176 of proceeds from Airport Revenue Bonds or commercial paper to the Airport Commission in FY 2025-26 to finance capital improvement projects. The $9,016,051,176 appropriation would be placed on Controller's Reserve pending sale of the bonds or commercial paper.

Key Points

- The proposed appropriation will be funded by the issuance of Airport Revenue Bonds proceeds. The Airport last issued revenue bonds in December (Series 2025 D/E), and the bonds received high-quality investment-grade ratings.
- The proposed appropriation will provide additional spending authority through FY 2028-2029 to fully fund the $12.5 billion FY 2025-26 Capital Improvement Plan, which will fund projects such as Terminal 3 renovations, cargo and hangar improvements, and parking and garage improvements. The capital projects to be funded by the proposed appropriation are mainly to accommodate the projected increase in air passenger traffic at the Airport. Passenger traffic is projected to grow an average of 3.5 percent annually from FY 2025 to FY 2032.

Fiscal Impact

- The proposed ordinance appropriates $9,016,051,176 in Airport Revenue bonds, which includes a portion of Series 2025 D/E bond proceeds and anticipated proceeds from future bonds to be sold and issued in FY 2026 through FY 2029.
- Annual debt service for all current and proposed bonds would increase by 113 percent from $653.9 million in FY 2026 to a peak of $1.39 billion in FY 2046, before declining to $1.2 billion in FY 2051.
- Debt service on the Airport's Revenue bonds is paid from Airport revenues, which primarily consists of charges to airlines and non-airline tenants. Based on Airport forecasts, the debt service coverage ratio is expected to remain above the 125 percent threshold requirement from FY 2025 to FY 2032.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

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

City Charter Section 4.115 states that the Airport Commission has exclusive authority to plan and issue Airport revenue bonds for Airport-related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors.

BACKGROUND

Airport Revenue Bond Authorization

The San Francisco International Airport (Airport) issues Airport Revenue bonds under a Trust Indenture between the Airport Commission and The Bank of New York Mellon Trust Company, N.A., as trustee. Prior to the Trust Indenture's adoption, the Airport issued its Airport Revenue bonds under the 1991 Master Bond Resolution. The 1991 Master Bond Resolution has been supplemented and amended twenty-four times since its original adoption. On January 10, 2025, the Airport entered into the Trust Indenture amending and restating the 1991 Master Bond Resolution without making any material changes to its terms. The Airport adopted the Trust Indenture to increase clarity and documentational efficiency within its bond program.

Since 2008, the Board of Supervisors has authorized approximately $10.8 billion in Airport Capital Plan bonds, and approximately $8.1 billion has been issued. The Board last authorized an increase of $3 billion in the Airport's bond issuance authority in 2020 (File 19-1124). This funded key projects in the FY 2019-20 Capital Improvement Plan including major renovations to Terminals 1, 3 and the International Terminal, as well as the AirTrain Extension and the debt service reserve fund.

As of December 18, 2025, the total amount of outstanding bond debt issued by the Airport was $10.6 billion, with approximately $2.8 billion of Capital Plan bond issuance authority remaining, as shown in Exhibit 1 below.

Exhibit 1: Previous and Remaining Capital Plan Bond Authorization (as of December 18, 2025)

	Capital Plan Bonds
Issuance Authority Authorized	$10,826,725,000
Issuance Authority Used	(8,053,135,000)
Issuance Authority Remaining	$2,773,590,000

Source: Airport

Airport Capital Budget Appropriation

In February 2020, the Board of Supervisors approved an appropriation of approximately $3.9 billion of proceeds from the sale of revenue bonds or commercial paper for Airport capital

improvement projects (File 19-1123), including approximately $3.0 billion for project costs and $0.9 billion for financing and other costs. Out of the $3.0 billion in appropriations for project costs, approximately $783 million is remaining, including $0.9 million for the Terminal 3 program, as shown in Appendix 1. The Airport is requesting a $9.0 billion supplemental appropriation to fully fund its 10 Year Capital Plan.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate $9,016,051,176 of proceeds from Airport Revenue Bonds or commercial paper[1] to the Airport Commission in FY 2025-26 to finance capital improvement projects. The $9,016,051,176 appropriation would be placed on Controller's Reserve pending sale of the bonds or commercial paper.

The appropriation sources include a portion of Series 2025 D/E General Airport Revenue Bonds proceeds and anticipated proceeds from future bonds to be sold and issued in FY 2026 through FY 2029. The appropriation uses consist of $8,010,588,061 for Airport capital projects and $1,005,463,115 in financing, contingency and other costs.

Series 2025 D/E Airport Revenue Bonds

The appropriation will be partially funded by the issuance of $900,885,000 in Series 2025 D/E General Airport Revenue Bonds proceeds ($847,850,000 in Series 2025D and $53,035,000 in Series 2025E Revenue Bonds). According to the Airport, the transaction was priced December 2, 2025 and closed December 17, 2025. According to the Official Statement, the bonds were sold through a negotiated sale[2] and are structured as fixed-rate bonds with multiple maturities[3] extending up to approximately 30 years. The Series 2025 D/E General Airport Revenue Bonds proceeds will be used to fund a portion of the Airport's Capital Improvement Plan costs[4], repay $437 million in outstanding commercial paper notes used to finance Capital Improvement Plan

[1] Commercial paper is short term, low interest debt. The Airport is authorized to issue up to $600 million in commercial paper notes. As of December 17, 2025, $437 million in outstanding commercial paper notes were fully refunded with the Series 2025D/E Bonds. Under the proposed appropriation ordinance, the Airport may issue commercial paper prior to the issuance of the bonds, which will be repaid by bond proceeds. The Airport plans to continue issuing commercial paper notes in the future, subject to market conditions and capital needs.

[2] The Airport Commission's Debt Policy allows the Airport to use negotiated or competitive sales, or direct placements of bonds to minimize debt service cost and to determine the structure, timing and terms of bond issuances within the terms of the Trust Indenture.

[3] The bonds' coupon rates vary by maturity, including five percent serial maturities and Series 2025D term bonds with 5.25 percent and 5.50 percent interest (with final maturities extending to May 1, 2055).

[4] The 2025D/E bond issued $412 million to be used for future capital projects. Of the $412 million, the Airport is using $262 million to fund the existing appropriation and $150 million to fund the proposed appropriation.

projects, fund a deposit to the Common Reserve Account[5], and pay capitalized interest on a portion of the Series 2025 D/E bonds, as well as costs of issuance and other financing costs.

According to the Official Statement, the Series 2025 D/E General Airport Revenue Bonds were rated Aa3 by Moody's Investors Service and AA- by S&P Global Ratings, which are considered high-quality investment-grade ratings and an improvement from the ratings of the Series 2019EFG Airport Revenue bonds (which were rated A1 by Moody's and A+ by S&P) issued in August 2019.

According to the Airport, the next issuance of debt is expected in late Spring or Summer 2026 for an anticipated $1.3 billion. The interest rate structures of future financing have yet to be determined. Exhibit 2 below shows the Airport's projected bond issuance schedule for an additional $8.46 billion in future debt (assumed to be issued in 2026 through 2029) to fund the proposed appropriation.[6] According to the Airport, projections are subject to change based on market conditions and capital needs.

