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August 6, 2020

San Francisco Board of Supervisors
San Francisco City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: Reply to Planning Department response to Appeal of Balboa Reservoir Mixed-Use Project Final Subsequent Environmental Impact Report (Case No. 2018-007883ENV)

Dear Board President Yee and Supervisors,

I am writing as the attorney for appellants Madeline Mueller, Alvin Ja, and Wynd Kaufmyn to reply to the Planning Department's response to my appeal letter in anticipation of the upcoming hearing before the Board of Supervisors on the above-referenced appeal. I have read through the Planning Department's response. I am also aware that you will likely also be receiving letters opposing the appeal from other San Francisco administrative departments, as well as various interest groups that would benefit from the Project's approval. They will all, I am sure, urge you to reject this appeal and approve the Project.

By this letter, I hope to explain to you why, in spite of all their urgings, you should grant the appeal and return the Project to the Planning Department for revisions to the Final Subsequent EIR ("FSEIR"), as well as to the Program-level EIR upon which it depends. In one sentence, the reason for granting the appeal is that the FSEIR is not "ready for prime time."

The FSEIR does not provide you the necessary complete and up-to-date information you need to evaluate whether this Project, or perhaps some alternative Project, merits your approval. In particular, the FSEIR does not provide you with a full, fair, and up-to-date evaluation of the Project's impacts, and whether and to what extent they can be mitigated or avoided. Nor does it provide you with a reasonable range of feasible alternatives against which you can compare this project – especially alternatives that might have fewer significant unavoidable impacts – of which this project has quite a few – and/or greater potential benefits to the City.

I will not address in great detail each of the many issues raised by the appeal. Instead, this letter will focus on two of the most important and pressing issues: affordable housing and the COVID-19 pandemic. These are both issues that neither the FSEIR nor the Planning Departments appeal response adequately address. They are also both issues that urgently need to be addressed before you make any final decisions. Making the wrong decision based on faulty and incomplete information would damage the City, and especially City College of San Francisco, for many years to come.

THE FSEIR FAILED TO CONSIDER A PUBLICLY-OWNED 100% AFFORDABLE HOUSING ALTERNATIVE.

There is little question that San Francisco, and indeed the entire Bay Area, is suffering from an acute shortage of affordable housing. While the City has, over the past few years, seen tremendous growth in the amount of market-rate housing being built – (See, e.g., S.F. Planning Department PowerPoint presentation to Board of Supervisors Land Use and Transportation Committee on July 27, 2020, showing that San Francisco had already achieved 140% of its current RHNA goal form market-rate housing) to the point where there is now a large excess of supply over demand – housing for lower income households has lagged far behind.

With that in mind, the FSEIR should have included a project alternative involving construction of a publicly-owned 100% affordable housing project on the Balboa Reservoir site. The Balboa Reservoir site would seem a particularly appropriate site for such a project. Not only is it a relatively large site, located close to major transit routes and the Balboa Park BART station and literally right next to the Ocean Campus of City College of San Francisco, the City's primary higher education resource for low-income but upwardly mobile households, but it is already publicly owned, meaning that there would not be the need to aggregate and purchase land from private owners for a permanently affordable project.

Nevertheless, even though numerous comments on the Draft SEIR suggested including such an alternative (see, FSEIR, Responses to Comments pp. 4.F-2 through 4.F-12), City Planning Staff rejected its inclusion. The FSEIR's dismissive response was the following:

> This alternative would arguably be a fundamentally different project given the request for qualifications process that occurred for the project site. As noted on draft SEIR p. 6-59, "… 100 percent affordable housing developments in San Francisco are typically sponsored by the Mayor's Office of Housing and Community Development, which provides substantial financial support for such projects and which typically seeks out not-for-profit developers who specialize in the production of fully affordable residential projects. Accordingly, it has never been the case that the planning for this project assumed or required a 100 percent affordable housing development, which would require a substantially different financial structure and City development partner(s). (FSEIR at p. 4.F-15.)

The FSEIR went on to say:

> An alternative dedicating all of the site to City College uses would not meet the basic objective of implementing the City's 2014 Public Land for Housing program and the Surplus Public Lands Initiative (Proposition K), by replacing an underused surface parking lot located on surplus public land with a substantial amount of new housing, including a high percentage of affordable housing. (*Id.*)

Essentially, the Planning Department's response says that the Planning Department has planned this project to be a combination of market-rate and affordable housing. A 100% affordable project would be very different and not what we've planned, so we needn't consider it. But that is not what CEQA requires in a project alternative. The aim of an EIR's discussion of project alternatives is to describe a reasonable range of alternative that will foster informed decision-making and public participation and allow the decision makers to make a reasoned choice. (CEQA Guidelines § 15126.6 [consideration and discussion of alternatives to proposed project]; *In re Bay-Delta et al*. (2008) 43 Cal.4th 1143, 1163.) Identification of project alternative is required to focus on three things:

1) The alternatives must be feasible. The Planning Department has never said that a 100% affordable project would be infeasible. Indeed, 100% affordable projects are done all the time, and especially when the land involved is already in public ownership. Submitted herewith is a report prepared by Mr. Joseph Smooke, a professional in real estate development with years of experience at developing affordable housing in San Francisco. That report, and the accompanying background report, show that a 100% affordable project is feasible, especially if it is built in phases.

2) It must avoid or substantially lessen one or more of the proposed project's significant impacts,

The FSEIR identified several such impacts: 1) the extension of Lee Street along the west side of the Project Site (adjacent to the existing CCSF parking lot) would result in significant freight and passenger loading impacts as well as potential bicyclist safety impacts and transit delay impacts; 2) The extension of Lee Street would also contribute to a cumulatively significant freight and passenger loading impact, as well as potential bicyclist safety impacts and transit delay impacts; 3) The construction would result in significant temporary construction noise impacts in spite of available mitigation; 4) The construction would also contribute to a cumulatively significant construction noise impact; 5) construction would result in significant criteria air pollution and toxic air contaminant impacts and/or contribute to cumulatively significant criteria air pollution and toxic air contaminant impacts. The latter two impacts would also contribute to cumulatively significant regional air quality impacts and health risk impacts to sensitive populations.(See, DSEIR at pp. S-44 to S-45.)

How would a 100% affordable housing project affect these impacts? Assuming that the alternative project would build 500 affordable units, but no market rate units, it would result in far fewer auto trips than the proposed project, as it is well documented (and even admitted in the Planning Dept. response) that the lower income residents who occupy affordable units have fewer cars and use them less than market-rate residents. Both transit and auto use (and ownership) would be even lower if the units would be primarily for CCSF faculty, students, and staff, and secondarily for other qualifying households already working in the vicinity of the Project site (e.g., faculty and staff at Archbishop Riordan High School, Lick Wilmerding High School, employees at Whole Foods Market, etc.). These residents would, for the most part, walk to and from their workplaces, and many, if not most, residents could be expected to forego the expenses of car ownership entirely. As a consequence, the extension of Lee Street through to the north end of the Project site would not be necessary, as the current access road along the north end of the site would provide sufficient vehicle access for the much smaller number of vehicles. This would eliminate the direct and cumulative freight and pedestrian loading impacts, as well as the potential bicycle safety and transit delay impacts.

In addition, because the project alternative would involve much less construction, would occur in three much smaller phases, and would be located further from sensitive receptors at Archbishop Riordan High School, the air quality and construction noise impacts of the alternative would be significantly reduced – potentially to a level where they could be mitigated to a level of insignificance. Because the FSEIR never studied this alternative, a detailed evaluation remains to be done.

3) It must feasibly attain *most* of the basic objectives of the proposed project, even if the alternatives would impede to some degree the attainment of all the proposed project's objectives, or would be more costly.

Here, the DSEIR list of project objectives can be summarized as follows:

- Implement the goals of Proposition K – replacing underused surface parking on surplus public land with a substantial amount of new housing, *including a high percentage of affordable housing*. [emphasis added]
- Implement the objectives and goals of the Housing Element and 2009 Balboa Park Station Area Plan by developing a mixed-use residential neighborhood to address citywide demand for housing.
- Contribute to the City's goal of providing 5,000 housing units per year at sites identified in the General Plan for additional housing close to local aqnd regional public transit.
- Build a mixed-income community with a range of building types and heights etc., providing new residents with a variety of housing options.
- Replace the reservoir infrastructure with new infrastructure improvements, including a public park, open space, and a community center, and a childcare facility.
- Provide pedestrian and bicycle connections to adjacent neighborhoods, including CCSF, and improve pedestrian access to public transit.
- Work with CCSF to address its parking needs
- Develop a financially feasible project, including eligibility for federal, state, regional and local subsidy sources.

None of these objectives are precluded by an alternative producing 100% permanently affordable housing on the Reservoir site.[1] Indeed, some of the principal

[1] Providing several levels of affordability would satisfy the desire for a diverse community while maximizing the amount of badly needed affordable units.

objectives, notably the first, would be better fulfilled by a 100% affordable project than by the Proposed Project.

In short, despite the protestations of the Planning Department, a 100% affordable, phased, 500-unit, publicly owned residential project would not only be eminently feasible, it would also produce far fewer impacts and far greater benefit for the City, especially if it were closely linked to the adjacent CCSF campus. For that reason alone, the FSEIR should be rejected and returned for revision.

The FSEIR is inadequate because it failed to address the changed circumstances and new information related to the COVID-19 pandemic, which requires major revisions to the Program EIR upon which the FSEIR relies.

The Planning Department response to the appeal claims that the City had no duty to address the major effects that the COVID-19 pandemic has had on the City and on the circumstances surrounding the Balboa Reservoir Project. It claims that any attempt to address those changes would require speculation about changes that might happen in the three years between now and when the first residential phase of that project is completed. However, it is the Planning Department itself that is engaged in speculation by asserting that nothing will significantly change because of the COVID-19 pandemic.

The SFMTA itself has candidly admitted that the COVID-19 pandemic has wreaked havoc on San Francisco's, and the entire Bay Area's public transportation systems. Just recently SFMTA announced major changes to MUNI routes and operations to take into account the reduced ridership, need for social distancing, increased cleaning requirements, and need to reduce delays and the time lengths of MUNI trips to take into account the fast-increasing knowledge of how threatening COVID-19 transmission is to public transit riders. (See attached articles taken from the SFMTA official website.)

While one might like to hope that in the near future we would have an effective and long-lasting vaccine that could be administered throughout the world, allowing populations in San Francisco and elsewhere to gain "herd immunity" to COVID-19 and be able to resume "normal" life as it was before this pandemic, there is, as yet, no hard evidence to support that hope. To the contrary, it is sheer speculation to presume that the major effects of this pandemic on the circumstances surrounding this project will effectively disappear within the next three years. Nothing about the current state of this pandemic or our knowledge of the coronavirus responsible for it justifies that rose-colored vision of the future.

To the contrary, our current knowledge of that coronavirus indicates the following: 1) It is extremely infectious and, if anything, is likely to gain in infectivity as it evolves while continuing to infect more and more of the world's human population; 2) If it is anything like the other known coronaviruses that infect humans (and there is nothing to indicate it is not), any immunity gained through the use of a vaccine is likely to be incomplete and relatively short-lived, requiring repeated vaccinations perhaps as frequently as every two to three years. No mass vaccination effort in human history has ever come close to being able to achieve that goal. 3) While efforts are underway to find effective treatments for the severe and sometimes lethal effects of COVID-19, and especially its extremely high degree of mortality for those over the age of sixty-five, as of yet there are no strong candidates for effective treatments. That is not to say that none will be developed, but it would be speculative to assume that effective, and cost-effective, treatments will be found. That means that the more likely outcome – and the outcome upon which analysis should be based – is that COVID-19 will remain a major public health threat for the foreseeable future, and human society will have to adapt accordingly.

CEQA does, and often depends on, forecasting of future events and circumstances. (*Vineyard Area Citizens for Responsible Growth, Inc. v. City of Rancho Cordova* (2007) 40 Cal.4th 412, 428.) However, the case law under CEQA is extremely clear that speculation or opinion unsupported by evidence in not substantial evidence and cannot be used to support decisions under CEQA. (*Cleveland National Forest Foundation v. San Diego Association of Governments* (2017) 3 Cal.5th 497, 517.) Yet that is precisely what the Planning Department asks you to do in disregarding the need to address the effects of COVID-19 on not only this project EIR, but the entire planning framework created by the Balboa Park Area Plan.

That plan relies for its effectiveness on San Francisco's public transit systems; not just MUNI but also BART, ferries, and various ridesharing options, to replace private cars as the predominant transportation mode in the City. COVID-19 and its effects call all that into question. This project, and other projects relying on the Balboa Park Area Plan, need to first address how COVID-19 affects that Plan's continued viability. That means reopening the Program EIR and re-evaluating its impact analysis and whether its conclusions remain valid. Until that is done, it would be improper to base any decisions on the Area Plan Final Program EIR.

