

**CITY AND COUNTY OF SAN FRANCISCO****LOCAL GOALS AND POLICIES FOR  
COMMUNITY FACILITIES DISTRICTS  
AND SPECIAL TAX DISTRICTS****(Adopted \_\_\_\_\_, 2009)****October 6**

**1. INTRODUCTION.** 1.1 Section 53312.7(a) of the California Government Code requires that the City and County of San Francisco (the "City") consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act"), prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("CFD") under the Act. Under Sections 3, 5 and 7 of Article XI of the Constitution of the State of California and Section 1.01 of the Charter of the City (the "Charter"), the City has adopted a Special Tax Financing Code (the "Code"), which authorizes the formation of special tax districts and incorporates the Act, including Section 53312.7(a), where not inconsistent with the Code.

These Local Goals and Policies for Community Facilities Districts and Special Tax Districts (the "Policies") provide guidance and conditions for the conduct by the City of proceedings for, and the issuance of bonds secured by special taxes levied in, a special tax district (a "Special Tax District") or a community facilities district (collectively with Special Tax Districts, a "CFD") established under the Code or the Act. These Policies are intended to be general in nature; specific details will depend on the nature of each particular financing. These Policies are applicable to financings under the Code or the Act and are intended to comply with Section 53312.7 (a) of the Act. These Policies may be amended or supplemented by resolution of the Board of Supervisors at any time.

**2. GOALS.** 2.1 The City will consider the use of the Code or the Act for financing of public facilities, privately-owned facilities that serve a public purpose and services only on terms acceptable to the City in furtherance of its policy goals.

**3. ELIGIBLE PUBLIC FACILITIES AND SERVICES.**

**3.1 Eligible Facilities; Priority Facilities.** The public improvements eligible to be financed by a CFD must be owned and operated by the City, or, subject to the provisions of the second following paragraph, by a public agency or public utility, and must have a useful life of at least five (5) years, except that up to five percent of the proceeds of an issue may be used for facilities owned and operated by a privately-owned public utility. The development proposed within a CFD must be consistent with the applicable general plan and must have received any required legislative approvals such as zoning or specific plan approvals. A CFD shall not vest any rights to future land use on any properties, including those which are responsible for paying special taxes.

The list of public facilities eligible to be financed by a CFD include, but are not limited to, the following:

owned improvement shall be at least equal to the term of the special tax levied to finance the privately-owned improvement. For example, if the City finances for a specific property a \$10,000 improvement with a 5-year useful life and a \$20,000 improvement with a 20-year useful life, then the special tax payable with respect to those improvements will amortize the \$10,000 improvement over a period not to exceed 5 years and amortize the \$20,000 improvement over a period not to exceed 20 years.

#### 4. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES.

4.1 Except as set forth in this Article 4, CFD bond issues should have at least a three to one value of property in the CFD as a whole to public lien ratio after calculating the value of the financed public improvements to be installed. Property value may be based on either an appraisal or on assessed values as indicated on the Assessor's tax roll. The appraiser shall be selected by the City, and the appraisal shall be consistent with Article 7 below. The public lien amount shall include the bond issue currently being sold plus any public indebtedness (including assessments and special taxes) secured by a recorded lien on real property currently existing against the properties to be taxed.

4.2 Except as set forth in this Article 4, the City may engage a consultant to provide an absorption study for any CFD involving major land development and will require that all major land use approvals and governmental permits necessary for development of the public facilities to be financed be substantially in place relative to any such CFD, before bonds may be issued.

4.3 Except as set forth in this Article 4, a reserve fund equal to the least of (i) ten percent of the original proceeds of the bond issue, (ii) the maximum annual debt service on the bonds, or (iii) one hundred twenty-five percent of the average annual debt service on the bonds shall be required for all bond issues for CFDs where less than fifty percent of the buildable acreage has been developed. A smaller reserve fund may be allowed by the City for bond issues in CFDs where development thresholds identified by the City have been met (for example, more than 50% of the buildable acreage has been developed), and no reserve fund may be required when the City has provided or caused to be provided some form of credit enhancement as security for the bonds, including but not limited to a letter of credit described in Section 4.5 or a guarantee by the State of California or the United States of America, or when a reserve fund has been established by a third-party and is reasonably expected by the City to be available to pay debt service on the bonds. The reserve fund may be funded in whole or in part with cash or some other form of security instrument acceptable to the City, such as a surety bond policy or letter of credit, in any case from a financial institution and otherwise in a form acceptable to the City.

4.4 The City may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the City, or which otherwise provide identified public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

4.5 If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any

## 6. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES. 6.1

Except as set forth in the following paragraph, special tax formulas for CFDs shall provide for minimum special tax levels which satisfy the following payment obligations of a CFD: (a) 110 percent gross debt service coverage for all CFD bonded indebtedness (taking into account any sources of revenue, other than special taxes, pledged to the payment of the debt), (b) all administrative expenses of the City related to the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following to be included in the special tax: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of acquisition, construction, furnishing or equipping of authorized facilities, (f) lease payments for existing or future authorized facilities, (g) costs associated with the release of funds from an escrow account, (h) the costs of Services and (i) any other costs or payments permitted by the Code or the Act.

In connection with the financing of renewable energy, energy efficiency and water conservation improvements, the City may establish a special tax formula that provides for minimum special tax levels which satisfy the following payment obligations of a CFD: (a) 100 percent gross debt service coverage for all CFD bonded indebtedness (taking into account any sources of revenue, other than special taxes, pledged to the payment of the debt), (b) all administrative expenses of the City related to the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD.

6.2 Subject to the provisions of Article 4, the special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, parcels to be used for affordable housing projects or parcels affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or otherwise parcels that have insufficient value to support bonded indebtedness.

6.3 The total projected property tax levels for any CFD shall not exceed any maximum specified in the Act. The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Special taxes may be subject to prepayment in whole or in part.

6.4 Special taxes will only be levied on an entire county assessor's parcel, and any allocation of special tax liability of a county assessor's parcel to leasehold or possessory interest in the fee ownership of such county assessor's parcel shall be the responsibility of the fee owner of such parcel and the City shall have no responsibility therefore and has no interest therein.

City that are not chargeable to the CFD shall be borne by the proponents of the CFD to the greatest extent possible.

**10. CITY PROCEEDINGS.** 10.1 The final schedule of events for any proceeding shall be determined by the City, in consultation with its financing team and the proponent of the CFD. Any changes will require approval by the appropriate City official. Time schedules will (unless specific exceptions are allowed by City staff) observe established City meeting schedules and agenda deadlines. To the extent possible, financings will be scheduled to allow debt service to be placed on the tax rolls with a minimum of capitalized interest.

**11. EXCEPTIONS TO THESE POLICIES.** 11.1 The City may find in limited instances that a waiver of any of the above stated policies is reasonable given identified benefits to be derived from such waiver. Such waivers only will be granted by action of the Board of Supervisors.