Exhibit 2. Projected Bond Issuance Schedule (as of August 2025)

Future Bond Issuance	Principal Amount	Final Maturity of Bonds
FY 2026	$1,327,000,000	2056
FY 2027	$2,816,000,000	2057
FY 2028	$2,141,000,000	2058
FY 2029	$2,172,000,000	2059
Total	**$8,456,000,000**	

Source: Series 2025 D/E Airport Revenue Bonds Official Statement

Airport Capital Improvement Plan

The proposed appropriation will fund capital projects in the FY 2025-26 Capital Improvement Plan. In October 2023, the Airport Commission approved the $8.0 billion Ascent Program - Phase 1.5 program and $3.0 billion FY 2023-24 Infrastructure Projects Plan within the Airport's Capital Improvement Plan. In August 2025, the Commission approved an increase to the FY 2025-26 Infrastructure Projects Plan budget from $3.0 billion to $4.4 billion, establishing a total FY 2025-26 Capital Improvement Plan of $12.5 billion.

The $12.5 billion FY 2025-26 Capital Improvement Plan comprises the following two program categories:

- **Ascent Program – Phase 1.5 ($8.04 billion):** This consists of a fixed set of 30 projects (within 17 project categories) approved in the FY 2023-24 Capital Improvement Plan with

[5] This is a reserve fund held by the bond trustee in the Debt Service Reserve Fund created under the Trust Indenture for the Airport's revenue bonds

[6] The projection was completed prior to the pricing of the Series 2025D/E bonds and differs slightly from the appropriation amounts. Consequently, the proposed issuance amount for the Series 2025D/E ($968 million) differs from the final issued amount ($901 million).

an estimated completion in FY 2035. The program will prioritize completing the Terminal 3 West Modernization project, Harvey Milk Terminal 1 project, developing the West Field area of campus and renewing aging utility infrastructure, amongst other projects.

- **Infrastructure Projects Plan ($4.42 billion):** This consists of a dynamic set of projects (currently 229 projects within 29 project categories) that can be updated bi-annually to include newly emerging needs. The program will prioritize infrastructure upgrades such as power and lighting improvements, water system and utility improvements, energy efficient upgrades, runway and taxiway improvements, and wastewater system projects, amongst other projects.

Both programs also initially included a Director's Reserve of 10 percent of project costs to address changing market conditions and unanticipated needs and challenges; the Ascent Program currently has a 6.2 percent reserve as funds have been used.

As shown in Exhibit 3 below, the proposed appropriation will provide spending authority for a portion of the $12.5 billion capital plan (less previously appropriated amounts) as well as financing costs not included in the plan.

Exhibit 3: Breakdown of Proposed Appropriation

FY 2025-26 Capital Improvement Plan Project Total	$12,452,690,753
Less Previous Funding	(3,659,398,111)
Total Capital Improvement Plan Project Funding Needed	*8,793,292,642*
Less Remaining Project Appropriation	(782,704,581)
Estimated Financing Costs	1,005,463,115
Total	**$9,016,051,176**

Source: Airport

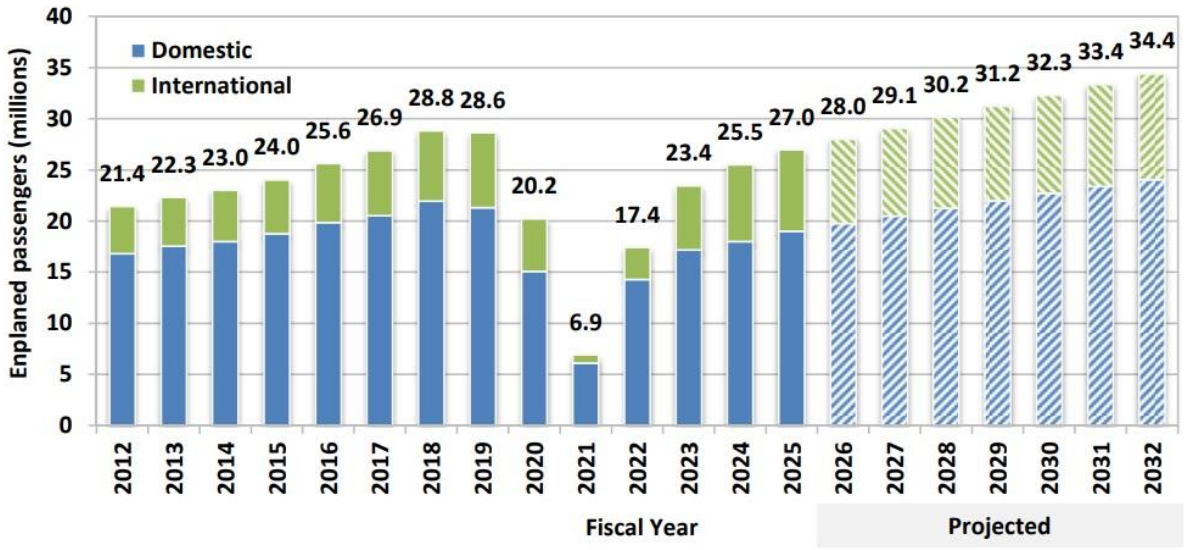
Capital Improvement Plan Reporting

The public-facing Capital Improvement Plan includes descriptions and funding levels at a program level and does not include individual project-level details. However, the Airport shared project-level information with our office. The Airport produces quarterly reports for the Airport Commission and monthly reports for management that provide detailed information on individual capital projects, including project descriptions, timelines, and budgets. While the monthly monitoring reports compare the projected timeline and budget to the current timeline and budget, monthly monitoring reports could be enhanced by including the original timeline and budget for each project to allow the reader to understand the changes to the budget and timeline over a longer period. In addition, the Airport could consider enhancing transparency by making the quarterly reports to the Airport Commission publicly available on their website, consistent with the San Francisco Public Utilities Commission's quarterly reporting practice. According to the Airport, publishing the quarterly project reports would require additional staff resources at the Airport.

Passenger Traffic Trends

The capital projects to be funded by the proposed appropriation are mainly to accommodate the projected increase in air passenger traffic at the Airport. According to a report by the Airport's Consultant, the total number of domestic and international passengers enplaned at the Airport increased from 25.5 million in FY 2024 to 27 million in FY 2025 (5.9 percent). Passenger traffic is projected to grow an average of 3.5 percent annually from FY 2025 to FY 2032, reaching an anticipated 34.4 million enplanements in FY 2032.[7] Similarly, the FAA's most recent Terminal Area Forecast (issued January 2025) projects SFO's total passenger enplanements[8] to increase an average of 3.6 percent annually during the same timeframe. Exhibit 4 below shows the Airport's total passenger enplanements from FY 2012 to FY 2032.

Exhibit 4: SFO's Historical and Projected Passenger Enplanements, FY 2012 to FY 2032



Source: Series 2025 D/E Airport Revenue Bonds Official Statement. Historical data from Airport Commission; Forecasts by Leigh Fisher, Airport Consultant

According to the Federal Aviation Administration (FAA), San Francisco International Airport was the 13th busiest airport in the United States in CY 2024 based on passenger traffic, with 25.1

[7] Passenger projections are as of August 2025 and based on the following key assumptions: the Bay Area economy increasing at a rate comparable to or greater than California and the U.S. overall, U.S. GDP growth averaging two percent per year, a continued lag in passenger traffic growth to the Asia-Pacific region, aviation fuel prices will remain at Summer 2025 levels and increasing at moderate rates from FY 2026 to FY 2032, inflation levels averaging 2.2 to 2.5 percent per year from FY 2026 to FY 2032, United Airlines will continue to use SFO as its primary West Cost connecting hub and international gateway, and no major disruption of airline service or airline travel behavior due to airline bankruptcies or liquidations, etc.