I am sure this is not something that you, the Supervisors that govern this City, want to hear. Clearly the Planning Department very much doesn't want to hear it – so much so that they have figuratively put their fingers into their ears to avoid hearing that their plans for further densification of San Francisco based on ever more pervasive public transit use are open to question. Nevertheless, it is a question that you, as the decision makers for this City, need to confront head-on.

There are times when the proper thing to do is to persevere in the face of overwhelming odds, and hope for a miracle. This is not one of those times. It is emphatically not the time to say, "Damn the torpedoes and full speed ahead!" CEQA is not about hope or miracles. It is about facts, logic, and rational analysis. Applying the available facts and evidence rationally and logically requires that you reject this FSEIR's certification and return it to the Planning Department for revisions, both to it and its underlying Program EIR.

Respectfully submitted,

Stuart M. Flashman

Stuart M. Flashman
Attorney for Appellants

21 July 2020

Public Lands for Public Good
Defend City College Alliance

Re: Balboa Reservoir Development Proposal
Legislative Files 200422, 200423, 200635, 200740

Dear Public Lands for Public Good and Defend City College Alliance:

Please accept this letter of my analysis as to why the Board of Supervisors should reject the Balboa Reservoir Project as proposed when the above referenced legislative files relating to this project come to the Board for a vote. I submit this letter as a professional with years of experience in many different facets of real estate development, primarily as a developer of affordable housing in San Francisco (resume attached).

Introduction

The Balboa Reservoir presents a unique opportunity for the people of this City. It is a large (16.4 acres), publicly owned site (SF Public Utilities Commission), adjacent to the main campus of City College of San Francisco and in close proximity to a major regional transit station. These are more than sixteen acres of blank canvas on which could be built something visionary. Instead the project that has been presented to the Board of Supervisors privatizes our public resources and lines a developer's pockets.

The proposed project describes 1,100 total units of which half (550 units) will be "below market rate" (affordable). What follows is a proposal for a project that would ensure that this public land is developed as 100% affordable housing.

One Hundred Percent Affordable Housing at the Balboa Reservoir

Affordable housing developers typically pay market price for land and then have to pay for their development to tie into existing infrastructure such as water, electricity, sewer, etc. This site has none of the typically available infrastructure to tie into, so building that infrastructure is a cost unique to this development. As we'll see, however, the narrative that these costs are a barrier to 100% affordable housing is false.

A typical affordable housing development budget assumes paying market value for the land. In this case, the PUC is required to sell the land for its full market value, unless the Board of Supervisors passes a resolution saying that the site should be sold for less than the market value in order to achieve a significant public benefit. There is a model for this type of transaction at 1100 Ocean where the MTA (another enterprise department) sold that site to MOHCD at a below market price in order to facilitate 100% affordable housing. This Balboa Reservoir site should follow that same template. This site should be sold to MOHCD for a below market price (as close to zero as possible) so the site stays in public ownership in order to facilitate 100% affordable housing.

Assuming the land is sold at or close to no cost to the affordable housing developer, they still have to deal with the infrastructure costs which are of course much higher than for a typical infill site. Thankfully, there are significant grant sources available from the State that can cover most of those costs. If the only State grant comes from the Infill Infrastructure Grant Program and is limited to $30M, this would cover all but $18M of the cost of the infrastructure which is estimated to be $48M over 3 phases. In order to cover those costs, if the project was 100% affordable housing, and the affordable housing developer paid $18M to cover those infrastructure costs instead of paying for the land, this would still be a bargain at $33,000/ unit for land associated costs (assuming 550 units).

Once the land and infrastructure have been paid for, the remaining financial challenge is to fund the construction of the affordable housing. Based on the Berkson Fiscal Feasibility Report (attached), the affordable housing construction should cost $348,000 per unit. Assuming that there will be some inflation in materials and labor costs, let's use $400,000 per unit for the purpose of this analysis. Since MOHCD typically provides roughly 35% of the total project cost, this would mean roughly $77M coming from MOHCD to pay for their portion of 550 units. At $140,000 per unit, this represents a bargain for the City because of the economy of scale and the low cost for land and infrastructure. If the City is not able to come up with $77M all at once, then the project could be built in 2 phases. This would mean $38.5M of MOHCD funding for each of 2 phases. If that's still too ambitious, it could be split into 3 phases of $25.7M each.

The remainder of the funding for each phase would come from a combination of LIHTC (low income housing tax credits), State grants, and other affordable housing capital subsidies for a total of about 45% of the project cost. The final 20% would come from a bank loan or through the sale of tax exempt bonds (if using LIHTCs from the non-competitive pool). This is a typical leveraging structure that MOHCD expects when it invests in affordable housing.

100% affordable housing is both visionary and financially feasible- using City resources to meet a critical need for the long term viability of our City. Unfortunately, however, the City has chosen to present for approval a scheme for privatizing this site. This is a strategy that benefits the for-profit developer greatly, but creates financial and policy problems for both the City and the people who might live at this proposed development.

The Development Agreement Should Not Be Approved

Under the deal as proposed, the City is not only selling more than sixteen acres of public land to a private developer at a heavily discounted rate ($11.4M), the Development Agreement says that the developer has no obligation to build anything at any time. Not only does the developer have no obligation to develop anything, but they have the ability to sell off any portion of the property. If the developer sells there is no requirement that they sell at a discounted amount. Most likely, if the current developer sells any portion of this development, the new developer would purchase at full market rate and might go back to the City to renegotiate this deal due to the different circumstances.

Rather than the City retaining ownership of the land and making sure that the housing gets built, and that the housing that is built is 100% affordable, under the proposed deal, the City literally gets a guaranty of nothing, while the developer gets a guaranty of future profits- either from the market rate housing they develop, or from selling the properties that have had a step up in market value because of the actions of the Board of Supervisors to enable this deal. The City potentially loses big, but the developer has no risk whatsoever and only stands to profit.

Additional Policy and Financial Concerns

If the developer does decide to proceed with building the housing that is outlined in the proposed project, the result will be a lesser public benefit than you think you are getting, which raises another level of financial and policy related problems.

This development has both rental and ownership components. The obligations for providing the affordable rental units seem fairly clear, On the ownership side, however, the developer has a few different options- one of which is not to provide the affordable units at all, but to pay a fee to the City in lieu of building any affordable ownership units. Therefore, we may get 530 affordable units at this site instead of 550.

Making matters worse, the affordable units don't even seem to meet the definition of "affordable" as defined in the City's "inclusionary" program. The inclusionary program sets "low income" rents as being affordable to households making 55% of AMI. This project is defining "low income" as 60% of AMI which is 5% more expensive. Low income is presented as a range of incomes, but the required average is 60%, not 55% of AMI.

The proposed project also has affordable units for "moderate income" households. The inclusionary program sets "moderate income" rents as being affordable to households earning 80% of AMI. This project is defining "moderate income" as 100% of AMI which is 20% more expensive. Moderate income is presented as a range of incomes, but the average is 100%, not 80% of AMI. Not only are these "low" and "moderate" income units more expensive than what are typically provided by developers providing "inclusionary" or "below market rate" units, but they set a bad policy precedent by redefining - or at least complicating- the definitions of "low income" and "moderate income."

Perhaps most insidious of all is the segregation and class divide that this project creates. Consider that the "affordable" units are all rental while there is a chance that there will be no affordable ownership units. The affordable units that are provided will all be built in buildings that are separate from the market rate units. In a typical market rate development with "inclusionary" units, those inclusionary (affordable) units are distributed throughout the building. They are literally "included" into the market rate development. What is proposed for this site should either be considered as "off site" inclusionary housing which would trigger a 30% requirement, or it should be viewed as a development with what is typically called a "poor door" situation where the upper income market rate residents go in through one door and the residents in the affordable units go in through a separate door. Inclusionary legislation is intentionally crafted to ensure that developers are not able to create these "poor door" conditions.

To make the segregation and class divide issues even worse, the open space at the center of the development is a privately owned public open space (POPOS). The owner and manager of this POPOS is the group of homeowners who live in the ownership units. What people do in the open space and at what hours are determined by the homeowners association for everyone who might live or visit.

For those who might be concerned about a 100% affordable housing development presenting a similar problem of segregation, this would be fallacy. A typical affordable housing development funded with Low Income Housing Tax Credits accommodates a range of residents' incomes. Large scale affordable housing developments are successful under nonprofit management and MOHCD oversight because of the high quality of the housing and the significant resources that are committed. These households like the ones at 1100 Ocean have a range of incomes and live in safe, high quality housing with dignity. Once residents move in, these developments invariably fit right in with the social and aesthetic fabric of the neighborhoods in which they are located.

The fact that this project has come so far through the approval in this form is beyond comprehension. The scheme of privatization without accountability, the confusing of definitions of what is "affordable" to guarantee higher levels of cash flow for the developer, and the segregation of wealthy and non-wealthy and of owner versus renter all add up to a misuse of public resources and of the public trust. As such my recommendation is to urge the Board of Supervisors to reject this development proposal and commit to a new development proposal that ensures 100% affordable housing is built at the Balboa Reservoir.

Sincerely,

Joseph Smooke
Consultant

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San Francisco, CA 94118
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Joseph Smooke

[people. power. media]
Co-Founder, CEO, Producer, Photographer, Videographer
July 2012 to Present
Co-founded this nonprofit media organization that produces video news features and analyses about communities impacting public policy with a focus on housing and land use. Produced a six-part animation, "Priced Out" which has been featured in film festivals in San Francisco, Los Angeles, Chicago and New York City, and in workshops to more than 1,200 people.

Housing Rights Committee of San Francisco
Westside Program Director, 2015 - 2019
Led the expansion of Housing Rights Committee's community organizing and tenant counseling to the Richmond and Sunset Districts.

Supervisor David Campos, District 9
Legislative Aide, 2013, 2014, 2015
Worked three temporary terms of employment as an Aide to Supervisor Campos, focusing primarily on housing and land use issues.

The Philippine Reporter
Photographer and Writer, 2011 - 2014
Worked as staff photographer and writer for this newspaper in Toronto, Canada.

Supervisor Eric Mar, District 1
Legislative Aide, 2011
Staffed Supervisor Mar primarily for his work as Chair of the Land Use Committee.

Bernal Heights Neighborhood Center
Executive Director, 2005 - 2011
Housing Director, 1997 - 2005
Promoted to Executive Director of this multi-service community based nonprofit organization after leading its housing development and asset management work. Led the housing program's growth from small scale developments to being a citywide developer. Created the Small Sites Program and developed the first prototype small sites acquisition project. Also led the organization to become involved in land use planning.

Innovative Housing for Community
Housing Development Project Manager, 1993 - 1996
Developed and managed housing throughout San Francisco, Sonoma, Marin, San Mateo and Santa Clara Counties for this nonprofit provider of affordable, supportive, shared housing. Created the first affordable housing "green building" program in the Bay Area.

Skidmore Owings and Merrill
Job Captain, Architectural Designer
Los Angeles Office, 1988 - 1992
San Francisco Office, 1992 - 1993
Worked on all phases and aspects of large scale commercial and institutional buildings throughout the US and in Taiwan, including the Southern California Gas Company Tower and the Virginia State Library and Archives. Also worked on a large scale urban planning project in Changchun, China.

