

File No. 190294

Committee Item No. 11

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Sub-Committee

Date April 3, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

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- Award Letter
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Completed by: Linda Wong

Date March 28, 2019

Completed by: Linda Wong

Date _____

1 [Reimburse Expenditures - Development of Pier 70, Including Affordable Housing Costs, with
2 Tax-Exempt Debt]

3 **Resolution declaring official intent to reimburse expenditures related to development**
4 **of Pier 70, including affordable housing costs, from the proceeds of bonds and other**
5 **debt; and making findings under the California Environmental Quality Act.**
6

7 WHEREAS, California Statutes of 1968, Chapter 1333 ("Burton Act") and San
8 Francisco Charter, Section 4.114 and Appendix B, beginning at Section B3.581, empower the
9 City and County of San Francisco ("City"), acting through the Port Commission ("Port" or "Port
10 Commission"), with the power and duty to use, conduct, operate, maintain, manage, regulate,
11 and control the lands within Port jurisdiction; and

12 WHEREAS, FC Pier 70, LLC, a Delaware limited liability company ("Master
13 Developer") and the City, acting by and through the Port, are parties to a Disposition and
14 Development Agreement ("DDA"), including a Financing Plan ("Financing Plan"), that governs
15 the disposition and development of approximately 28 acres of land in the waterfront area of
16 the City known as Pier 70 ("Project Site"), which DDA was approved by the Board of
17 Supervisors by Resolution No. 401-17, adopted on October 31, 2017, signed by the Mayor on
18 November 9, 2017, and a copy of which is in Board File No. 170986; and

19 WHEREAS, In the general election held on November 4, 2014, an initiative entitled, the
20 "Union Iron Works Historic District Housing, Waterfront Parks, Jobs and Preservation
21 Initiative" ("Proposition F"), was approved by the voters in the City; and

22 WHEREAS, The DDA contemplates a project ("Project") under which the Port would
23 initially lease the Project Site to the Developer for infrastructure development, and, ultimately,
24 lease and sell parcels in the Project Site to vertical developers, for development of a mixed-
25 use project described in the DDA; and

1 WHEREAS, The City anticipates that, in addition to the public infrastructure and private
2 development described above, future improvements will be necessary to ensure that the
3 shoreline, public facilities, and public access improvements will be protected should sea level
4 rise in the vicinity of the Project Site (“Resilience Improvements”); and

5 WHEREAS, Pursuant to Proposition F, the voters in the City approved a policy of the
6 City, that the City encourage the timely development of the Project Site with a development
7 project that includes certain major uses, including without limitation, new below market-rate
8 homes affordable to middle- and low-income families and individuals, representing 30% of all
9 new housing units (“Affordable Housing”); and

10 WHEREAS, Pursuant to the DDA, Master Developer is obligated to construct
11 Affordable Housing on the Project Site and an area of land in the vicinity of the Project Site
12 and within Pier 70 commonly known as Parcel K South (“Parcel K South”) to satisfy the
13 requirements for Affordable Housing under Proposition F; and

14 WHEREAS, This Board of Supervisors has taken certain actions and intends to take
15 further actions to provide financing for the infrastructure, Resilience Improvements and
16 Affordable Housing described above; and

17 WHEREAS, Under California Government Code, Sections 53395 et seq. (“IFD Law”),
18 the Board of Supervisors is authorized to establish an infrastructure financing district and to
19 act as the legislative body for such an infrastructure financing district; more specifically, the
20 Board of Supervisors is authorized to establish “waterfront districts” under IFD Law, Section
21 53395.8, including a waterfront district for approximately 65 acres of waterfront land in the
22 area known as Pier 70, and approve “Pier 70 enhanced financing plans”; and

23 WHEREAS, By Ordinance No. 27-16, which the Board of Supervisors adopted on
24 February 23, 2016, and which was signed by the Mayor on March 11, 2016 (“Ordinance
25 Establishing IFD”), the Board of Supervisors, among other things, declared “City and County

1 of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco)" (IFD) to be
2 fully formed and established, approved an infrastructure financing plan (the "IFD Infrastructure
3 Financing Plan") and designated initial proposed project areas within the IFD; and