[8] U.S. domestic and international (U.S. and foreign flag carriers) enplanements in the Terminal Area Forecast reports are derived from the Department of Transportation's (DOT's) T-100 database. The T-100 database is a route-level and segment-level reporting system used to track how airlines operate in the U.S. and internationally.

million total enplanements. However, this was down from seventh in CY 2018 due to the impacts of the pandemic on passenger traffic.

Compared to the Los Angeles International Airport (LAX), which is the closest peer on the West Coast, SFO's FY 2025 cost per enplanement of $25.24 is approximately 24 percent less than LAX's FY 2025 cost per enplanement of $33.29. SFO's cost per enplanement is projected to grow to $47.31 in FY 2032, while LAX's cost of enplanement is projected to grow to $57.39 in FY 2032. According to a December 2025 benchmarking report produced by WJ Advisors and related aviation consultants that compared FY 2024 cost per enplanement for large hub U.S. airports, the Airport ranked the sixth highest among 31 airports.[9] The report also noted that each airport differs in terms of what the airlines operate and pay for directly and what the airport operator provides and charges airlines through rates and charges; the cost per enplanement metric does not factor in what airlines may operate and pay for directly.

FISCAL IMPACT

The proposed ordinance appropriates $9,016,051,176 in Airport Revenue bonds. Exhibit 5 below outlines anticipated sources and uses for the proposed appropriation. Appendix 2 provides further details on the financed capital improvement projects.

[9] The following airports had a higher cost per enplanement than SFO: JFK International Airport, Newark Liberty International Airport, Los Angeles International Airport, Chicago O'Hare International Airport, and LaGuardia Airport

Exhibit 5: Sources and Uses of Proposed Appropriation

Sources	
Proceeds from Revenue Bond Sales	$9,016,051,176
Total Sources	**$9,016,051,176**
Uses	
Capital Project Costs	
Airfield Improvements	$508,236,206
Airport Support Improvements	3,375,947,296
Groundside Improvements	184,644,673
Terminal Improvements	776,201,908
Terminal 3 Program	2,031,123,392
Utility Improvements	1,134,434,586
Capital Project Costs Subtotal	*$8,010,588,061*
Financing and Other Costs	
Contingency Account[10]	$127,922,909
Debt Service Reserve[11]	511,691,634
Capitalized Interest[12]	322,235,034
Cost of Issuance[13]	11,571,246
Underwriters Discount	16,021,116
City Services Auditor (0.2%)	16,021,176
Financing and Other Costs Subtotal	*$1,005,463,115*
Total Uses	**$9,016,051,176**

Source: Airport

Annual Debt Service Forecast

According to the Official Statement, the total debt service over 30 years on the Series 2025 D/E General Airport Revenue Bonds of $900.9 million is estimated to be $2.0 billion, including $900.9 million in principal repayment and $1.1 billion in interest payments. The average annual debt service is estimated to be $66.5 million.

According to data provided by the Airport, debt service for all current and proposed bonds would increase by 113 percent from $653.9 million in FY 2026 to a peak of $1.39 billion in FY 2046,

[10] The Contingency Account holds Airport funds that may be used for operating or capital purposes, but are also used each year to help the Airport meet its bond covenant requirement to have the sum of annual net operating revenues plus the balance in the Contingency Account equal to at least 125% of annual debt service, as required by the Trust Indenture.

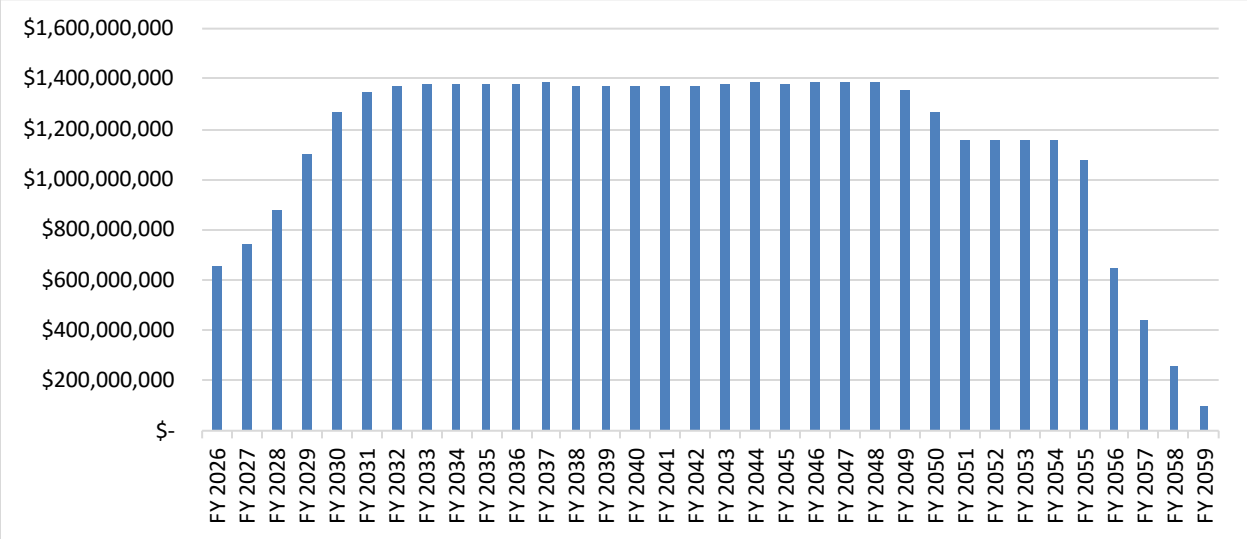
[11] Debt Service Reserve is a fund in which an issuer sets aside money in case its regular debt service fund is insufficient to make a future debt service payment

[12] Capitalized interest is the portion of the proceeds of a bond issue that is set aside to pay interest on the bonds for a specified period. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues.

[13] This consists of expenses associated with the sale of a bond, including fees for financial advisors, counsel, the trustee and rating agency fees and other expenses

before declining to $1.2 billion in FY 2051. Exhibit 6 below shows the Airport's annual debt service forecast between FY 2026 to FY 2059. The forecast conservatively assumes a 6.1 percent interest rate for future issuances, level debt service and no refunding of outstanding bonds for debt service savings.

Exhibit 6: San Francisco Airport Annual Debt Service Forecast, FY 2026 to FY 2059



Source: Airport
Note: Assumes future debt is issued at an interest rate of 6.1 percent, level debt service, and no refunding of outstanding bonds for debt service savings

Debt Service Repayment and Revenues

Debt service on the Airport's Revenue bonds is paid from Airport revenues, which primarily consists of charges to airlines and non-airline tenants. Under the 2023 Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds (File 23-1038).[14]

According to the Trust Indenture, which governs bond issuances by the Airport (as previously mentioned), the two following conditions must be met regarding debt service repayment (i.e. the "rate covenant"):

1. Net revenues in each Fiscal Year must be at least sufficient (a) to make all required payments and deposits to cover Revenue Bond debt service, and (b) to make the Annual Service Payment to the City; and,

[14] The Airport updates the terminal and landing fees annually by forecasting the total annual expenses and the total non-airline revenues. The difference between the annual expenses and non-airline revenues must be paid from airline landing and terminal fees, which are adjusted by the Airport to fill the gap.