Awards and Recognitions

Outstanding Community Service, Coalition for San Francisco Neighborhoods, 2017

Dolores St Community Services Open Palm Award for BHNC, 2008

Central American Resource Center (CARECEN), 2007

Bank of America, Neighborhood Excellence Initiative, Local Hero Award, 2004

Education

University of California at Berkeley
Bachelor of Arts in Architecture, High Honors, 1988
Alpha Rho Chi, Departmental Award for Professional Promise

Boards of Directors and Active Affiliations

South of Market Community Action Network (SOMCAN), 2010 - Present
Chair of SOMCAN’s Board

San Francisco Antidisplacement Coalition, 2016 - Present

Richmond District Rising, 2017 - Present
Steering Committee and Housing Committee

Westside Tenants Association, 2019 - Present

Community Housing Partnership, 2000 - 2006
Member, Board of Directors

REPORT

BALBOA RESERVOIR PROJECT

FINDINGS OF FISCAL RESPONSIBILITY AND FEASIBILITY

Prepared for the City and County of San Francisco

Prepared by Berkson Associates

February 9, 2018

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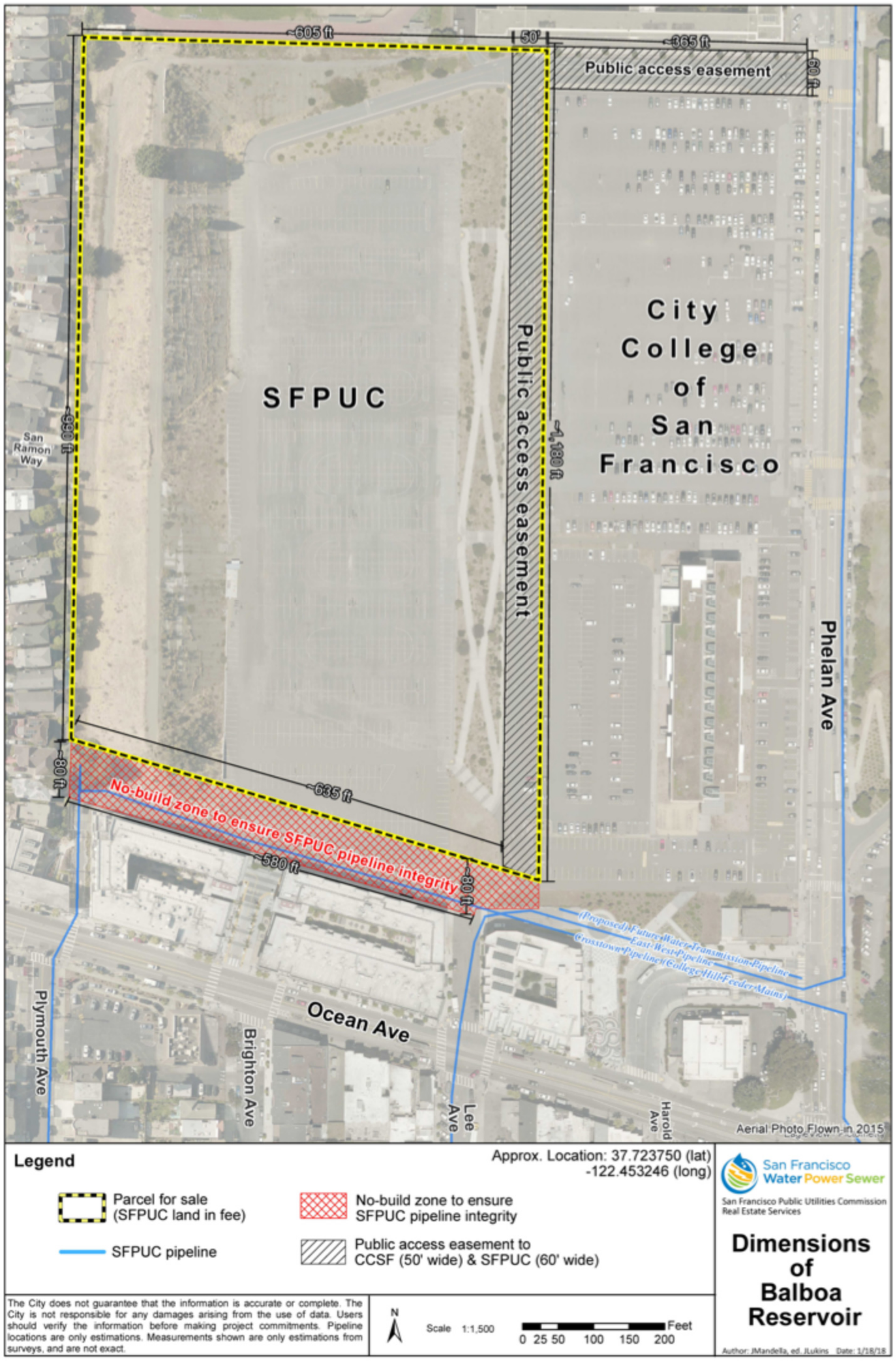
EXECUTIVE SUMMARY

Chapter 29 of the City's Administrative Code requires that the Board of Supervisors make findings of fiscal feasibility for certain development projects before the City's Planning Department may begin California Environmental Quality Act ("CEQA") review of those proposed projects. Chapter 29 requires consideration of five factors: (1) direct and indirect financial benefits of the project, including, to the extent applicable, cost savings and/or new revenues, including tax revenues generated by the proposed project; (2) the cost of construction; (3) available funding for the project; (4) the long term operating and maintenance cost of the project; and (5) debt load to be carried by the City department or agency.

This report provides information for the Board's consideration in evaluating the fiscal feasibility of a proposed development (the "Project") at the 17-acre Balboa Reservoir parcel shown in **Figure 1**. The City and County of San Francisco ("City), under the jurisdiction of the San Francisco Public Utilities Commission ("SFPUC"), owns the parcel ("Site"). The City has entered into exclusive negotiations with a team of developers led by BRIDGE Housing Corporation and AvalonBay Communities (the "Development Team") to create a mixed-income housing project (the "Project") at the Site. The Development Team would purchase the Site and build a mix of apartments, condos and townhouses.

Up to half of the units will be affordable to a range of low, moderate, and middle-income households occupying apartments and the condo units. The first 33 percent of units will be affordable units funded by value created by the Project; the additional affordable units, or up to 17 percent of total units, will be funded by public sources that could potentially include tax credits and other state sources, project-generated sources, future bonds, or the proposed gross receipts tax increase. For the purpose of the current analysis, a scenario consisting of 1,100 units, consistent with the Development Team's initial proposal, is evaluated; it is anticipated that subsequent environmental analysis will consider a range of alternatives.

Figure 1 Balboa Reservoir Project Areas



All dollar amounts are expressed in terms of 2017 purchasing power, unless otherwise noted. Information and assumptions are based on data available as of February 2018. Actual numbers may change depending on Project implementation and future economic and fiscal conditions.

FISCAL BENEFITS

The proposed Balboa Reservoir Project, if approved, will create approximately $4 million in new, annual ongoing general tax revenues to the City. After deducting required baseline allocations, and preliminary estimates of direct service costs described in **Chapter 3**, the Project as proposed will generate about $1.7 million annually to the City, in addition to about $1 million in other dedicated and restricted revenues. The fiscal results are largely proportional to the number of units, assuming the mix of affordable units remains constant. A reduction in the number of units would reduce the magnitude of the potential benefits, but the net impact on the City General Fund would remain positive.

The Project will generate an additional $400,000 annually to various other City funds (children's' fund, libraries, open space), and $600,000 annually to other restricted uses including SFMTA (parking taxes), public safety (sales taxes), and San Francisco Transportation Authority (sales taxes).

Additional one-time general revenues, including construction-related sales tax and construction gross receipts tax, total $3.3 million.

Based on standard fee rates, development impact fees total an estimated $23 million, although the City may agree to credit some of these fees back to the Project in consideration of public-serving improvements that the Project provides in kind. In addition, certain development fees, including childcare fees and bicycle facility in-lieu fees, could be offset by facilities constructed onsite, according to the City's standard impact fee policy. No affordable housing or jobs housing linkage fees are assumed due to the provision of affordable housing onsite.

The new general revenues will fund direct services needed by the Project, including police and fire/EMS services, and maintenance of roads dedicated to the City. Other services, including maintenance and security of parks and open space, will be funded directly by tenants of the Project. The estimated $1.7 million in net City general revenues, after deducting service costs and Charter-mandated baseline allocations of general revenues, will be available to the City to fund improved or expanded Citywide infrastructure, services and affordable housing. **Chapter 3** further describes fiscal revenue and expenditure estimates.

ECONOMIC BENEFITS

The Project will provide a range of direct and indirect economic benefits to the City. These benefits include a range of economic benefits such as new jobs, economic activity, and increased public and private expenditures as described in **Chapter 5** and summarized below:

- Over $560 million of construction activity and approximately 2,800 construction-related job-years during development, in addition to indirect and induced jobs.
- Approximately 1,100 new residential units, including up to 550 permanently affordable units. This housing is critical to economic growth in San Francisco and the region.

The Project will also create a small number of permanent non-construction jobs onsite related to parking facilities, landscape maintenance, and various services associated with the residential units.

DIRECT FINANCIAL BENEFITS TO THE SFPUC

The SFPUC, which has exclusive jurisdiction over the Site, will benefit financially from the sale of the Site. The land sale price will be negotiated to reflect the final development and public benefits program. The SFPUC may also realize increased revenues by providing power to the Project's residents.

NEW PUBLIC FACILITIES

The Project will construct parks and open spaces available to the general public. The Project also includes a childcare center that will be accessible by the public as well as the Project's residents.

OTHER BENEFITS

The Project may fall within the Ocean Avenue Community Benefits District (CBD), which assesses property owners to provide funding for a range of services within the neighborhood, including maintenance and cleaning of public rights of way, sidewalk operations and public safety, and District identity and streetscape improvements. Parcels within the CBD pay for and receive these services as participants in the CBD. The CBD’s applicability and associated tax rate will be determined prior to project approvals.

1. THE PROJECT & COSTS OF CONSTRUCTION

The Project will be constructed in two phases with Site preparation and construction planned to begin as early as 2021, Phase 1 units leased and sold as early as 2023, and Phase 2 units leased and sold by 2025, according to current plans. The Project and its development costs total at least $560 million, as described below. The Development Team will be responsible for planning, construction, marketing and operating the Project. The Development Team will reimburse the City for its costs incurred during the Project planning and environmental review process, including City staff costs. **Chapter 2** describes sources of funding to pay for development costs.

PROJECT DESCRIPTION

The Balboa Reservoir Site is an approximately 17-acre parcel that the City owns under the SFPUC's jurisdiction. The Site is located in the central southern portion of San Francisco, bounded by City College of San Francisco's Ocean Campus to the east, Riordan High School to the north, the Westwood Park neighborhood to the west, and the Avalon Ocean Avenue apartments to the south.

Plans for the Site's development envision a mixed-income housing Project. The Development Team would purchase the Site and build a mix of apartments, condos and townhouses.

Residential – This fiscal analysis assumes a scenario consisting of 1,100 total residential units. This scenario is based on the Development Team's response to the SFPUC Request for Proposals; environmental analysis will evaluate a range of units that may differ from the scenario in this report, and the Project's final unit count may also differ accordingly.

Affordable Housing – The Project proposes 50 percent of total units to be affordable, including 18 percent affordable to low-income households,[1] and 15 percent affordable to moderate-income households[2], for a subtotal of 33 percent affordable housing units. An additional 17 percent of units are proposed to be affordable to a combination of low, moderate, and middle-income households.

Parking – The fiscal analysis evaluates 1,010 parking spaces. Of the total spaces, 500 will be constructed in a parking garage and shared with the City College community.

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[1] Low-income rents would not exceed 55% of Area Median Income (AMI), and low-income for-sale prices would not exceed 80% of AMI.

[2] Moderate-income rents and sales prices would not exceed 120% of AMI.

CONSTRUCTION COSTS AND ASSESSED VALUE

Table 1 summarizes development costs totaling at least $560 million,[3] which will be phased through buildout by 2025 depending on future market conditions. Taxable assessed value is estimated based on development cost, with affordable rental housing exempted from property taxes if serving households who earn no more than 80% of AMI . These costs and values provide the basis for estimates of various fiscal tax revenues and economic impacts.

Table 1 Summary of Construction Costs and Assessed Value

Item	Development Cost
Residential Buildings (1)	
Townhouses (Market-rate)	$60,598,000
Condos (Affordable)	$15,360,000
Apartments (Market-rate)	$169,412,000
Apartments (Moderate)	$87,818,000
Apartments (Low-income)	$88,031,000
Subtotal, Residential Buildings	$421,219,000
Other	
Parking - shared (500 spaces)	$13,830,000
Infrastructure (2)	$38,000,000
Other Costs (3)	$86,787,000
Total	**$559,836,000**
(less) Property Tax-Exempt	
Low-income Rental Units (up to 80% AMI)	($88,031,000)
Net Taxable Assessed Value	**$471,805,000**

(1) Includes building hard costs, residential parking, and site development. Site acquisition and community benefits are to be negotiated and are not included.
(2) Master infrastructure includes utilities, roads, grading, parks and open space.
(3) "Other Costs" include soft costs (eg legal, design, finance, furnishings and fixtures). Permits & Fees not included for purposes of A.V. estimates. *2/9/18*

[3] Hard and soft development costs; land costs, community benefits and other mitigations are to be negotiated and are not estimated.

2. AVAILABLE FUNDING FOR THE PROJECT

As described in the prior chapter, development costs are anticipated to total $560 million or more over the course of Project buildout. Several financing mechanisms and sources will assure funding of these costs and development of the Project.