4 WHEREAS, By Ordinance No. 220-18, which the Board of Supervisors adopted on
5 September 18, 2018, and which was signed by the Mayor on September 28, 2018
6 ("Ordinance Establishing Sub-Project Areas G-2 through G-4"), the Board of Supervisors,
7 among other things, declared the following sub-project areas (collectively, "Sub-Project
8 Areas") within the Project Site to be fully formed and established and approved Appendix G-2
9 to the IFD Infrastructure Financing Plan as a Pier 70 enhanced financing plan for the IFD:
10 Sub-Project Area G-2 (Pier 70 - 28-Acre Site), Sub-Project Area G-3 (Pier 70 - 28-Acre Site)
11 and Sub-Project Area G-4 (Pier 70 - 28-Acre Site); and

12 WHEREAS, Under Chapter 2.6 of Part 1 of Division 2 of Title 5 of the California
13 Government Code commencing with Section 53369 ("IRFD Law"), this Board of Supervisors is
14 authorized to establish an infrastructure and revitalization financing district and to act as the
15 legislative body for an infrastructure and revitalization financing district; and

16 WHEREAS, By Ordinance No. 248-18, which the Board of Supervisors adopted on
17 October 23, 2018, and which was signed by the Mayor on November 2, 2018 ("Ordinance
18 Establishing IRFD"), the Board of Supervisors, among other things, declared "City and County
19 of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard)"
20 ("IRFD") to be fully formed and approved an infrastructure financing plan for the IRFD to
21 provide financing for Affordable Housing; and

22 WHEREAS, Under Chapter 43, Article X of the San Francisco Administrative Code
23 ("Code"), which Code incorporates by reference the Mello-Roos Community Facilities Act of
24 1982, as amended ("Mello-Roos Act"), this Board of Supervisors is authorized to establish a
25 special tax district and to act as the legislative body for a special tax district; and

1 WHEREAS, The Financing Plan contemplates the formation of one or more special tax
2 districts ("Special Tax Districts") under the Code to finance the costs of public infrastructure
3 and other authorized facilities and certain public services necessary or incident to
4 development of the Project Site; and

5 WHEREAS, United States Income Tax Regulations, Section 1.150-2 provides generally
6 that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are
7 used for reimbursement of expenditures made prior to the date of issuance of such debt
8 unless certain procedures are followed, one of which is a requirement that (with certain
9 exceptions), prior to the payment of any such expenditure, the issuer declares an intention to
10 reimburse such expenditure; and

11 WHEREAS, In connection with formation of the Sub-Project Areas, this Board of
12 Supervisors declared in Resolution No. 233-18 its intent to reimburse expenditures made prior
13 to the date of issuance of bonds and other debt for the Sub-Project Areas, which Resolution
14 was adopted on July 24, 2018, and signed by the Mayor on July 26, 2018; and

15 WHEREAS, In connection with formation of the IRFD, this Board of Supervisors
16 declared in Resolution No. 236-18 its intent to reimburse expenditures made prior to the date
17 of issuance of bonds and other debt for the IRFD, which Resolution was adopted on July 24,
18 2018, and signed by the Mayor on July 26, 2018; and

19 WHEREAS, This Board wishes to ratify and supplement its declaration of intent to
20 issue bonds and incur other debt ("Bonds") for the IRFD and the IFD and to declare its intent
21 to issue Bonds for the Special Tax Districts for the purpose of reimbursing expenditures on
22 public infrastructure related to the Project, Resilience Improvements and Affordable Housing
23 ("Reimbursable Expenditures") that are made prior to the date of issuance of such Bonds; and

24 WHEREAS, At its hearing on August 24, 2017, and prior to recommending proposed
25 Planning Code amendments for approval, by Motion No. 19976, the Planning Commission

1 certified a Final Environmental Impact Report ("FEIR") for the Project (Case No. 2014-
2 001272ENV) pursuant to the California Environmental Quality Act (CEQA) (California Public
3 Resources Code, Section 21000 et seq.), the CEQA Guidelines (14 Cal. Code Reg. Section
4 15000 et seq.), and Chapter 31 of the Administrative Code; a copy of said Motion is on file
5 with the Clerk of the Board of Supervisors ("Board of Supervisors") in File No. 170930, and, is
6 incorporated herein by reference; and

7 WHEREAS, In recommending proposed Planning Code Amendments for approval by
8 this Board of Supervisors at its hearing on August 24, 2017, by Motion No. 19977, the
9 Planning Commission also adopted findings under CEQA, including a statement of overriding
10 consideration, and a Mitigation Monitoring and Reporting Program ("MMRP"); a copy of said
11 Motion and MMRP are on file with the Clerk of the Board of Supervisors in File No. 170930,
12 and is incorporated herein by reference; now, therefore, be it

