

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2018-1
(CENTRAL SOMA)


SPECIAL TAX DISTRICT REPORT

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CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2018-1
(Central SoMa)

INTRODUCTION

Central SoMa Plan. The Central SoMa Plan Area runs from 2nd Street to 6th Street, Market Street to Townsend Street, generally exclusive of those areas that are part of the Downtown Plan. In 2008, the Board of Supervisors (“Board”) of the City and County of San Francisco (“City”) adopted the Eastern Neighborhoods Plans, including new land use controls and proposed community improvements for the eastern part of the South of Market neighborhood (“SoMa”), as well as the Central Waterfront, Mission, and Showplace Square/Potrero Hill neighborhoods, and the Board determined that the development potential of the industrially-zoned part of East SoMa, coupled with the improved transit to be provided by the Central Subway, necessitated a subsequent, focused planning process that took into account growth needs and City and regional environmental goals. This planning culminated in the development of the Central SoMa Plan, which was finally approved on December 12, 2018.

The vision of the Central SoMa Plan is to create a social, economic, and environmentally sustainable neighborhood by 2040, accommodate approximately 32,000 new jobs and 8,800 new housing units, and create approximately \$2 billion of public benefits to serve the Central SoMa Plan Area. As it grows and evolves over the next 25 years, Central SoMa will require significant investments in infrastructure. As such, the City places requirements on new development to help address these needs.

The Central SoMa Plan includes a Public Benefits Package. The Public Benefits Package is delivered by new development through three mechanisms: (1) direct provision of the benefit (such as “on-site” affordable housing), (2) one-time impact fees, and (3) on-going taxation (through creation of a special tax district).

Requirements of the Act. Pursuant to the provisions of Chapter 43, Article X of the San Francisco Administrative Code (“Code”), which Code incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended (“Act”), on November 13, 2018, the Board adopted a resolution entitled “Resolution declaring the intention of the Board of Supervisors to establish City and County of San Francisco Special Tax District No. 2018-1 (Central SoMa); ordering and setting a time and place for a public hearing of the Board of Supervisors, sitting as a Committee of the Whole, on January 15, 2019, at 3:00 p.m.; and determining other matters in connection therewith” (the “Resolution of Intention”), which Resolution of Intention was approved by the Mayor of the City on November 21, 2018. In the Resolution of Intention, the Board proposed a rate and method of apportionment of special tax (the “Rate and Method”) for the proposed “City and County of San Francisco Special Tax District No. 2018-1 (Central SoMa)” (“Special Tax District”). Capitalized terms used in this Report but not defined herein have the meaning given them in the Rate and Method.

In the Resolution of Intention, the Board of Supervisors expressly ordered the preparation of a written report (the “Report”) for the Special Tax District that would generally contain the following:

(a) A description of the Facilities and the Services by type which will be required to adequately meet the needs of the Special Tax District, subject to compliance with the Code and following any required environmental review under the California Environmental Quality Act.

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

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

The estimated costs and a description of the public benefits to be financed by the Special Tax District are described more completely in the Public Benefits Package.

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

A. **PURPOSE OF THE SPECIAL TAX DISTRICT.** The purpose of the Special Tax District is to finance certain of the facilities and services to advance the public purposes described in the Central SoMa Plan.

B. **DESCRIPTION OF FACILITIES AND SERVICES.** The description of the proposed Facilities and Services, as set forth in the Resolution of Intention, is included in Exhibit "A" attached hereto and hereby made a part hereof as if set forth in full herein.

C. **PROPOSED BOUNDARIES OF THE SPECIAL TAX DISTRICT.** The proposed boundaries of the Special Tax District are as set forth in the map of the Special Tax District previously recorded in the Assessor-Recorder's Office on November 28, 2018 at 2:54 p.m. as Document No. 2018K698641 in Book 001 Pages 124 of the Book of Maps of Assessment and Community Facilities Districts, to which reference is hereby made.

In the Resolution of Intention, the Board of Supervisors determined that the Special Tax District will initially consist solely of territory proposed for annexation to the Special Tax District in the future, with the condition that a parcel or parcels within that territory may be annexed to the Special Tax District and subjected to a special tax only with the unanimous approval of the owner or owners of such parcel or parcels when such parcel or parcels are annexed or in compliance with other procedures established by the Code, without any additional hearings or procedures. Under the Central SoMa Plan, parcels annexing into the Special Tax District will be those that receive a significant upzoning through the Central SoMa Plan.

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

Dated as of January 8, 2019

By: 

Director, Office of Public Finance
City and County of San Francisco

EXHIBIT A

CITY AND COUNTY OF SAN FRANCISCO Special Tax District No. 2018-1 (Central SoMa)

Description of Facilities and Services to be Financed by the Special Tax District

Special taxes collected in the Special Tax District may finance, in whole or in part, the costs of the acquisition, construction and improvement of any of the following types of facilities that are located inside or outside the Special Tax District, as long as such facilities are authorized under the Code ("Facilities").