HORIZONTAL & VERTICAL DEVELOPMENT OF THE SITE

The Development Team will be responsible for funding all horizontal Site improvements, infrastructure and public facilities needed to serve the Project, and vertical building construction with the exception of a portion of the affordable housing, as described in the section that follows. In addition to Developer equity and private financing, Project-based sources of funding and/or reimbursement could include (but may not be not limited to) the following:

- **Net sales proceeds and lease revenues** -- Revenues generated by the Project will help to fund improvements and repay private sources of investment and debt.
- **Mello-Roos Community Facilities District (CFD)** -- Bond proceeds secured by CFD special taxes may help to fund infrastructure costs. CFD special taxes not required for CFD debt service may fund horizontal Site development costs on a "pay-as-you-go" basis.
- **State sources –** No direct City subsidy will be used to build the 33% of the Project's total housing units that must paid for by the Project. However, the Developer may access non-competitive state funding such as 4% tax credits and tax-exempt bonds

FUNDING OF AFFORDABLE HOUSING

As described above, 33% of the Project's total housing units will be affordable housing paid for by the Project, such as with Developer equity or revenues generated by the market-rate portion of the Project, or non-competitive state sources. This baseline 33% rate is based on Proposition K (2015), which set the expectation that housing on property sold by the City will have no less than this amount of affordable housing.

Up to an additional 17% of the Project's total housing units will be affordable housing paid for with non-Project funds. The Development Team's initial proposal estimated that a subsidy of approximately $26 million would be required to provide approximately 187 additional affordable housing units, although this cost is subject to change as a result of changes in construction costs, availability of state funding, the low income housing tax credit market, and the Project's unit count or affordable housing program.

Funding sources for this additional affordable housing could potentially include:

- **Gross Receipts Tax.** In June, 2018, San Francisco voters will consider a ballot measure that would raise funds for affordable housing by increasing the gross receipts tax rate for commercial space. If this measure is approved, the Project would be eligible to utilize a portion of the new affordable housing funds.
- **Project-Generated Sources.** As determined by fiscal feasibility analysis, the Project will generate net new General Fund revenue of approximately $1.7 million. A portion of this revenue could be reinvested back into the Project; the mechanism for this reinvestment could be an infrastructure financing district, an affordable housing investment plan pursuant to AB 1598, or a direct transfer from the City.
- **State Sources.** The Project could apply for one of several funding sources administered at the state level, such as the California's Affordable Housing and Sustainable Communities program and certain low income housing tax credit programs.
- **Bond Revenue.** In November, 2018, California voters will consider a $4 billion state affordable housing bond. In addition, local affordable housing bonds are likely to be proposed in San Francisco in upcoming years; most recently, in 2015, San Francisco voters approved a $310 million affordable housing bond.

OTHER MAINTENANCE FUNDING

In addition to the public tax revenues generated to fund public services and road maintenance, as described in the **Chapter 3** fiscal analysis, CFD special taxes (or HOA fees) will be paid by property owners to fund a range of public services including onsite parks and open space maintenance and operation.

3. FISCAL ANALYSIS: INFRASTRUCTURE MAINTENANCE & PUBLIC SERVICES

Development of the Project will create new public infrastructure including streets, parks and open space that will require ongoing maintenance. **Table 2** summarizes total annual general revenues created by the Project, and net revenues available after funding the Project's service costs. The fiscal results are largely proportional to the number of units, assuming the mix of affordable units remains constant. A reduction in the number of units would reduce the magnitude of the potential benefits and an increase in the number of units would increase their magnitude, but in either case the net impact on the City General Fund would remain positive.

Table 2 Estimated Annual Net General Revenues and Expenditures

Item	Annual Amount
Annual General Revenue	
Property Taxes (1)	$2,682,000
Property Tax in Lieu of VLF	$567,000
Property Transfer Tax	391,000
Sales Tax	261,000
Parking Tax (City 20% share)	95,000
Gross Receipts Tax	63,000
Subtotal, General Revenue	**$4,059,000**
(less) 20% Charter Mandated Baseline	($811,800)
Revenues to General Fund above Baseline	**$3,247,200**
Public Services Expenditures	
Parks and Open Space	*Project's taxes or fees*
Roads (maintenance, street cleaning)	76,000
Police (2)	855,000
Fire (2)	607,000
Subtotal, Services	**$1,538,000**
NET Annual General Revenues	**$1,709,200**
Annual Other Dedicated and Restricted Revenue	
Property Tax to Other SF Funds (1)	$413,000
Parking Tax (MTA 80% share)	$380,000
Public Safety Sales Tax	$130,000
SF Cnty Transportation Auth'y Sales Tax	$130,000
Subtotal	**$1,053,000**
TOTAL, Net General + Other SF Revenues	**$2,762,200**
Other Revenues	
Property Tax to State Education Rev. Fund (ERAF)	**$1,195,000**

(1) Property tax to General Fund at 57%. Other SF funds include the Childrens' Fund, Library Fund, and Open Space Acquisition.
(2) Police and Fire costs based on Citywide avg. cost per resident and per job.
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As noted in the prior **Table 2**, certain service costs will be funded through special taxes or assessments paid by new development and managed by a master homeowners association (HOA). Other required public services, including additional police, fire and emergency medical services (EMS), as well as the maintenance of any new roads that are built by the Project and transferred to the City, will be funded by increased General Fund revenues from new development. MUNI/transportation services may also be affected and will be offset by a combination of service charges, local, regional and State funds.

Table 3 summarizes development impact fees and other one-time revenues during construction. The impact fee revenue will be dedicated and legally required to fund infrastructure and facilities targeted by each respective fee. Credits may be provided against certain fees to the extent that the Project builds qualifying infrastructure and public facilities onsite, for example, bicycle parking and childcare facilities. The City may also agree to credit some of these fees back to the Project in consideration of public-serving improvements that the Project provides in kind. Certain impact fee revenues may be used Citywide to address needs created by new development. No affordable housing in-lieu fees or jobs housing linkage fees are assumed due to the Project providing affordable units equal to 50 percent of total units.

Table 3 Estimated Impact Fees and One-Time Revenues

Item	Total Amount
City Development Impact Fees (1)	
Balboa Park Community Infrastructure	$9,371,000
Jobs Housing Linkage (2)	na
Affordable Housing (3)	provided onsite
Child Care (4)	$2,308,000
Bicycle Parking In-lieu	provided onsite
Transportation Sustainability Fee	$11,315,000
	$22,994,000
Other Fees	
San Francisco Unified School District	**$3,957,000**
Other One-Time Revenues	
Construction Sales Tax (1% Gen'l Fund)	$1,419,000
Gross Receipts Tax During Construction	$1,892,000
Total: Other One-Time Revenues	**$3,311,000**

(1) Impact fee rates as of Jan. 1, 2018. Refer to Table A-3 for additional detail.
(2) Linkage fee (commercial uses only) assumed offset by Project's affordable housing.
(3) Affordable housing will be provided on site.
(4) Child Care impact fee may be waived in consideration for the Project's on-site childcare center.

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MAINTENANCE AND SERVICE COSTS

Actual costs will depend on the level of future service demands, and Citywide needs by City departments at the time of development and occupancy.

Public Open Space

The Project will include at least 4.0 acres of public parks and open spaces. The parks consist of a large open space of approximately 2 acres, and at least 1.5 acres, along with "gateway" green spaces to serve as gathering places that unite the Site with the surrounding neighborhoods.

The Recreation and Parks Department (RPD) may express interest in assuming ownership and/or operations and maintenance responsibilities for the proposed large open space, subject to agreement between the Project developer and the City. The developer may engage in discussions with RPD about potentially entering into such an arrangement as part of the Development Agreement. However, absent such an arrangement, the Project will fund the parks and open spaces' ongoing operating costs, including administration, maintenance, and utility costs using CFD services special taxes (or HOA fees) paid by property owners. A master homeowners association would be responsible for managing maintenance activities, as well as the programming of recreation activities not otherwise provided by the City. Specific service needs and costs will be determined based on the programming of the parks.

Police

The Project Site is served by the SFPD's Ingleside Station. The addition of the Project's new residents would likely lead the Ingleside Police District to request additional staffing. Over the past several decades, the SFPD has kept staffing levels fairly constant and manages changing service needs within individual districts by re-allocating existing capacity. If needed to serve new residents associated with the Project, additional officers would most likely be reassigned from other SFPD districts and/or hired to fill vacancies created by retirements.[4] [5] For purposes of this analysis, the Project's police service cost is estimated using the City's current per capita service rate.

Fire and EMS

The San Francisco Fire Department (SFFD) deploys services from the closest station with available resources, supplemented by additional resources based on the nature of the call. SFFD

[4] Carolyn Welch, San Francisco Police Department, telephone interview, December 22, 2017.

[5] Jack Hart, San Francisco Police Department, telephone interview, January 3, 2017.

anticipates that it will require additional resources to serve the Site and its vicinity as that area's population grows, but it has not yet determined the anticipated costs.[6] The costs in this report have been estimated based on Citywide averages.

SFMTA

Using the City's Transportation Demand Management (TDM) Ordinance as a guide, the Project will include a TDM program that encourages the use of sustainable modes of transportation for residents and visitors. This approach will increase demand for and revenues to local public transit service, which includes the J, K, and M MUNI light rail lines and the 8, 29, 43, 49, and 88X bus lines. The Project will also be required to pay the Transportation Sustainability Fee and/or provide equivalent in-kind transportation benefits, as well as provide transportation mitigation measures required as a result of the environmental review process. Specific impacts on transit services, costs, and cost recovery will be studied and determined by the final development program, TDM plan, and environmental review findings.

Department of Public Works (DPW)

The Project will create new rights of way to provide access into and out of the Site and circulation within it. These improvements may be accepted by the City, provided that they are designed to standards approved by applicable City agencies, in which case DPW would be responsible for cleaning and maintaining them. Based on the anticipated type and intensity of these proposed rights of way, DPW is estimating annual maintenance costs[7]. For purposes of the current analysis, a Citywide average cost per mile of road provides an estimated cost.

The Project may also include some smaller roads and access points that would remain private, in which case the City would not be responsible for their ongoing operation and maintenance. Instead, special taxes paid by owners of Project buildings, for example as participants in a services CFD, could fund their maintenance. The services budget would be sized to pay for ongoing maintenance of facilities as well as periodic "life cycle" costs for repair and replacement of facilities.

[6] Olivia Scanlon, San Francisco Fire Department, telephone interview, February 8, 2018.
[7] Bruce Robertson, Department of Public Works, correspondence with City Project staff.

PUBLIC REVENUES

New tax revenues from the Project will include ongoing annual revenues and one-time revenues, as summarized in the prior tables. The revenues represent direct, incremental benefits of the Project. These tax revenues will help fund public improvements and services within the Project and Citywide. The following sections describe key assumptions and methodologies employed to estimate each revenue.

Charter Mandated Baseline Requirements

The City Charter requires that a certain share of various General Fund revenues be allocated to specific programs. An estimated 20 percent of revenue is shown deducted from General Fund discretionary revenues generated by the Project (in addition to the share of parking revenues dedicated to MTA, shown separately). While these baseline amounts are shown as a deduction, they represent an increase in revenue as a result of the Project to various City programs whose costs aren't necessarily directly affected by the Project, resulting in a benefit to these services.

Property Taxes

Property tax at a rate of 1 percent of value will be collected from the land and improvements constructed by the Project.[8] The City receives up to $0.65 in its General Fund and special fund allocations, of every property or possessory interest tax dollar collected. The State's Education Revenue Augmentation Fund (ERAF) receives $0.25 of every property tax dollar collected.

The remaining $0.10 of every property tax dollar collected, beyond the City's $0.65 share and the $0.25 State ERAF share, is distributed directly to other local taxing entities, including the San Francisco Unified School District, City College of San Francisco, the Bay Area Rapid Transit District and the San Francisco Bay Area Air Quality Management District. These distributions will continue and will increase as a result of the Project.

Upon the sale of a parcel, building, or individual unit constructed at the Project, the taxable value will be assessed at the new transaction price. The County Assessor will determine the assessed values; the estimates shown in this analysis are preliminary and may change depending on future economic conditions and the exact type, amount and future value of development.

8 Ad valorem property taxes supporting general obligation bond debt in excess of this 1 percent amount and other assessments are excluded for purposes of this analysis. Such taxes require separate voter approval and proceeds are payable only for uses approved by the voters.

Certain properties, including non-profits providing low-income rental housing, are exempt from property tax.

It is likely that property taxes will also accrue during construction of infrastructure and individual buildings, depending on the timing of assessment and tax levy. These revenues have not been estimated.

Property Tax In-Lieu of Vehicle License Fees

In prior years, the State budget converted a significant portion of Motor Vehicle License Fee (VLF) subventions into property tax distributions; previously theses revenues were distributed by the State using a per-capita formula. Under the current formula, these distributions increase over time based on assessed value growth within a jurisdiction. Thus, these City revenues will increase proportionate to the increase in the assessed value added by the new development.