2. Net revenues, together with any transfers, in each Fiscal Year must be at least equal to 125 percent of aggregate annual debt service with respect to bonds outstanding for that fiscal year.

To issue additional bonds for new projects, the Airport Commission must also receive a certificate from an independent consultant or auditor stating that the Airport will be able to meet the rate covenant for the period covered by the bonds. The Airport received certificates in December 2025 as part of its Series 2025 D/E General Airport Revenue Bonds issuance of $900.9 million. The certificates do not cover the expected future bonds under the FY 2025-26 Capital Improvement Plan and will be required for future bond issuances. This ensures that the revenues generated from Airport operations are sufficient to cover the debt service obligations on the Bonds.

According to the Airport Consultant's forecasts, the debt service coverage rate is expected to remain above the 125 percent threshold requirement from FY 2025 to FY 2032, as shown in Exhibit 7 below. The debt service coverage rate calculation assumes annual transfers from the Airport's Contingency Fund to cover increasing debt service. The Airport Commission has discretion to fund the Contingency Fund and use this to pay debt service.[15] As shown in Exhibit 7 below, the total amount available for debt service (net revenues and transfers) is projected to grow by an average of 9.6 percent per year from FY 2025 to FY 2032, increasing from $992.2 million in FY 2025 to $1.9 billion in FY 2032. The annual debt service is projected to grow by an average of 13 percent per year over the same period, resulting in a decline in debt service coverage from 170 percent to 137 percent, which is still above the rate covenant requirement of 125 percent.[16]

[15] According to the Airport, contingency funds have never been drawn upon by the Airport to cover debt service obligations.

[16] The deposit to the Operating Revenue and Capital Improvement Fund (ORCIF) – a reserve fund – is funded by revenues and impacts the Net Revenues line in Exhibit 7. The debt service coverage ratios are decreasing because (1) certain expenses (including ORCIF contributions and the Annual Service Payment, among other smaller items, which are funded by revenues) decline in future years, reducing Net Revenues and, (2) the amount of debt service is projected to increase in the future years.

Exhibit 7: Forecast of Debt Service Coverage from Bond Issuances for FY 2025 to FY 2032 ($ in thousands)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Net Revenues	$797,979	$824,441	$899,777	$1,030,215	$1,255,331	$1,423,408	$1,513,525	$1,515,016
Transfer[17]	$194,174	$157,831	$179,533	$212,672	$268,232	$310,091	$331,080	$337,311
Total Amount Available for Debt Service	*$992,153*	*$982,273*	*$1,079,311*	*$1,242,887*	*$1,523,564*	*$1,733,499*	*$1,844,605*	*$1,852,326*
Annual Debt Service	$583,877	$631,326	$718,134	$850,689	$1,072,929	$1,240,363	$1,324,322	$1,349,242
Debt Service Coverage %	**170%**	**156%**	**150%**	**146%**	**142%**	**140%**	**139%**	**137%**
Debt Service Coverage % (Excluding Transfer)	**137%**	**131%**	**125%**	**121%**	**117%**	**115%**	**114%**	**112%**

Source: Series 2025 D/E Airport Revenue Bonds Official Statement and BLA analysis

RECOMMENDATION

Approve the proposed ordinance.

[17] Projected FY 2026 to FY 2032 transfer amounts were limited to 25 percent of Annual Debt Service.

Appendix 1: Remaining Appropriation Balance for Project Costs

Authority	FY 2019-20 Appropriation	Remaining Appropriation Balance	Proposed FY 2025-26 Appropriation
Airfield	$135,560,282	$24,436,181	$508,236,206
Airport Support	769,979,707	317,409,563	3,375,947,296
Groundside	103,759,546	52,673,458	184,644,673
Terminals	337,022,830	227,630,458	776,201,908
Terminal 1 Program	688,691,677	27,098,911	
Terminal 3 Program	711,034,265	937,280	2,031,123,392
Utilities	269,209,504	132,518,730	1,134,434,586
Total Project Costs	**$3,015,257,811**	**$782,704,581**	**$8,010,588,061**

Source: Previous and proposed appropriation ordinances; Airport

Appendix 2: Project Categories Funded by Proposed Appropriation

Airport Project Category	No. of Projects	Total Cost of Projects	Prior Funding	Existing Appropriations	Proposed Appropriation
Ascent Phase 1.5	**30**	**$8,035,445,000**	**$3,077,554,397**	**$245,530,324**	**$4,712,360,279**
Airport Support	*11*	*2,270,030,569*	*17,942,360*		*2,252,088,209*
Ascent Phase 1.5 Program Reserve	1	494,313,416			494,313,416
Cargo and Hangar Improvements	3	746,900,000	6,534,000		740,366,000
Consolidated Administration Campus	2	447,000,000			447,000,000
Parking & Garage Improvements	1	251,450,000	9,632,360		241,817,640
Support Facility Improvements	2	186,300,000	1,776,000		184,524,000
Wayfinding Projects	2	144,067,153			144,067,153
Groundside	*1*	*35,420,000*	*29,556,325*	*5,863,675*	
Plot 700 Redevelopment Projects	1	35,420,000	29,556,325	5,863,675	
Terminal 1 Program	*3*	*1,698,276,732*	*1,671,177,821*	*27,098,911*	
Terminal 1 Projects	3	1,698,276,732	1,671,177,821	27,098,911	
Terminal 3 Program	*3*	*3,107,291,584*	*1,075,230,912*	*937,280*	*2,031,123,392*
Courtyard 3 Connector	2	413,998,000	377,751,711		36,246,289
Terminal 3 Projects	1	2,693,293,584	697,479,201	937,280	1,994,877,103
Terminals	*10*	*846,326,115*	*241,066,502*	*211,630,458*	*393,629,155*
Baggage Handling System	3	57,568,000	4,995,650	9,804,350	42,768,000
CIP Program Support	1	90,400,000	56,527,794	33,872,206	
Gate Enhancements	1	143,000,000	81,600	51,057,245	91,861,155
International Terminal Refresh Projects	1	296,358,115	179,461,458	116,896,657	
Miscellaneous Terminal Improvements	1				
Terminal 3 Projects	3	259,000,000			259,000,000
Utilities	*2*	*78,100,000*	*42,580,477*		*35,519,523*
Energy and Efficiency Improvements	1	43,100,000	42,580,477		519,523
Power & Lighting Improvements	1	35,000,000			35,000,000