FACILITIES

1. Transit Facilities. Local and regional transit infrastructure, including near term enhancements on the Transbay corridor and longer-term "core capacity" projects.
2. Complete Streets. Bicycle, pedestrian, and transit infrastructure. Improvements could include, but not be limited to: sidewalk widening to accommodate additional pedestrian traffic from new development; linear park space; pedestrian, streetscape and open space amenities; pedestrian lighting; street furniture; pocket parks; active uses; and curb extensions; bicycle facilities; bike lanes; transit upgrades such as dedicated transit lanes, boarding islands, enhanced shelters and curb extensions to serve transit stops; new traffic signals, curb extensions, and other pedestrian safety features as appropriate; crosswalks; improvements to drop-off and pick-up zones at casual carpool locations; and roadway circulation, parking, and loading changes.
3. Parks and Recreation. Parks and recreation centers.
4. Environmental Sustainability Projects. Environmental sustainability projects, including but not limited to the following:
 - The acquisition, installation and improvement of energy efficiency and conservation, water energy and conservation, water pollution control, and renewable energy improvements that are attached to or on real property and in buildings, whether such real property or buildings are privately or publicly owned.
 - Green infrastructure and stormwater management improvements, including, but not limited to, grey infrastructure and landscaping.
 - Air quality mitigation infrastructure (e.g., HVAC improvements) for privately-owned or - occupied commercial and residential buildings, and public buildings.
 - Sustainability studies and guideline documents related to development in the planning area governed by the Central SoMa Plan & Implementation Strategy.
5. Historic Preservation. Restoration and seismic upgrade of the U.S. Mint Building and site.
6. Sea Level Rise Adaptations. Sea level rise adaptations, including, but not limited to,

demolition, excavation, and installation of revetment; structural improvements of shoreline and revetment; construction, improvement or relocation of shoreline and creek structures, seawalls, stormwater pump stations and outfalls; earthwork; and grading.

Authorized costs of the Facilities include any hard costs, soft costs and pre-development costs associated with the design, procurement, development, and construction of the Facilities.

SERVICES

Special taxes collected in the Special Tax District may finance, in whole or in part, the following services (“services” and “maintenance” shall have the meaning given those terms in the Code) in the Special Tax District, as long as such services are authorized by the Code (the “Services”):

1. Parks and Recreation. Park programming and activation.
2. Neighborhood Stabilization and Community Services. Social welfare, small business development and workforce development, community health and arts/cultural programming and services provided by governmental agencies and nonprofit organizations in the Central SOMA area.
3. Capital Maintenance. Operation and maintenance of publicly-owned improvements, including installation and maintenance of landscaping; maintenance of building systems, structures, and equipment; maintenance of irrigation systems and other equipment; all related personnel or third-party operation and maintenance costs; insurance costs and any other related overhead costs.

OTHER

The Special Tax District may also finance any of the following:

1. Bond related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.
2. Administrative fees of the City and the bond trustee or fiscal agent related to the Special Tax District and the bonds.
3. Reimbursement of costs related to the formation of the Special Tax District advanced by the City, the landowner(s) in the Special Tax District, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the Special Tax District, or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the Special Tax District.
4. A capital reserve fund to finance the Facilities.
5. A reserve to fund the Services.

EXHIBIT B

**CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2018-1
(Central SoMa)**

Facilities Special Taxes

The following is a summary of the estimated costs of acquisition and construction of the authorized Facilities (see Exhibit A) during the first 25 years of the Special Tax District. For some of the expenditure categories, the specific projects and costs are yet to be determined but are anticipated to exceed the sum contributed by the Special Tax District in the first 25 years and other anticipated funding sources.

The Facilities Special Tax established under the Rate and Method will be used to pay for authorized Facilities and debt service on any Bonds issued by the Special Tax District; prior to the Transition Year,¹ a portion of the Facilities Special Taxes also will be used to fund authorized Services. Therefore, the estimated costs summarized below include the estimated cost of Services that have been programmed during the first 25 years of the District.

Additional Facilities Special Taxes generated during this period, or after the first 25 years following formation of the District, may be programmed to other authorized Facilities or Services determined by the City, subject to applicable review and approval by the Board of Supervisors. The total Estimated Facilities Special Tax Contribution shown in the following table does not include potential future costs relating to Sea Level Rise Adaptations, which are expected to be paid after the first 25 years of the Special Tax District.

Facilities and Services	Estimated Facilities Special Tax Contribution (millions, in 2017 dollars)
Transit Facilities	\$155-160*
Parks and Recreation	\$45
Complete Streets	\$10
<i>Cultural Preservation & Community Services</i>	
Historic Preservation	\$15-20*
Neighborhood Stabilization & Community Services	\$65
Environmental sustainability	\$59
TOTAL	\$354

* The funding for these projects shall be allocated pursuant to Planning Code Section 434(e).

¹ Pursuant to the Rate and Method, Transition Year means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year. Transition Event shall be deemed to have occurred when all Bonds secured by the levy and collection of Facilities Special Taxes in the Special Tax District have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Facilities Special Tax has been levied within the Special Tax District for 99 Fiscal Years.

Services Special Taxes

Following the Transition Year, a dedicated Services Special Tax² will be levied to fund authorized Services. It is estimated that the annual Services Special Tax revenue, assuming full build-out of the Special Tax District had occurred in fiscal year 2018-19, would be approximately \$13.2 million. Pursuant to the Rate and Method, the Services Special Tax rate will escalate annually.

Incidental Costs

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

The estimated bond or other debt issuance costs are approximately 5 percent of the principal amount of the bond or other debt. The estimated costs of determining the amount of taxes, collecting special taxes, allocating special taxes, and other costs incurred in order to carry out the authorized purposes of the Special Tax District is approximately \$150,000 per year.

The estimated costs of forming the Special Tax District are approximately \$250,000.

² Pursuant to the Rate and Method, Services Special Taxes are special taxes levied in any Fiscal Year after the Transition Event to pay for authorized Services and related administrative costs.