Sales Taxes

The City General Fund receives 1 percent of taxable sales. New residents will generate taxable sales to the City. In addition to the 1 percent sales tax received by every city and county in California, voter-approved local taxes dedicated to transportation purposes are collected. Two special districts, the San Francisco County Transportation Authority and the San Francisco Public Financing Authority (related to San Francisco Unified School District) also receive a portion of sales taxes (0.50 and 0.25 percent, respectively) in addition to the 1 percent local General Fund portion. The City also receives revenues from the State based on sales tax for the purpose of funding public safety-related expenditures.

Sales Taxes from Construction

During the construction phases of the Project, one-time revenues will be generated by sales taxes on construction materials and fixtures purchased in San Francisco. Sales tax will be allocated directly to the City and County of San Francisco in the same manner as described in the prior paragraph. Construction sales tax revenues may depend on the City's collection of revenues pursuant to a sub-permit issued by the State.

Transient Occupancy Tax (TOT)

Hotel Room Tax (also known as Transient Occupancy Tax or TOT) will be generated when hotel occupancies are enhanced by the residential uses envisioned for the Project, such as when friends and relatives come to San Francisco to visit Project residents but choose to stay at hotels. The City currently collects a 14 percent tax on room charges. However, given that no hotels are envisioned for the Project (out-of-town visitors to the Site will likely stay at hotels elsewhere in the City), the impact will not be direct and is excluded from this analysis.

Parking Tax
The City collects tax on parking charges at garages, lots, and parking spaces open to the public or dedicated to commercial users. The tax is 25 percent of the pre-tax parking charge. The revenue may be deposited to the General Fund and used for any purpose, however as a matter of City policy the SFMTA retains 80 percent of the parking tax revenue; the other 20 percent is available to the General Fund for allocation to special programs or purposes. This analysis assumes that parking spaces envisioned for the Project's 500-space shared parking garage will generate parking tax; no parking tax is assumed from the residential-only parking spaces. Off-site parking tax revenues that may be generated by visitors or new residents are not included.

Property Transfer Tax
The City collects a property transfer tax ranging from $2.50 on the first $500 of transferred value on transactions up to $250,000 to $15.00 per $500 on transactions greater than $25 million.

The fiscal analysis assumes that commercial apartment property sells once every ten to twenty years, or an average of about once every 15 years. For estimating purposes, it is assumed that sales are spread evenly over every year, although it is more likely that sales will be sporadic. An average tax rate has been applied to the average sales transactions to estimate the potential annual transfer tax to the City. Actual amounts will vary depending on economic factors and the applicability of the tax to specific transactions.

The for-sale units can re-sell independently of one another at a rate more frequent than rental buildings. This analysis conservatively assumes that the average condominium or townhouse will be sold to a new owner every ten years, on average.

Gross Receipts Tax
Commercial activity, including residential rental property, generates gross receipts taxes. Actual revenues from future gross receipt taxes will depend on a range of variables, including the amount of rental income. This analysis assumes the current gross receipts tax rate of 0.3% (applicable to revenues in the $2.5 million to $25 million range).

DEVELOPMENT IMPACT FEES

The Project will generate a number of one-time City impact fees including:

- **Balboa Park Community Infrastructure** (Planning Code Sec. 422) -- These fees "shall be used to design, engineer, acquire, improve, and develop pedestrian and streetscape improvements, bicycle infrastructure, transit, parks, plazas and open space, as defined in the

Balboa Park Community Improvements Program with the Plan Area. Funds may be used for childcare facilities that are not publicly owned or "publicly-accessible."[9]

- **Jobs Housing Linkage** (Planning Code Sec. 413)-- These fees apply only to commercial uses and are assumed to be offset by the affordable housing provided onsite.
- **Affordable Housing** (Planning Code Sec. 415) –All affordable housing will be provided on the Site, and therefore the Project will be exempt from the fees.
- **Child Care** (Planning Code Sec. 414, 414A) – A fee per square foot is charged to residential uses. It is likely that all or some portion of these fees will be offset and reduced by the value of childcare facilities constructed onsite.
- **Bicycle Parking In-lieu Fee** (Planning Code Sec. 430) -- This fee is assumed to be offset by facilities provided onsite.
- **Transit Sustainability Fee (TSF)** (Planning Code Sec. 411A) – This fee, effective December 25, 2015, replaced the Transit Impact Development Fee. It is a fee per square foot paid by residential and non-residential uses.

In addition to the impact fees charged by the City, utility connection and capacity charges will be collected based on utility consumption and other factors. Other fees will include school impact fees to be paid to the San Francisco Unified School District. The Project will also pay various permit and inspection fees to cover City costs typically associated with new development projects.

[9] San Francisco Planning Code, Article 4, Sec. 422.5(b)(1) Balboa Park Community Improvements Fund, Use of Funds.

4. DEBT LOAD TO BE CARRIED BY THE CITY AND THE SFPUC

No debt is anticipated to be incurred by the City or the SFPUC in connection with the Project. However, public financing or other non-Project sources will be required to achieve the target affordable housing rate of 50%, as described above. The City could potentially issue bonds in conjunction with several of these sources, subject to regulatory and/or voter approval, but a number of other financing options would allow the City to avoid issuing new debt.

5. BENEFITS TO THE CITY AND SFPUC

The Project will provide a range of direct and indirect benefits to the City and the SFPUC. These benefits include tax revenues that exceed service costs, as well as a range of other economic benefits such as new jobs, economic activity, and increased public and private expenditures.

FISCAL BENEFITS

As described in **Chapter 3**, the Project is anticipated to generate a net $1.7 million of annual general City tax revenues in excess of its estimated public service costs, in addition to about $1 million in other dedicated and restricted revenues. These revenues would be available for expansion of local and/or Citywide services and public facilities. Approximately 20 percent of revenues are allocated to "Baseline" costs, which represents a benefit to the City.

ECONOMIC BENEFITS TO THE CITY

New Permanent Jobs - The Project will create a small number of new jobs related to the parking facilities and services, childcare services at the childcare center, and landscape and other onsite maintenance services. The residential uses will also create janitorial and domestic service jobs. Because the Project is entirely residential, its economic "multiplier" effects are minimal.

Temporary Jobs - The construction of the Project will create short-term construction spending and construction jobs, estimated at 2,800 job-years.

New Housing Supply - Completion of approximately 1,100 residential units also will have the positive economic benefit of adding a significant amount to the City’s total supply of housing. This provides increased access to housing for existing City residents, as well employees working within the City. Importantly, these approximately 1,100 units will include up to 550 units of affordable to low, moderate, and middle-income households, which are populations with acute housing needs in San Francisco.

DIRECT FINANCIAL BENEFITS TO THE CITY AND SFPUC

The Project will result in several direct financial benefits:

Proceeds from Property Sale -- The sale of the property currently owned by the City will generate net proceeds. The SFPUC will receive fair market value for the sale of the property.

Increased Sale of Public Power -- The SFPUC may provide electrical power to the Project's residents, generating net revenues to the SFPUC.

NEW PUBLIC FACILITIES

The Project will construct parks and open spaces, a shared parking garage, and a community room available to the general public. The Project also includes a childcare center that will be accessible by the public as well as the Project's residents. These facilities are expected to be utilized by the City College community and residents of surrounding neighborhoods.

OTHER BENEFITS

The Project may participate in the Ocean Avenue Community Benefits District (CBD) that provides funding for a range of services within the neighborhood, including maintenance and cleaning of public rights of way, sidewalk operations and public safety, and District identity and streetscape improvements. The CBD's applicability and associated tax rate will be determined prior to project approvals.

APPENDIX A: FISCAL ANALYSIS

Table of Contents
Balboa Reservoir

Table 1
Fiscal Results Summary, Ongoing Revenues and Expenditures
Balboa Reservoir

Item	Annual Amount
Annual General Revenue	
Property Taxes (1)	$2,682,000
Property Tax in Lieu of VLF	$567,000
Property Transfer Tax	391,000
Sales Tax	261,000
Parking Tax (City 20% share)	95,000
Gross Receipts Tax	63,000
Subtotal, General Revenue	**$4,059,000**
(less) 20% Charter Mandated Baseline	($811,800)
Revenues to General Fund above Baseline	**$3,247,200**
Public Services Expenditures	
Parks and Open Space	*Project's taxes or fees*
Roads (maintenance, street cleaning)	76,000
Police (2)	855,000
Fire (2)	607,000
Subtotal, Services	**$1,538,000**
NET Annual General Revenues	**$1,709,200**
Annual Other Dedicated and Restricted Revenue	
Property Tax to Other SF Funds (1)	$413,000
Parking Tax (MTA 80% share)	$380,000
Public Safety Sales Tax	$130,000
SF Cnty Transportation Auth'y Sales Tax	$130,000
Subtotal	**$1,053,000**
TOTAL, Net General + Other SF Revenues	**$2,762,200**
Other Revenues	
Property Tax to State Education Rev. Fund (ERAF)	**$1,195,000**

(1) Property tax to General Fund at 57%. Other SF funds include the Childrens' Fund, Library Fund, and Open Space Acquisition.
(2) Police and Fire costs based on Citywide avg. cost per resident and per job.

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Table 2
Fiscal Results Summary, One-Time Revenues
Balboa Reservoir

Item	Total Amount
City Development Impact Fees (1)	
Balboa Park Community Infrastructure	$9,371,000
Jobs Housing Linkage (2)	na
Affordable Housing (3)	provided onsite
Child Care (4)	$2,308,000
Bicycle Parking In-lieu	provided onsite
Transportation Sustainability Fee	$11,315,000
	$22,994,000
Other Fees	
San Francisco Unified School District	**$3,957,000**
Other One-Time Revenues	
Construction Sales Tax (1% Gen'l Fund)	$1,419,000
Gross Receipts Tax During Construction	$1,892,000
Total: Other One-Time Revenues	**$3,311,000**

(1) Impact fee rates as of Jan. 1, 2018. Refer to Table A-3 for additional detail.
(2) Linkage fee (commercial uses only) assumed offset by Project's affordable housing.
(3) Affordable housing will be provided on site.
(4) Child Care impact fee may be waived in consideration for the Project's on-site childcare center.

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Table A-1a
Project Description Summary
Balboa Reservoir

Item (1)		**Units, Sq.Ft., or Spaces**	
Apartments			
Market Rate		483	units
Affordable		502	units
Total, Apts		985	units
Condos and Townhouses			
Market Rate Townhouses		67	units
Affordable Condos		48	units
Total, Condos and Townhouses		115	units
Total, Residential			units
Market Rate	50%	550	units
Affordable	50%	550	units
		1,100	units
Community Gathering Space		1,500	sq.ft.
Childcare Center (capacity for 100 children)		5,000	sq.ft.
Shared Garage		500	spaces
		175,000	sq.ft.

(1) Number of units and space are preliminary and for evaluation purposes only.
Further analysis may consider different development program scenarios.

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Table A-1b
Project Description Summary -- Affordable Units
Balboa Reservoir

Housing Category	**% of Total**	**Units (1)**
Baseline Affordable Apts.		
Low-Income (Bridge/Mission <55% AMI)	16%	174
Moderate-Income (Bridge <120% AMI)	15%	165
Total Baseline Affordable		339
Baseline Affordable Condos		
Low-Income (Habitat <80% AMI)	2%	24
Total Baseline Affordable	**33%**	**363**
Additional Affordable Apts.		
Low-Income (Bridge <20% & <55% AMI)	15%	163
Additional Affordable Condos		
Moderate-Income (Habitat <105% AMI)	2%	24
Total Additional Affordable	**17%**	**187**
Total Affordable	**50%**	**550**
Market-Rate Apts		483
Market-Rate Townhouses		67
Total, Market Rate	**50%**	**550**
TOTAL UNITS	**100%**	**1,100**

(1) Number of units and space are preliminary and for evaluation purposes only;
Further analysis may consider different development program scenarios.

2/9/18

Table A-2
Population and Employment
Balboa Reservoir

Item	Assumptions		Total
Population	2.27	persons per unit (1)	2,497
Employment (FTEs)			
Residential (2)	27.9	units per FTE (2)	39
Parking	270	spaces per FTE (2)	2
Total			41
Construction (job-years) (5)	$559,836,000	Construction cost	2,754
TOTAL SERVICE POPULATION			
Residents			2,497
Employees (excluding construction jobs)			41
Total Service Population (Residents plus Employees)			2,538
CITYWIDE			
Residents (3)			874,200
Employees (4)			710,300
Service Population (Residents plus Employees)			1,584,500

(1) ABAG 2015 estimate (citywide); actual Project density will vary depending on unit size and mix.
(2) Residential jobs include building management, janitorial, cleaning/repair, childcare, and other domestic services. Factors based on comparable projects.
(3) Cal. Dept. of Finance, Rpt. E-1, 2017
(4) BLS QCEW State and County Map, 2016Q3.
(5) Construction job-years based on IMPLAN job factors.