13 RESOLVED, That the recitals herein are true and correct; and, be it

14 FURTHER RESOLVED, That this Board of Supervisors intends to issue Bonds for the
15 IFD, IRFD and Special Tax Districts for the purpose of paying the Reimbursable Expenditures;
16 and, be it

17 FURTHER RESOLVED, That this Board of Supervisors declares that it reasonably
18 expects (i) to pay certain Reimbursable Expenditures prior to the date of issuance of the
19 Bonds and (ii) to use a portion of the proceeds of the Bonds for reimbursement of
20 Reimbursable Expenditures that are made prior to the date of issuance of the Bonds; and, be
21 it

22 FURTHER RESOLVED, That this Board of Supervisors declares that the maximum
23 principal amount of the Bonds is \$2,600,000,000; and, be it

24 FURTHER RESOLVED, That in accordance with the actions contemplated herein, this
25 Board of Supervisors has reviewed the FEIR, concurs with its conclusions, affirms the

1 Planning Commission's certification of the FEIR, and finds that the actions contemplated
2 herein are within the scope of the Project described and analyzed in the FEIR; and, be it

3 FURTHER RESOLVED, That this Board of Supervisors hereby adopts and
4 incorporates by reference as though fully set forth herein the Planning Commission's CEQA
5 approval findings in the MMRP, including the statement of overriding considerations, and
6 adopts and incorporates by reference as though fully set forth herein the Project's MMRP;
7 and, be it

8 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.
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To: Angela Calvillo, Clerk of the Board of Supervisors
Alisa Somera, Legislative Deputy Director

From: Christine Maher, Pier 70 Development Project Manager
Brad Benson, Director of Special Projects

Subject: Approval of Reimbursement Resolution for Pier 70 Special Use District

Date: March 12, 2019

Executive Summary

At the Port's request, Mayor London Breed is introducing legislation on March 12, 2019 to request that the Board of Supervisors adopt a reimbursement resolution in advance of issuing public debt to fund public infrastructure for the new Pier 70 neighborhood.

Federal tax law allows public agencies to issue tax-exempt bonds to reimburse themselves for expenditures on capital projects only when the public agency has declared its intent to do so no later than 60 days after the expenditures were made. The declaration of intent must include a description of the project and the maximum amount of tax-exempt bonds to be issued.

The Port Commission, for and on behalf of the City, is a party to an agreement with the developer of the 28-acre Pier 70 project. The developer (FC Pier 70 LLC, now an affiliate of Brookfield) will construct the public infrastructure for the project, the City will finance its acquisition of the infrastructure with public finance proceeds, and the developer will earn a market rate of return on the capital it spends on public infrastructure until the City acquires the infrastructure. In order to halt the accrual of the developer's return as soon as possible, the Port intends to advance proceeds from project land sales and development leases to acquire the infrastructure whenever public finance proceeds are not available, and then ask the City to reimburse the Port for the advance of land proceeds when public finance proceeds generated by taxes on property in the Pier 70 Project become available. The Port is requesting that the Board of Supervisors adopt the attached resolution to ensure that tax-exempt bond proceeds will be used to reimburse the Port for its advance of land proceeds whenever permitted by federal tax law.

This resolution is consistent with prior approvals for the Pier 70 project:

Enacted #	Short Title
Ord. 227-17	General Plan Consistency Findings and General Plan Amendment - Pier 70 Mixed-Use District Project
Ord. 225-17	Planning Code and Zoning Map Amendments - Pier 70 Special Use District
Reso. 401-17	Disposition and Development Agreement - FC Pier 70, LLC - Pier 70 Project
Reso. 402-17	Public Trust Exchange Agreement - California State Lands Commission - Pier 70 Project
Ord. 220-18	Establishing Sub-Project Areas G-2, G-3 and G-4 and Adopting Appendix G-2 to Infrastructure Financing Plan (Port of San Francisco, Pier 70)

Reso. 298-18	Authorizing Issuance of Port Infrastructure Financing District Bonds (Port of San Francisco, Pier 70) - Not to Exceed \$273,900,000, \$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3, and Sub-Project Area G-4, Respectively
Ord. 265-18	Summary Street Vacation, New Sidewalks, and Property Transfer - Michigan Street