Airport Project Category	No. of Projects	Total Cost of Projects	Prior Funding	Existing Appropriations	Proposed Appropriation
Infrastructure CIP	**229**	**$4,417,245,753**	**$581,843,714**	**$537,174,257**	**$3,298,227,782**
Airfield	*19*	*863,130,501*	*330,458,114*	*24,436,181*	*508,236,206*
Apron Reconstruction	1	25,000,000	3,895	24,436,181	559,924
Miscellaneous Airfield Improvements	2	27,000,000			27,000,000
Power & Lighting Improvements	4	40,600,000	6,644,649		33,955,351
Runway Improvements	5	465,836,802	215,556,902		250,279,900
Taxiway Improvements	7	304,693,699	108,252,668		196,441,031
Airport Support	*126*	*1,561,328,828*	*120,060,178*	*317,409,563*	*1,123,859,087*
Airport Shoreline Protection Projects	3	130,500,000	15,313,910	110,898,090	4,288,000
Airport Support Computer System Improvements	3	4,377,172	2,023,172	1,000,000	1,354,000
Airport Support Miscellaneous Improvements	12	144,715,560	2,233,697		142,481,863
Capital Equipment	40	28,206,001	2,347,996		25,858,005
Director's Infrastructure CIP Reserve	1	401,567,796		36,060,316	365,507,480
Elevator, Escalator, & Moving Walk Modernization	3	46,400,000	16,650,000		29,750,000
Fire Equipment Projects	12	42,400,000	5,745,851		36,654,149
Noise Insulation Projects	6	46,900,000	13,566,060		33,333,940
Security Improvements	4	171,500,000	325,000	3,500,000	167,675,000
Superbay Renovation Projects	1	143,196,565	1,196,565	142,000,000	
Support Facility Improvements	9	65,084,297	7,275,312		57,808,985
Technology Improvement Projects	32	336,481,437	53,382,615	23,951,157	259,147,665
Groundside	*19*	*248,303,921*	*16,849,465*	*46,809,783*	*184,644,673*
AirTrain Improvements	5	27,672,000	8,472,000		19,200,000
Parking & Garage Improvements	4	74,000,000	2,370,136	25,887,036	45,742,828
Roadway Improvements	4	28,500,000	854,183	14,145,817	13,500,000
Shuttle Bus Replacement	3	32,400,871	2,624,908	2,519,118	27,256,845
Technology Improvement Projects	1	1,731,050	81,049	1,650,001	
Viaduct Improvements	2	84,000,000	2,447,189	2,607,811	78,945,000

Airport Project Category	No. of Projects	Total Cost of Projects	Prior Funding	Existing Appropriations	Proposed Appropriation
Terminals	*22*	*471,779,925*	*73,207,172*	*16,000,000*	*382,572,753*
International Terminal Improvements	11	361,080,000	55,126,111	1,000,000	304,953,889
Miscellaneous Terminal Improvements	9	73,750,000	378,080	12,000,000	61,371,920
Technology Improvement Projects	2	36,949,925	17,702,981	3,000,000	16,246,944
Utilities	*43*	*1,272,702,578*	*41,268,785*	*132,518,730*	*1,098,915,063*
Energy and Efficiency Improvements	8	95,248,650	1,065,295		94,183,355
Power & Lighting Improvements	15	640,575,000	26,428,958		614,146,042
Storm Drain Improvements	2	26,100,000	1,091,222		25,008,778
Utility Improvements	3	27,700,000	2,415,941		25,284,059
Waste Water System Improvements	10	152,578,928	4,590,944		147,987,984
Water System Improvements	5	330,500,000	5,676,425	132,518,730	192,304,845
Total	**259**	**$12,452,690,753**	**$3,659,398,111**	**$782,704,581**	**$8,010,588,061**

Source: Airport

Item 13 File 25-1261	Department: Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Infrastructure Financing Plan for the Enhanced Infrastructure Financing District No. 3 (3333/3700 California Street), including the division of taxes, an EIFD Acquisition and Financing Agreement, and related documents and actions to facilitate the delivery of public infrastructure and advance housing production.

Key Points

- In November 2024, the Board of Supervisors approved a resolution of intention to establish San Francisco Enhanced Infrastructure Financing District No.3 to finance public infrastructure and affordable housing for 3333/3700 California Street projects.
- Collectively, the redevelopment of 3333 and 3700 California streets includes 1,274 residential units, including 125 units of affordable senior housing, 38,000 square feet of retail use, and a childcare center.
- The proposed Infrastructure Financing Plan documents how incremental property tax revenue generated within the EIFD will be used to reimburse eligible costs, including public facilities (such as roads and utilities) and privately-owned facilities (such as affordable housing). The financing plan is consistent with City guidelines for infrastructure financing districts, which limits the City's contribution of tax increment to 50 percent of the City's share of property taxes and limits Citywide diversion of property taxes for infrastructure financing districts to no more than five percent.

Fiscal Impact

- The proposed resolution would allocate 58.3 percent of incremental property tax revenues within the EIFD to eligible costs up to a maximum of $955 million over the term of the district. The remaining 41.7 percent of the City's share of tax increment would be allocated as "conditional increment" to provide additional debt service if needed up to a maximum of $684 million.
- The total estimated cost of EIFD-eligible improvements is $351 million. The proposed infrastructure financing plan projects $477.3 million in incremental property tax revenue will be allocated to eligible costs over the life of the EIFD.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

California Government Code Section 53398.50 et seq. authorizes the Board of Supervisors to establish an enhanced infrastructure financing district (EIFD) and approve an infrastructure financing plan that allocates tax revenues to the EIFD.

BACKGROUND

3333 California Street Development Project

The 3333 California Street Development Project (the Project) will redevelop a parcel comprised of approximately 10.25 acres located in the Laurel Heights neighborhood. At completion, the project will generate up to 744 residential units, including 125 units of affordable housing for seniors, a 175-seat childcare facility, and approximately 38,094 square feet of retail/restaurant/commercial use, four below-grade parking garages with ten car share spaces and no more than 820 parking spaces, and approximately 233,676 square feet of open space.

In 2020, the Board of Supervisors approved the original development agreement (File 19-0845) with the Laurel Height Partners, LLC, a Prado Group affiliate. In June 2024, the original agreement was amended (Amendment No.1), which did not require Board of Supervisor approval because the changes were minor modifications.[1] In November 2024, the Board of Supervisors approved the Amendment No. 2 to the development agreement (File 24-0797). Those modifications included extending the term of the Development Agreement by eight years, extending the deadline to complete affordable housing units by four years, and reducing the required number of affordable units from 185 to 125.[2]

3700 California Street Development Project

The Prado Group is also developing the nearby 3700 California project, which is not under a development agreement. At completion, the project will generate up to 19 new residential buildings with up to 530 residential units. This includes one senior building consisting of up to

[1] The modifications include: (a) a two-month extension of the term to expire in November 2035 and the construction commencement deadline to November 2025, (b) modification of the construction plans for expanded green space at Euclid Green and the Pine Street Stairs, removal of certain planned Street Trees, removal of one planned Laurel Duplex Townhome in order to expand Euclid Green, and (c) complimentary revision of terms regarding public access of private improvements. There were no changes to the overall housing, public benefits, or commercial square footage.

[2] Other modifications included: (i) extending the timing for escrow deposits to fund the development of the affordable units, and authorizing the Director of the Mayor's Office of Housing and Community Development to make certain changes to the affordable unit requirements, (ii) allowing the project to qualify for the Temporary Fee Reduction Program under Planning Code Section 403, and (iii) including a new financing plan relating to the formation of an Enhanced Infrastructure Financing District No. 3 (3333/3700 California Street) and Community Facilities District.

157 residential senior units, 15 single-family homes, and three multi-family residential buildings. The project also offers 75 assisted living and memory care units.

EIFD No. 3

In November 2024, the Board of Supervisors approved a resolution of intention to establish San Francisco Enhanced Infrastructure Financing District No.3 to finance public infrastructure and affordable housing for 3333/3700 California Street projects (File 24-0816).