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Table A-3
San Francisco City Development Impact Fee Estimate
Balboa Reservoir

Item			Total Sq.Ft. (1)	Total Fees
Residential	Units			
Market-Rate	550		605,000	
Moderate-Income	189		189,000	
Low-Income	361		342,950	
Total	1,100		1,136,950	
Other				
Childcare Facility	approximately		5,000	
Shared Parking (2)			175,000	
City Impact Fees (per gross building sq.ft.) (2)	**Fee Rate**			
Balboa Park Community Infrastructure				
Residential (3)	$11.32	/sq.ft.	794,000	$8,988,080
Non-Residential (3)	$2.13	/sq.ft.	180,000	$383,400
Jobs Housing Linkage (4)	na			na
Affordable Housing (5)	na			na
Child Care (6)	$2.03	/sq.ft.	1,136,950	$2,308,009
Bicycle Parking In-lieu Fee (7)	na			na
Transportation Sustainability Fee				
Residential (8)	$9.71	/sq.ft.	794,000	$7,709,740
Non-Residential (3)	$20.03	/sq.ft.	180,000	$3,605,400
Total				**$22,994,629**
Other Impact Fees (9)				
San Francisco Unified School District	$3.48	/sq.ft.	1,136,950	**$3,956,586**

(1) Residential fees assume approximately 950 to 1,100 sq.ft./unit. Mix of sizes will vary in final program.

(2) All impact fees are as of January 2018.

(3) Units affordable to a maximum 80% AMI exempt from Balboa Park Community Infrastructure Fee.
100% of non-residential assumed to be subject to TSF & Community Infrastructure Fee.

(4) Jobs Housing Linkage not applicable to residential.

(5) Plans anticipate affordable units sufficient to offset fee requirement.

(6) Child Care impact fee may be waived in consideration for the Project's on-site childcare facility.

(7) Bicycle facilities provided onsite, not subject to fee.

(8) Units affordable to a maximum 80% AMI exempt from Transportation Sustainability Fee (TSF).

(9) Additional utility fees and charges will be paid, depending on final Project design.

Sources: City of San Francisco, and Berkson Associates. *2/9/18*

Table A-4
Assessed Value Estimate
Balboa Reservoir

Item	Development Cost
Residential Buildings (1)	
Townhouses (Market-rate)	$60,598,000
Condos (Affordable)	$15,360,000
Apartments (Market-rate)	$169,412,000
Apartments (Moderate)	$87,818,000
Apartments (Low-income)	$88,031,000
Subtotal, Residential Buildings	$421,219,000
Other	
Parking - shared (500 spaces)	$13,830,000
Infrastructure (2)	$38,000,000
Other Costs (3)	$86,787,000
Total	**$559,836,000**
(less) Property Tax-Exempt	
Low-income Rental Units (up to 80% AMI)	($88,031,000)
Net Taxable Assessed Value	**$471,805,000**

(1) Includes building hard costs, residential parking, and site development. Site acquisition and community benefits are to be negotiated and are not included.
(2) Master infrastructure includes utilities, roads, grading, parks and open space.
(3) "Other Costs" include soft costs (eg legal, design, finance, furnishings and fixtures). Permits & Fees not included for purposes of A.V. estimates.

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Table A-5
Property Tax Estimate
Balboa Reservoir

Item	Assumptior	Total
Taxable Assessed Value (1)		**$471,805,000**
Gross Property Tax	1.0%	**$4,718,000**
Allocation of Tax		
General Fund	**56.84%**	**$2,682,000**
Childrens' Fund	3.75%	$177,000
Library Preservation Fund	2.50%	$118,000
Open Space Acquisition Fund	2.50%	$118,000
Subtotal, Other Funds	**8.75%**	**$413,000**
ERAF	25.33%	$1,195,000
SF Unified School District	7.70%	$363,000
Other	1.38%	$65,000
	34.41%	**$1,623,000**
Total, 1%	**100.00%**	**$4,718,000**
Other (bonds, debt, State loans, etc.)	**17.23%**	**$813,000**
TOTAL	**117.23%**	**$5,531,000**

Sources: City of San Francisco, and Berkson Associates *2/9/18*

Table A-6
Property Tax in Lieu of VLF Estimate
Balboa Reservoir

Item	Total
Citywide Total Assessed Value (1)	$231,000,000,000
Total Citywide Property Tax in Lieu of Vehicle License Fee (VLF) (2)	$233,970,000
Project Assessed Value	$559,836,000
Growth in Citywide AV due to Project	0.24%
TOTAL PROPERTY TAX IN LIEU OF VLF (3)	**$567,000**

(1) Based on the CCSF FY2017 total assessed value, Office of the Assessor-Controller, July 21, 2017.
(2) City and County of San Francisco Annual Appropriation Ordinance for Fiscal Year Ending June 30, 2018, page 127.

(3) Equals the increase in Citywide AV due to the Project multiplied by the current Citywide Property Tax In Lieu of VLF. No assumptions included about inflation and appreciation of Project or Citywide assessed values.

Sources: City of San Francisco, and Berkson Associates *2/9/18*

Table A-7
Property Transfer Tax
Balboa Reservoir

Item		Assumptions	Total
Annual Transfer Tax From Condo and Townhouses Sales			
Assessed Value (AV)	$75,958,000		
Annual Transactions	10.0%	*(avg. sale once/10 years)(4)*	$7,596,000
Transfer Tax From Condos and Townhouses	$3.40	/$500 (1)	$52,000
Market-Rate Apartments (5)			
Assessed Value (AV)	$169,400,000		
Avg. Sales Value	6.7%	*(avg.sale once/15 years)(3),(4)*	$11,293,000
Transfer Tax: Apartment Buildings (annual avg.)	$15.00	/$500 (2)	$339,000
TOTAL ONGOING TRANSFER TAX			**$391,000**

(1) Rates range from $2.50 per $500 of value for transactions up to $250k, $3.40 up to $1 million, to $3.75 per $500 of value for transactions from $1 million to $5 million; applies to sale of affordable and market-rate ownership units.

(2) Assumes rate applicable to sales > $25 million for market-rate apartment buildings.

(3) Actual sales will be periodic and for entire buildings; revenues have been averaged and spread annually for the purpose of this analysis.

(4) Turnover rates are estimated averages based on analysis of similar projects; actual % and value of sales will vary annually.

(5) No transactions assumed for low-income and moderate-rate apartments owned by non-profits.

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Table A-8
Sales Tax Estimates
Balboa Reservoir

Item	Low-Income Apts (<55% AMI) Assumptions		Low-Income Apts (<55% AMI) Total	Moderate-Income Apts (<120% AMI) Assumptions		Moderate-Income Apts (<120% AMI) Total	Low-Income Condos (<80% AMI) Assumptions		Low-Income Condos (<80% AMI) Total
Taxable Sales From New Residential Uses									
Sale Price									
Average Annual Rent or Housing Payment (1)									
Average Household Income	50%	of AMI 2.27/hh	$47,700	110%	of AMI 2.27/hh	$104,900	70%	of AMI 2.27/hh	$66,700
Average HH Retail Expenditure (3)	27%		$12,900	27%		$28,300	27%		$18,000
New Households			337			165			24
Total New Retail Sales from Households			$4,347,000			$4,670,000			$432,000
New Taxable Retail Sales Captured in San Francisco (4)	80%	of retail expend.	$3,477,600	80%	of retail expend.	$3,736,000	80%	of retail expend.	$345,600
Net New Sales Tax to GF From Residential Uses	1.0%	tax rate	**$34,800**	1.0%	tax rate	**$37,400**	1.0%	tax rate	**$3,500**
TOTAL Sales Tax to General Fund (1%)			**$34,800**			**$37,400**			**$3,500**
Annual Sales Tax Allocation									
Sales Tax to the City General Fund	1.00%	tax rate	**$34,800**	1.00%	tax rate	**$37,400**	1.00%	tax rate	**$3,500**
Other Sales Taxes									
Public Safety Sales Tax	0.50%	tax rate	**$17,400**	0.50%	tax rate	**$18,700**	0.50%	tax rate	**$1,800**
San Francisco County Transportation Authority (6)	0.50%	tax rate	**$17,400**	0.50%	tax rate	**$18,700**	0.50%	tax rate	**$1,800**
SF Public Financing Authority (Schools) (6)	0.25%	tax rate	**$8,700**	0.25%	tax rate	**$9,400**	0.25%	tax rate	**$900**
One-Time Sales Taxes on Construction Materials and Supplies									
Total Development Cost									
Direct Construction Costs (exc. land, profit, soft costs, fees, etc.)									
Supply/Materials Portion of Construction Cost	60.00%								
San Francisco Capture of Taxable Sales	50.00%								
Sales Tax to San Francisco General Fund	1.0%	tax rate							

(1) Incomes from "2017 MAXIMUM INCOME BY HOUSEHOLD SIZE derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco". Affordable rents adjusted for average household size of 2.27.

(2) Avg. market rate apartment rent based on average for comparable project (AxioMetrics 12/17 survey). Estimated townhouse sale price from Berkson Associates, August 2017, avg. for new detached homes in San Francisco.

(3) Based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.

(4) Estimated portion of sales assumed to be captured within the City based on analyses prepared for comparable projects.

Source: Berkson Associates

2/9/18

Table A-8
Sales Tax Estimates
Balboa Reservoir

Item	Moderate-Income Townhouses (<105% AMI) Assumptions		Total	Market-Rate Apts Assumptions		Total	Market-Rate Townhouses Assumptions		Total
Taxable Sales From New Residential Uses									
Sale Price							$1,500,000	(2)	
Average Annual Rent or Housing Payment (1)				$3,300	/unit (2)	$39,600	$7,300	per household	$87,600
Average Household Income	100%	of AMI 2.27/hh	$95,400	30%		$132,000	30%		$292,000
Average HH Retail Expenditure (3)	27%		$25,800	27%		$35,600	27%		$78,800
New Households			24			483			67
Total New Retail Sales from Households			$619,000			$17,195,000			$5,280,000
New Taxable Retail Sales Captured in San Francisco (4)	80%	of retail expend	$495,200	80%	of retail exper	$13,756,000	80%	of retail expend	$4,224,000
Net New Sales Tax to GF From Residential Uses	1.0%	tax rate	**$5,000**	1.0%	tax rate	**$137,600**	1.0%	tax rate	**$42,200**
TOTAL Sales Tax to General Fund (1%)			**$5,000**			**$137,600**			**$42,200**
Annual Sales Tax Allocation									
Sales Tax to the City General Fund	1.00%	tax rate	**$5,000**	1.00%	tax rate	**$137,600**	1.00%	tax rate	**$42,200**
Other Sales Taxes									
Public Safety Sales Tax	0.50%	tax rate	**$2,500**	0.50%	tax rate	**$68,800**	0.50%	tax rate	**$21,100**
San Francisco County Transportation Authority (6)	0.50%	tax rate	**$2,500**	0.50%	tax rate	**$68,800**	0.50%	tax rate	**$21,100**
SF Public Financing Authority (Schools) (6)	0.25%	tax rate	**$1,300**	0.25%	tax rate	**$34,400**	0.25%	tax rate	**$10,600**

(1) Incomes from "2017 MAXIMUM INCOME BY HOUSEHOLD SIZE derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco". Affordable rents adjusted for average household size of 2.27.

(2) Avg. market rate apartment rent based on average for comparable project (AxioMetrics 12/17 survey).
Estimated townhouse sale price from Berkson Associates, August 2017, avg. for new detached homes in San Francisco.

(3) Based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.

(4) Estimated portion of sales assumed to be captured within the City based on analyses prepared for comparable projects.

Source: Berkson Associates

2/9/18

Table A-8
Sales Tax Estimates
Balboa Reservoir

Item	TOTAL
Taxable Sales From New Residential Uses	
Sale Price	na
Average Annual Rent or Housing Payment (1)	na
Average Household Income	na
Average HH Retail Expenditure (3)	na
New Households	1,100
Total New Retail Sales from Households	
New Taxable Retail Sales Captured in San Francisco (4)	
Net New Sales Tax to GF From Residential Uses	**$260,500**
TOTAL Sales Tax to General Fund (1%)	**$260,500**
Annual Sales Tax Allocation	
Sales Tax to the City General Fund	**$260,500**
Other Sales Taxes	
Public Safety Sales Tax	**$130,300**
San Francisco County Transportation Authority (6)	**$130,300**
SF Public Financing Authority (Schools) (6)	**$65,300**
One-Time Sales Taxes on Construction Materials and	
Total Development Cost	$559,836,000
Direct Construction Costs (exc. land, profit, soft costs, fees)	$473,049,000
Supply/Materials Portion of Construction Cost	$283,829,000
San Francisco Capture of Taxable Sales	$141,914,500
Sales Tax to San Francisco General Fund	**$1,419,000**

(1) Incomes from "2017 MAXIMUM INCOME BY HOUSEHOLD SIZE derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco". Affordable rents adjusted for average household size of 2.27.