Background – Pier 70 Mixed-Use District Project

Property

The Port owns an approximately 72 acre site along San Francisco's Central Waterfront known as Pier 70. Beginning in 2006, the Port initiated an intensive planning process that culminated in a project to restore and redevelop an approximately 35-acre site located at Pier 70 bounded generally by Illinois Street on the west, 20th Street to the north, San Francisco Bay on the east and 22nd Street on the south ("Project Site"). The Project Site includes (1) an approximately 28-acre Port-owned site bounded generally by Michigan Street on the west, 22nd Street on the south, San Francisco Bay on the east, and 20th street on the north ("28-Acre Site"); (2) an adjacent 3-acre site at 20th and Illinois Streets comprised of "Parcel K North", "Parcel K South", and a portion of the future 21st Street; and (3) approximately 3 acres of land immediately south of Parcel K owned by Pacific Gas and Electric known as the "Hoedown Yard".

Project Approvals

On October 31, 2017, the Board of Supervisors approved several pieces of legislation to establish the Pier 70 Mixed-Use District Project on the Project Site, including: 1) a trust exchange agreement between the Port and the California State Lands Commission, effective on September 14, 2018, to impress or confirm the public trust on portions of Pier 70 area most useful for public trust purposes and remove the public trust from areas more suitable for development for nontrust uses; (2) amendments to the Planning Code to create the Pier 70 Special Use District ("Pier 70 SUD") over the Project Site and related amendments to the zoning maps; (3) a Disposition and Development Agreement ("DDA") between the Port and FC Pier 70, LLC for development of the 28-Acre Site; (4) a Development Agreement between the City and FC Pier 70, LLC for the 28-Acre Site; and (5) General Plan consistency findings and findings under the California Environmental Quality Act. In 2018, the Board of Supervisors also approved legislation establishing public financing districts – an Infrastructure Financing District over the 28-Acre Site and Parcel K to finance public infrastructure within the Pier 70 SUD and an Infrastructure and Revitalization Financing District over the Hoedown Yard to fund affordable housing within the Pier 70 SUD.

Project Summary

At full build-out, the Pier 70 Mixed-Use District Project will include: (1) 1,100 to 2,150 new residential units, at least 30% of which will be on-site housing affordable to a range of low- to moderate-income households; (2) between 1 million and 2 million gross square feet of new commercial and office space, including space for small-scale manufacturing, retail, and neighborhood services; (3) rehabilitation of three historic buildings categorized as significant contributing resources to the Union Ironworks historic district; (4) transportation demand management on-site, a shuttle service, and payment of impact fees to the Municipal Transportation Agency that it will use to improve transportation connections through the neighborhood; (5) 9 acres of new open space, potentially including active recreation on rooftops, a playground, a market square, a central commons, and waterfront parks along the shoreline; (6) on-site strategies to protect against sea level rise; and (7) replacement studio space for artists leasing space in Building 11 in Pier 70 and a new arts space.

Affordable Housing Requirements

The Affordable Housing Plan attached to the DDA includes measures to ensure that at least 30% of all residential units produced at the 28-Acre Site and the adjacent Parcel K South are affordable to low- and moderate-income households, with the following components: (1) 150 or more inclusionary rental units, representing 20% of all on-site rental units; and (2) 320 or more permanently affordable units in three buildings to be developed by the Mayor's Office of Housing and Community Development ("MOHCD") in the 28-Acre Site and Parcel K South. Developers of market-rate residential condominiums in the Pier 70 SUD are not permitted to build on-site inclusionary units, but are required to pay an affordable housing fee based on 28% of the units in the housing project.

Project Phasing

Development of the 28-Acre Site will occur in three phases over 10+ years. The first phase will include up to 720 residential units, 356,000 square feet of office, 115,000 gsf of retail, arts, and light industrial space, the rehabilitation of historic buildings 2 and 12, 3.4 acres of parks, and the extension of the street grid including Maryland Street, Louisiana Street, 20th Street between Louisiana and Maryland, and 21st Street between Louisiana and Maryland Streets. The developer started initial site work in May 2018.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 MAR 12 PM 4:17
BY *JK*

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Kanishka Karunaratne Cheng *KKC*
RE: Official Intent Declaration to Reimburse Expenditures Related to
Development of Pier 70, Including Affordable Housing Costs, with Tax-
Exempt Debt
DATE: March 12, 2019

Resolution Declaring Official Intent to Reimburse Expenditures Related to Development of Pier 70, including Affordable Housing Costs, from the Proceeds of Bonds and Other Debt and making findings under the California Environmental Quality Act.

Please note that Supervisor Walton is a co-sponsor of this legislation.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-554-6696.