The Project will be delivered in six project areas, including 3 project areas within 3333 California and 3 project areas within the 3700 California project. Each project area within the EIFD can have a different start date and extend for 45 years from the start date. Each project area can generate property tax increment and debt can be issued against the property tax increment at different times. Tax increment generated within any project area may finance qualified costs within any other project area.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Infrastructure Financing Plan for the Enhanced Infrastructure Financing District No. 3 (3333/3700 California Street), including the division of taxes, an EIFD Acquisition and Financing Agreement, and related documents and actions to facilitate the delivery of public infrastructure for the Projects and advance housing production.

The goal of the EIFD is to provide tax increment financing for public infrastructure and other projects of communitywide significance (including affordable housing) to improve the financial feasibility of the 3333 California Street Project and the 3700 California Street Project, collectively the Projects.

Infrastructure Financing Plan

The proposed Infrastructure Financing Plan specifies how incremental property tax revenue generated by project areas within the EIFD will be used to finance eligible project costs, including public facilities (such as roads and utilities) and privately-owned facilities (such as affordable housing and parks). Each project area within the EIFD can have a different start date and extend for 45 years from the date the project area receives an allocation of at least $100,000 in incremental tax revenue. There will be six project areas within the EIFD. The Plan anticipates that incremental property tax revenue would begin accruing to the project in FY 2026-27. The Board of Supervisors may terminate the provisions of the proposed infrastructure financing plan if there is no construction within ten years of the establishment of the Enhanced Infrastructure Financing District No. 3 and no bonds have been issued.

The City's share of the 1.0 percent property tax rate is 0.646.[3] According to the Infrastructure Financing Plan, 58.3 percent[4] of the City's share of tax increment, or 0.376 of the total tax increment, is allocated to the EIFD to finance EIFD improvements, and the remaining 41.7 percent of the City's share of tax increment, or 0.270 percent of the total tax increment, is allocated as "conditional increment" to provide additional debt service coverage and to pay debt service on the bonds and replenish debt service reserve funds for such bonds if allocated tax increment is not available. The EIFD must repay any conditional tax revenue used for debt service from allocated tax increment in future years, with interest. Conditional increment will accrue to the City's General Fund if not required for debt service.

Anticipated Development

Exhibit 1 below shows the anticipated development for the Project provided in the Draft Infrastructure Financing Plan (IFP), including facilities funded by the EIFD and facilities that will be privately funded. The construction is expected to take place over approximately 5 years, from 2026 through 2031. These projections are estimates provided by developers and actual development will likely vary. Nothing in the IFP limits the ability of the developers to revise the scope and timing within the projects.

Exhibit 1: Anticipated Development in EIFD

Use	Area/Units	Construction Period
3333 California Street		
Market Rate Residential Units	619 units	2026-2031
Affordable Senior Housing units	125 units	2027-2030
Retail space	38,094 sq. ft.	2027-2030
Childcare center	13,933 sq. ft.	2027-2030
3700 California Street		
Market Rate Residential Units	298 units	2026-2029
Market Rate Senior Housing and/or Institutional Units	232 units	2026-2028

Source: Draft Infrastructure Financing Plan

Maximum Tax Increment Allocated to EIFD

The Infrastructure Financing Plan projects allocated tax revenue to be approximately $477.3 million across all project areas and conditional tax revenue to be approximately $342.1 million

[3] The approximate 0.354 remaining share of tax increment would accrue to other taxing entities, such as the State Education Revenue Augmentation Fund and the San Francisco Unified School District.

[4] Under the City IFD Guidelines, the maximum incremental property tax revenue that may be allocated to an EIFD is 50% of the total incremental property tax revenue (including 50% of the property tax in lieu of vehicle license fee (VLF) revenues), and the City may allocate all or a portion of the remaining 50% of the annual incremental property tax revenue (including the remaining 50% of the property tax in lieu of VLF revenues) on a conditional basis. For this EIFD, the City is not allocating any property tax in lieu of VLF revenues to the EIFD and will instead allocate 58.3% of the City's share of tax increment which is equal to 50% of the City's share of increment plus an additional 8.3% which is estimated to equal 50% of property tax in lieu of VLF revenues. All property tax in lieu of VLF revenues will accrue to the City's General Fund.

over the 45-year term of each Project Area. The plan provides for a limit on total dollars allocated to the EIFD equal to 100 percent above projected costs for allocated and conditional tax increment. The allocated tax revenue may not exceed $955 million, and the conditional tax revenue may not exceed $684 million.

Acquisition and Financing Agreement

The EIFD would fund "acquisition facilities" (i.e., public facilities that would be acquired by the City or other governmental entity) and privately-owned facilities that have "community-wide significance," including affordable housing and parks. The EIFD will reimburse the developer for actual costs to construct the acquisition facilities (utilities and streets) and the privately-owned facilities (affordable housing and parks). The proposed Acquisition and Financing Agreement provides the terms for the City to acquire the EIFD-funded acquisition facilities and the terms for reimbursement to the Developer for construction of privately-owned facilities.

EIFD Eligible Costs

Exhibit A of the Draft EIFD Acquisition and Financing Agreement describes the facilities eligible for financing by the EIFD. The EIFD can finance all or a portion of the costs to construct, improve, rehabilitate, purchase, or maintain the public capital facilities or privately-owned facilities of "community-wide significance" that are permitted under EIFD law and the Development Agreement. Issuance of EIFD bonds to fund eligible costs will be subject to approval by the EIFD's legislative body (Enhanced Infrastructure Financing District No. 1) and the Board of Supervisors.

The EIFD could fund the following facilities:

- Infrastructure, parks and open space, public improvements, privately-owned community investments (including the childcare center), parking
- Affordable housing (including inclusionary units, units in 100% affordable projects, and the in-lieu fee)
- Transportation demand management measures defined in the Development Agreement
- Demolition, rehabilitation and/or abatement of existing structures
- Fees imposed by the City on the Projects before and after EIFD formation

The developer estimates that the total cost of the 3333 California Street Project is $1 billion, the EIFD is expected to fund $253 million (23.5 percent). The developer estimates that the total cost of the 3700 California Street Project is $800 million, the EIFD is expected to fund $98 million (12 percent).

Exhibit 2 below shows the estimated improvement costs of public facilities funded by the EIFD.

Exhibit 2: Estimated Improvement Costs of Facilities Funded by EIFD

Facilities	Estimated Improvement Costs ($ millions)	Estimated Timing (Calendar Years)
3333 California Street Project		
Demolition, abatement, stabilization, rehabilitation	$30,000,000	2026–2031
Parks/Open Space	$12,000,000	2026–2031
Streets	$20,000,000	2026–2031
Site Work	$60,000,000	2026–2031
Utilities	$26,000,000	2026–2031
Affordable Housing	$105,000,000	2027–2030
Subtotal, 3333 California	$253,000,000	
3700 California Street Project		
Demolition, abatement, stabilization, rehabilitation	$36,000,000	2026–2029
Streets, Sidewalks, & Utilities	$31,000,000	2026–2029
Affordable Housing (off-site)	$31,000,000	2027–2030
Subtotal, 3700 California	$98,000,000	
Total	**$351,000,000**	

Source: Draft Infrastructure Financing Plan

The EIFD will fund these facilities provided there is tax increment available and within the overall funding limit and term of the district. EIFD funding may be pay-go or financed by bond secured by EIFD revenues.

Net Fiscal Benefit

According to an August 14, 2025 Fiscal Impact Analysis prepared by Economic & Planning Systems, Inc. for the draft infrastructure financing plan, the project will generate an annual net fiscal benefit of over $1.7 million (in 2025 dollars) to the General Fund and MTA Fund, as shown in Exhibit 3 below.