(2) Avg. market rate apartment rent based on average for comparable project (AxioMetrics 12/17 survey). Estimated townhouse sale price from Berkson Associates, August 2017, avg. for new detached homes in San Francisco.

(3) Based on typical household spending as reported for the San Francisco MSA by the State Board of Equalization.

(4) Estimated portion of sales assumed to be captured within the City based on analyses prepared for comparable projects.

Source: Berkson Associates

Table A-9
Parking Tax
Balboa Reservoir

Item	Assumption		Total
Garage Revenue (2)			$1,900,000
Spaces (shared garage) (1)			500
Parking Revenues			
Annual Total (2)	$3,800	per year/space	$1,900,000
San Francisco Parking Tax (3)	25%	of revenue	**$475,000**
Parking Tax Allocation to General Fund/Special Programs	*20%*	*of tax proceeds*	$95,000
Parking Tax Allocation to Municipal Transp. Fund	*80%*	*of tax proceeds*	$380,000

(1) Shared spaces will be a mix of residents and City College parking.
(2) Based on estimated revenue from parking garage; actual hourly and daily revenue will vary depending on occupancy rates, turnover during the day, and long-term parking rates vs. hourly rates.
(3) 80 percent is transferred to the San Francisco Municipal Transportation Agency for public transit as mandated by Charter Section 16.110.

Source: Berkson Associates *2/9/18*

Table A-10
Gross Receipts Tax Estimates
Balboa Reservoir

Item	Total Gross Receipts	Gross Revenue Tier (1) up to $1m	$1m - $2.5m	$2.5m - $25m	$25m+	Gross Receipts Tax
Business Income						
Subtotal	na					na
Rental Income (2)						
Parking	$1,900,000	*0.285%*	*0.285%*	*0.300%*	*0.300%*	$5,700
Residential	$19,127,000	*0.285%*	*0.285%*	*0.300%*	*0.300%*	$57,381
Subtotal	$21,027,000					$63,081
Total Gross Receipts	**$21,027,000**					**$63,081**
Project Construction						
Total Development Value (3)	$559,836,000					
Direct Construction Cost (4)	$473,049,000	*0.300%*	*0.350%*	*0.400%*	*0.450%*	**$1,892,196**

(1) This analysis applies highlighted tax rate in tier for each use.
(2) See tables referenced in Table A-11.
(3) Based on total development cost.
(4) Direct construction costs exclude soft costs, community benefits and land.

Source: Berkson Associates *2/9/18*

Table A-11
Rental Income for Gross Receipts Tax Estimates
Balboa Reservoir

Item	Gross Sq.Ft. Units, or Space	Annual Avg. Rent	Total
Parking (excludes Gross Receipts Tax) (1)	500 spaces		$1,900,000
Market-Rate Apartments (2)	483 units	$39,600	$19,126,800
TOTAL			$21,026,800

(1) Refer to Table A-9 for additional parking detail.
(2) See Table A-8 for estimated market-rate apartment rents.

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Table A-12
Estimated City Services Costs
Balboa Reservoir

Item	City Total Budget	Cost per Service Pop. (1) or Mile	Factor		Total Cost
Citywide Service Population (1)			1,584,500	service pop.	
Project Service Population (1)			2,538	service pop.	
Citywide DPW Miles of Road (4)			981	miles	
Miles of Road in Project (estimated)			0.66	miles	
Fire Department (2)	$378,948,000	$239	2,538	service pop.	$607,000
Police Department (3)	$533,899,000	$337	2,538	service pop.	$855,000
Roads (4)	$112,200,000	$114,373	0.66	miles	$75,815
TOTAL					$1,462,000

(1) Service Population equals jobs plus residents (see Table A-2).
(2) Total fire budget (FY17-18 Adopted) excludes "Administration & Support Services", assuming no impact or additional administrative costs required due to Project.
(3) Total police budget (FY17-18 Adopted) excludes "Airport Police".
(4) Road costs (FY16-17) for $52.1 mill. street resurfacing capital expenditures and $60.1 mill. environmental services (pothole repair, sidewalks, graffiti, street sweeping, etc.).
Road miles from SFdata, https://data.sfgov.org/City-Infrastructure/Miles-Of-Streets/5s76-j52p/data

2/9/18

SFMTA

San Francisco Municipal Transportation Agency

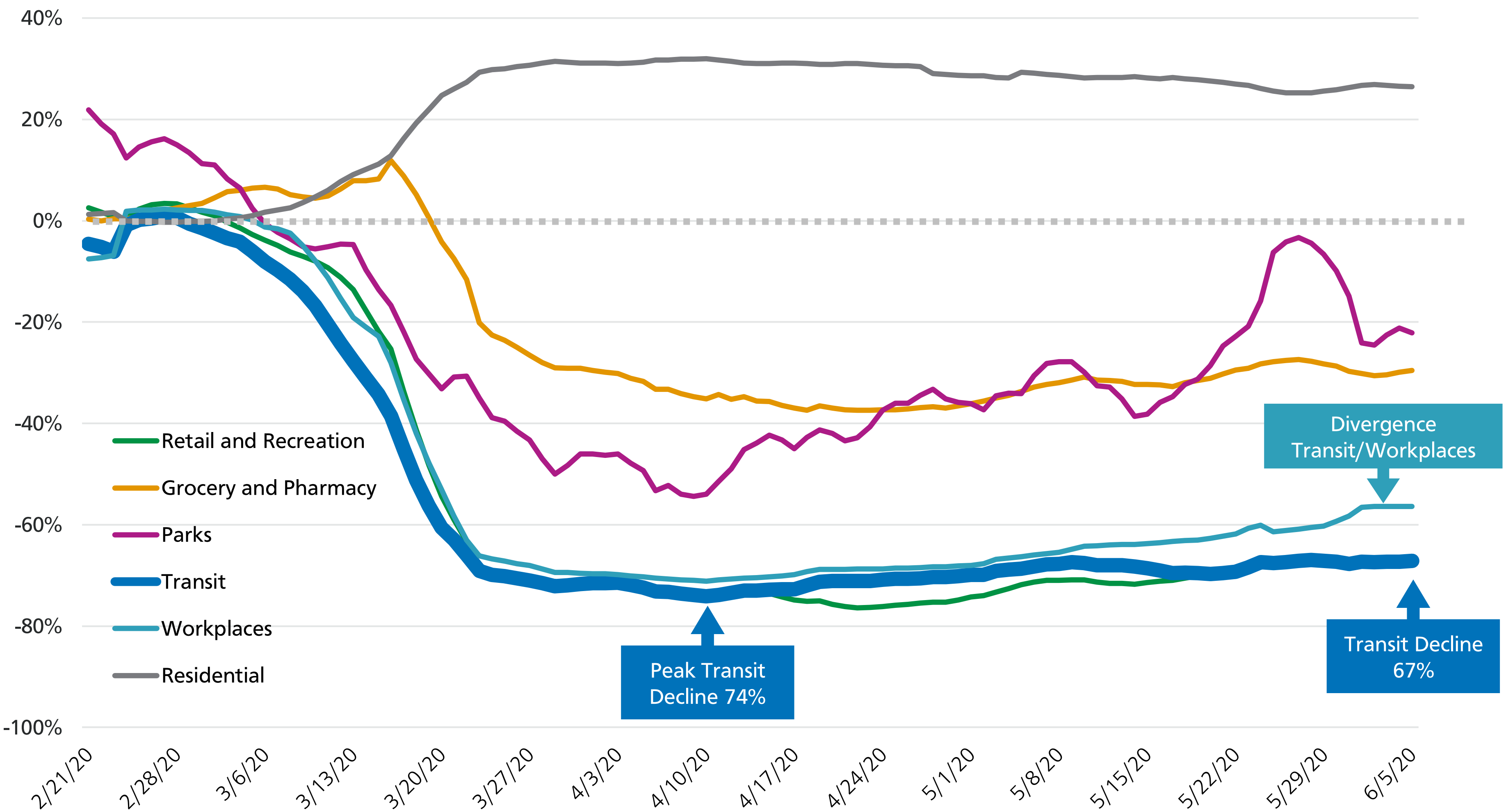
Fiscal Year 2021 – 2022

Budget & Fiscal Update

SFMTA Board of Directors

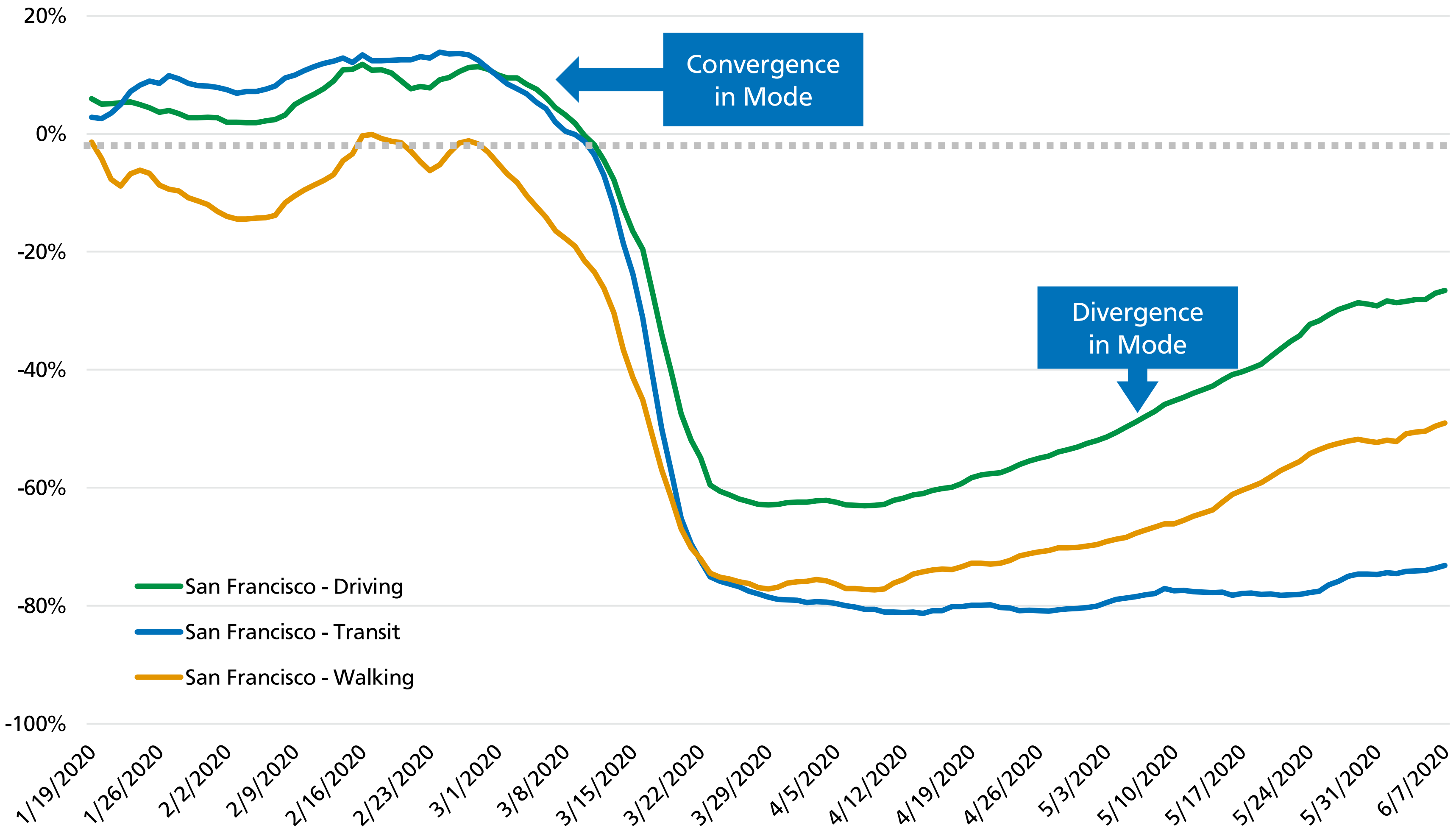
June 30, 2020

Google COVID-19 Community Mobility Reports – Destinations within San Francisco



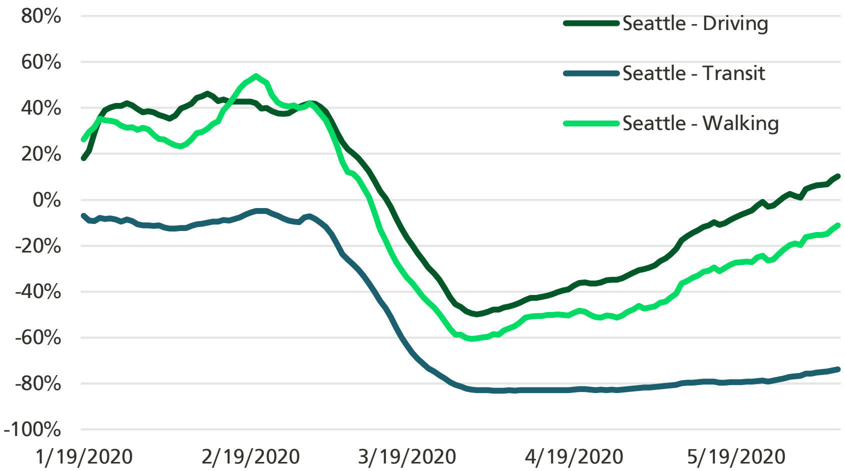
Source: Google LLC "Google COVID-19 Community Mobility Reports".
https://www.google.com/covid19/mobility/ Accessed: June 9, 2020.
The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020. Data is a rolling 7-day average versus the baseline.