Exhibit 3: Annual Fiscal Impact of EIFD (2025 $)

Revenue or Expense	At Project Buildout
General Fund	
General Fund Revenues	$9,473,000
Less General Fund Baseline Requirements	($2,716,000)
General Fund Revenues After Baseline Funding	$6,757,000
Less General Fund Expenditures	($5,367,000)
Net Impact on General Fund	**$1,390,000**
MTA Fund	
MTA General Fund Baseline Funding	$907,000
Less MTA Expenses	($602,000)
Net Impact on the MTA Fund	**$305,000**
Total Estimated Fiscal Benefit	**$1,695,000**

Source: Economic & Planning Systems, Inc.

The report also states that the consultant conducted a sensitivity analysis, to assess the fiscal benefits when valuation assumptions are reduced. The analysis concluded that the General Fund benefit would remain positive if real estate values decline by approximately 23 percent.

FISCAL IMPACT

The proposed resolution would allocate 58.3 percent of incremental property tax revenues within the EIFD to eligible costs up to a maximum of $955 million over the term of the district. The remaining 41.7 percent of the City's share of tax increment would be allocated as "conditional increment" to provide additional debt service if needed up to a maximum of $684 million. Any conditional increment used would be repaid to the General Fund with interest. The City would therefore retain 41.7 percent of the property tax increment revenue generated within the EIFD over the anticipated 48-year term of the EIFD.

The proposed infrastructure financing plan projects $477.3 million in incremental property tax revenue will be allocated to eligible costs over the life of the EIFD.

RECOMMENDATION

Approve the proposed resolution.

Item 14 File 25-1262	Department: Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Infrastructure Financing Plan for the Enhanced Infrastructure Financing District No. 2 (Stonestown), including the allocation of incremental property tax revenues, and an Acquisition and Financing Agreement to facilitate the delivery of infrastructure and housing for the Stonestown Project.

Key Points

- The Stonestown Development Project (the Project) will redevelop the area surrounding the Stonestown Galleria shopping mall into a residential community with commercial uses. At completion, the project will generate up to 3,491 residential units (20 percent of which will be affordable), 160,000 square feet of retail use, 96,000 square feet of office use, 63,000 square feet of community uses, up to 4,861 parking spaces, and six acres of new public open space that will be privately owned. The development plan includes a childcare center and the replacement of an existing senior center. The Board of Supervisors previously approved a development agreement between the City and Brookfield Properties, the developer.
- The proposed Infrastructure Financing Plan specifies how incremental property tax revenue generated within the EIFD will be used to finance eligible project costs, including public facilities (such as roads and utilities) and privately-owned facilities (such as affordable housing and privately maintained portions of the street network, senior center improvements and childcare facilities). The financing plan is consistent with City guidelines for infrastructure financing districts, which limits the City's contribution of tax increment to 50 percent of the City's share of property taxes and limits Citywide diversion of property taxes for infrastructure financing districts to no more than five percent.

Fiscal Impact

- The proposed resolution would allocate 58.3 percent of incremental property tax revenues within the EIFD to eligible costs up to a maximum of $3.12 billion over the term of the district. The remaining 41.7 percent of the City's share of tax increment would be allocated as a "conditional increment" to provide additional debt service if needed, up to a maximum of $2.24 billion.
- The total estimated cost of EIFD-eligible improvements is $438 million. The proposed infrastructure financing plan projects the $1.56 billion in incremental property tax revenue will be allocated to eligible costs over the life of the EIFD.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

California Government Code Section 53398.50 et seq. authorizes the Board of Supervisors to establish an enhanced infrastructure financing district (EIFD) and approve an infrastructure financing plan that allocates tax revenues to the EIFD.

BACKGROUND

Stonestown Development Project

The Stonestown Development Project (the Project) will redevelop the area surrounding the Stonestown Galleria shopping mall into a residential community with commercial uses. At completion, the project will generate up to 3,491 residential units (20 percent of which will be affordable housing units), 160,000 square feet of new retail, restaurant, or similar commercial use, 96,000 square feet of office, life-science, or other commercial non-retail use, up to 63,000 square feet of cultural, institutional, or educational uses, up to 4,861 parking spaces, and six acres of new public open space that will be privately owned. The development plan includes a childcare center and replacement of an existing senior center.

In 2024, Board of Supervisors approved a development agreement (File 24-0410) with Brookfield Properties, the project sponsor, and a resolution of intention to form an enhanced infrastructure financing district (File 24-0681).

The Project will be delivered in six phases, with public benefits linked to the development of market rate uses, per the phasing plan of the development agreement. As discussed below, construction is expected to start in 2027 and run through 2051.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Infrastructure Financing Plan for the Enhanced Infrastructure Financing District No. 2 (Stonestown), including allocation of incremental property tax revenues, an EIFD Acquisition and Financing Agreement, and related documents and actions to facilitate the delivery of public infrastructure for the Stonestown Project and advance housing production.

The goal of the EIFD is to provide tax increment financing for public infrastructure and other projects of communitywide significance (including affordable housing) to improve the financial feasibility of the Stonestown Project.

The proposed Infrastructure Financing Plan and associated allocation of property taxes may be terminated by the Board of Supervisors after ten years if there has been no completed construction and no EIFD bond issuances.

Infrastructure Financing Plan

The proposed Infrastructure Financing Plan specifies how incremental property tax revenue generated by project areas within the EIFD will be used to finance eligible project costs, including public facilities (such as roads and utilities) and privately-owned facilities (such as affordable housing and privately maintained portions of the street network, senior center improvements and child care facilities). The tax increment allocation period for each project area within the EIFD can have a different start date and extend for 45 years from the start date. Each project area can generate property tax increment and debt can be issued against the property tax increment at different times. Following subdivision of the development parcels, there will be nine project areas within the EIFD. The Plan anticipates that incremental property tax revenue would begin accruing to the project in FY 2031-32.

The City's share of the 1.0 percent property tax rate is 0.646.[1] According to the Infrastructure Financing Plan, 58.3 percent[2] of the City's share of tax increment, or 0.376 of the total tax increment, is allocated to the EIFD to finance EIFD improvements, and the remaining 41.7 percent of the City's share of tax increment, or 0.270 percent of the total tax increment, is allocated as "conditional increment" to provide additional debt service coverage and to pay debt service on the bonds and replenish debt service reserve funds for such bonds if allocated tax increment is not available. The EIFD must repay any conditional tax revenue used for debt service from allocated tax increment in future years, with interest. Conditional increment will accrue to the City's General Fund if not required for debt service.

Anticipated Development

Exhibit 1 below shows the anticipated development for the Project provided in the Draft Infrastructure Financing Plan, including facilities funded by the EIFD and facilities that will be privately funded.

[1] The approximate 0.354 remaining share of tax increment would accrue to other taxing entities, such as the State Education Revenue Augmentation Fund and the San Francisco Unified School District.

[2] Under the City IFD Guidelines, the maximum incremental property tax revenue that may be allocated to an EIFD is 50% of the total incremental property tax revenue (including 50% of the property tax in lieu of vehicle license fee (VLF) revenues), and the City may allocate all or a portion of the remaining 50% of the annual incremental property tax revenue (including the remaining 50% of the property tax in lieu of VLF revenues) on a conditional basis. For this EIFD, City is not allocating any property tax in lieu of VLF revenues to the EIFD and will instead allocate 58.3% of the City's share of tax increment which is equal to 50% of the City's share of increment plus an additional 8.3% which is estimated to equal 50% of property tax in lieu of VLF revenues. All property tax in lieu of VLF revenues will accrue to the City's General Fund.

Exhibit 1: Anticipated Development in EIFD

Use	Area/Units	Construction Period
Commercial		
Office	96,000 sq. ft.	2040-2049
Retail	160,000 sq. ft.	2040-2049
Community Facilities	63,000 sq. ft.	2040-2049
Parking	4,611 spaces	2028-2051
Residential		
Market Rate For Sale	22 units	2028-2030
Market Rate Rental	3,119 units	2028-2051
Affordable Rental, Inclusionary Units	350 units	2028-2051
Affordable Housing In-Lieu Fee	390 units	Due as market rate units are delivered
Total Residential	3,491 units	

Source: Draft Infrastructure Financing Plan
Note: Community Facilities include a replacement senior center and a new childcare center

As shown above, the construction is expected to take place over approximately 25 years. The developer is not bound by the timeline in the proposed infrastructure financing plan, but as noted above, the development agreement links delivery of community infrastructure with milestones in the market rate development

Maximum Tax Increment Allocated to EIFD

The Infrastructure Financing Plan projects allocated tax revenue to be approximately $1.56 billion across all project areas and conditional tax revenue to be approximately $1.12 billion. The plan provides for a limit on total dollars allocated to the EIFD equal to 100 percent above projected costs for allocated and conditional tax increment. The allocated tax revenue may not exceed $3.12 billion, and the conditional tax revenue may not exceed $2.24 billion.

Acquisition and Financing Agreement

The EIFD would fund "acquisition facilities" (i.e., public facilities such as utilities and public streets that would be acquired by the City or other governmental entity) and privately-owned facilities that have "community-wide significance," including affordable housing and privately maintained portions of the street network. The EIFD will reimburse the developer for actual costs (including financing costs) to construct the acquisition facilities and the privately-owned facilities. The EIFD may also finance construction of off-site affordable housing. The proposed Acquisition and Financing Agreement provides the terms for the City to acquire the EIFD-funded acquisition facilities and the terms for reimbursement to the Developer for construction of privately-owned facilities.

EIFD Eligible Costs

Exhibit A of the Draft EIFD Acquisition and Financing Agreement describes the EIFD-funded improvements. The EIFD can finance all or a portion of the costs to construct, improve, rehabilitate, purchase, or maintain the public capital facilities or privately-owned facilities of "community-wide significance" that are permitted under EIFD law and the Development Agreement. Some of the EIFD eligible costs may also be eligible to be funded by a special tax district, establishment of which would require approval from the Board of Supervisors, and the developer may use either or both funding sources for these costs. Issuance of EIFD bonds to fund eligible costs will be subject to approval by the EIFD's legislative body (Enhanced Infrastructure Financing District Public Financing Authority No. 1) and the Board of Supervisors.

The EIFD could fund the following facilities:

- Infrastructure (including streets and utilities), public improvements, privately-owned community investments (including the childcare and senior centers)
- Affordable housing (including inclusionary units, units in 100% affordable projects, and the in-lieu fee)
- Transportation demand management measures defined in the Development Agreement

The developer estimates that the total cost of the Project is $3.2 billion, of which the EIFD is expected to fund 0.44 billion (14 percent).

Exhibit 2 below shows the estimated improvement costs of public facilities funded by the EIFD.

Exhibit 2: Estimated Improvement Costs of Facilities Funded by EIFD

Public Facility	Estimated Improvement Costs ($ Millions)	Estimated Percent of Costs	Estimated Timeline
Affordable Housing [a]	$166.82	38%	2027-2051
Utilities [b]	$124.53	28%	2027-2051
Streets [b]	$103.83	24%	2027-2051
Site Work [b]	$42.40	10%	2027-2051
Parks, Open Spaces [a]	$0.48	0%	2027-2041
Total	**$438.06**		

Source: Draft Infrastructure Financing Plan

[a] Facilities owned by the developer

[b] Facilities to be acquired by the City

The EIFD will fund these facilities provided there is tax increment available and within the overall funding limit and term of the district. EIFD funding may be pay-go or financed by bond secured by EIFD revenues.

Net Fiscal Benefit

According to an October 9, 2025 Fiscal Impact Analysis prepared by Economic & Planning Systems, Inc. for the draft Infrastructure Financing Plan, the project will generate an annual net

fiscal benefit of over $774,000 (in 2025 dollars) to the General Fund and have a negative annual impact of $42,715 to the MTA Fund at project buildout, as shown in Exhibit 3 below.

Exhibit 3: Annual Fiscal Impact of EIFD (2025 $)

Revenue or Expense	At Project Buildout
General Fund	
General Fund Revenues	$25,456,000
Less General Fund Baseline Requirements	($7,298,000)
General Fund Revenues After Baseline Funding	$18,157,000
Less General Fund Expenditures	($17,383,000)
Net Impact on General Fund	**$774,000**
MTA Fund	
MTA General Fund Baseline Funding	$2,437,241
Less MTA Expenses	($2,479,967)
Net Impact on the MTA Fund	**($42,725)**
Total Estimated Fiscal Benefit	**$731,275**

Source: Economic & Planning Systems, Inc.

The report also states that the consultant conducted a sensitivity analysis, to assess the fiscal benefits when valuation assumptions are reduced. The analysis concluded that the General Fund benefit would remain positive if real estate values decline by approximately eight percent.

The net fiscal impact is less than the $4.1 million estimated in June 2024 when the Board of Supervisors considered the resolution of intention to establish this EIFD. According to OPF, the latest fiscal impact analysis, shown above, incorporates lower estimates of the value of market rate rental housing, reflecting current and expected market conditions during the development timeline.

FISCAL IMPACT

The proposed resolution would allocate 58.3 percent of incremental property tax revenues within the EIFD to eligible costs up to a maximum of $3.12 billion over the term of the district. The remaining 41.7 percent of the City's share of tax increment would be allocated as "conditional increment" to provide additional funds to pay debt service or replenish debt service reserve funds if needed up to a maximum of $2.24 billion. Any conditional increment used would be repaid to the General Fund with interest. The City would therefore retain 41.7 percent of the property tax increment revenue generated within the EIFD over the anticipated 57-year term of the EIFD.

The proposed infrastructure financing plan projects $1.56 billion in incremental property tax revenue will be allocated to eligible costs over the life of the EIFD.

The City's FY 2026-2035 Capital Plan includes a policy to limit the City's tax increment districts to no more than five percent of Citywide property tax revenues. The policy applies to Port and Treasure Island infrastructure financing districts as well as the City's three enhanced

infrastructure financing districts (Power Station, Stonestown, and 3333 California). According to OPF, previously approved districts constitute 3.53 percent of Citywide property tax revenues. If the Board of Supervisors approves the Stonestown and 3333 California infrastructure financing plans (Files 25-1262 and 25-1261, both scheduled at the January 14, 1016 Budget & Finance Committee meeting) as well as a planned infrastructure financing district the Port is planning for Piers 30-32, the City would still be below the five percent cap. The proposed allocation of Stonestown revenues would constitute 0.42 percent of Citywide property tax revenues.

RECOMMENDATION

Approve the proposed resolution.