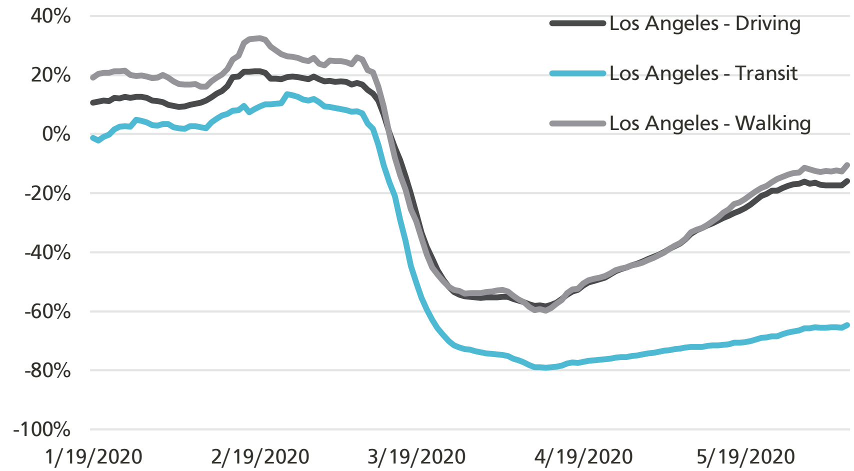
Apple COVID-19 Mobility Trends - San Francisco All Modes/Choice

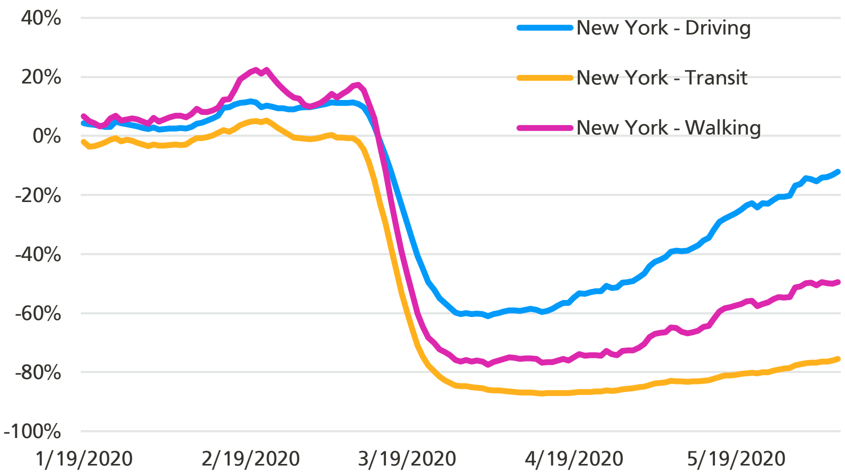


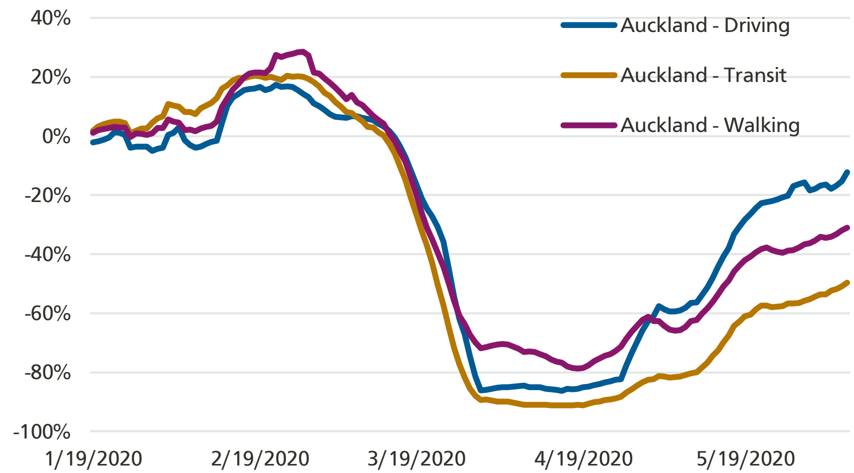
Source: Apple "Mobility Trends Reports".
https://www.apple.com/covid19/mobility
The baseline is as of January 13, 2020. Data is a rolling 7-day average versus the baseline.

Apple COVID-19 Mobility Trends - Peer Cities (Consistent Divergence – Mode)









Source: Apple "Mobility Trends Reports" https://www.apple.com/covid19/mobility
The baseline is as of January 13, 2020. Data is a rolling 7-day average versus the baseline.

COVID-19 Data Dashboard

Share this: Facebook Twitter Email

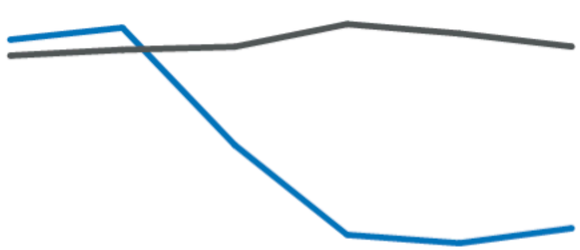
The SFMTA is responding to the COVID-19 crisis. This dasbhoard provides data that informs our service delivery and budget decisions.

Key points below are displayed as year-over-year (2019 vs. 2020) monthly comparison with the most recent available data. Goods and services expenses related to COVID-19 are displayed as a running total. Navigate to each area of focus by clicking on one of the buttons below.

Bus Boardings

MTD: July

▼ -69%

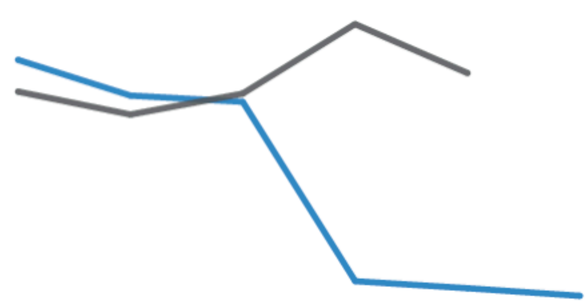


Updated through July 2020

Transit Revenue

MTD: June

▼ -93%

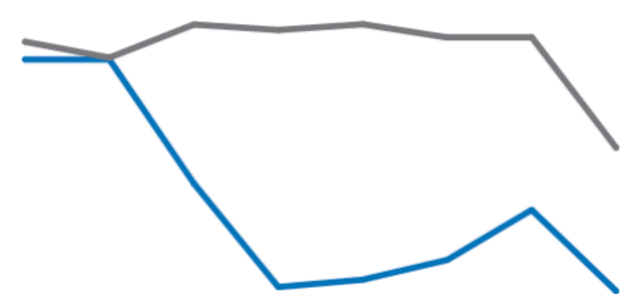


Most recent month of full settlement.

Parking Revenue

MTD: July

▼ -64%



Data through yesterday.

COVID-19 Agency Trends

The Future of Transit Service Through the Health and Budget Crisis

Share this: FacebookTwitterEmail
By
Jeffrey Tumlin
Friday, July 10, 2020

The pandemic has upended every aspect of our society, and the SFMTA is no exception. The COVID-related health and financial crises have resulted in deep and painful cuts to Muni service. We will be draining our fund reserve and spending one-time money just to sustain the service we have. Absent new outside funding, we fall off a financial cliff in 2023, just as the city needs us the most to support its economic recovery. As your Director of Transportation, I want to be open and transparent about how we got here and what it means for you.

When I took this job six months ago, our mobility systems were strong but inefficient, the result of too many years of avoiding hard or politically unpopular choices. This crisis has now forced us to make those hard choices. It has also demonstrated the SFMTA workforce's depth of talent and creativity, and its capacity for collaboration and strategic risk-taking. The effects of this crisis will continue for years, and so I'm pushing all of us to learn from our successes and failures. Our approach is simple: be thoughtful and strategic and try new things without fear; listen carefully to feedback; quickly adjust what we are doing if it is not working; and, build upon the experiments that succeed.

Pandemic's Impact

At the pandemic's onset, health concerns among our drivers and front-line workers coupled with a massive drop in ridership and fare revenue necessitated that we cut back Muni service dramatically. To help fill in the transit service gaps, our agency has rapidly rolled out new programs and promoted existing programs to respond to the need of San Franciscans for additional mobility options:

- Slow Streets, expanding spaces for walking, cycling and playing;
- The new Essential Trip Card that helps many people with disabilities and older adults access discounted taxi rides;
- The Department of the Environment's Essential Worker Ride Home program, and
- The Shop-a-Round subsidized taxi ride to help seniors and people with disabilities get to and from the grocery store.

Because of the financial impact of COVID-19 on so many San Franciscans, the SFMTA, the mayor and the Board of Supervisors came together and agreed not to raise transit fares for the coming two years. However, this decision contributes to our dire financial outlook and requires tough tradeoffs about which services the agency can continue to provide or how quickly we can provide them.

The combined pandemic and financial crisis mean the SFMTA must do more with less. We are doing everything we can to save money while maintaining as much of our service as possible. This means:

- Eliminating most unscheduled overtime work;
- Reducing the purchasing of goods and services to just the immediately needed essentials;
- Significantly slowing down hiring; and,
- Creating emergency temporary transit lanes to maximize the amount of service our buses can provide in the face of rising car congestion (read more about the data here).

Restoring Transit Service

As the economy slowly reopens, we are bringing some of the transit service back. In May and June we increased service, and by mid-August we expect to have additional service hours restored. However, the SFMTA won't be able to restore more than 70 percent of pre-COVID service hours for at least the next six months, and probably even longer.

With physical distancing requirements, we need three times the number of vehicles to move the same number of passengers. This means that even with 70% of service hours, our riders may feel like there is only 20 or 25 percent of our pre-COVID service available, because buses quickly reach their capacity limit. This results in essential workers being passed up at stops, even though we are offering better frequency and reliability on our highest ridership line than we had pre-COVID. When Metro Muni service returns in August, we will be deploying close to the maximum number of available operators and vehicles to serve our riders. Unless we are able to use those vehicles to carry more people, we will not be able to increase service any further.

Even if physical distancing constraints were relaxed, SFMTA would not be able to return to full transit service in the near future. This is because pre-COVID, the agency was already short on the number of operators needed to provide the scheduled service levels and our budget crisis prevents us from filling those positions or from backfilling positions that become vacant. Moreover, the health crisis means more of our employees are on long-term leave.

In deciding how the 70 percent of service is restored, we are focused on:

1. Meeting ridership demands identified during the pandemic; and
2. Prioritizing service for people who need it most—our obligation is to serve people that depend on transit for their daily survival.

We are working hard to make sure that we are serving all communities, particularly low-income and minority populations, and neighborhoods with the least access to services. With limited resources, providing better service to those who most need it requires changes to service to those with the most choices. While we cannot bring back 100% of the prior Muni service levels, what we can do is bring service back in a way that shifts resources to routes most heavily used by those who depend on transit. Real equity work requires difficult trade-offs. Equity has long been a goal of the SFMTA, but under COVID it is a necessity.

First, we cannot reinstate overlapping transit service in one part of town, while neglecting to serve another. In areas where we have duplicative service, we need to refocus those routes to improve overall city access, making sure we take care of riders that don't have another option. Some Muni lines will see higher service levels than before the pandemic while others may not return.

Second, when Muni Metro service starts up again in August, it will be different. While we want to restore as much coverage as possible, we simply cannot afford to run every train to their full prior length, only to have them become stuck underground due to the congestion caused when all lines converge in the subway, increasing risk of exposure to COVID-19. We can provide the same access and significantly decrease expensive delays by running fewer, longer trains in the subway and keeping some routes above ground with transfers to the quick subway service.

In the long term, of course, the subway should be modernized to run more trains, but those investments have been cut back for now because of the budget crisis. This plan will keep trains moving, though we know transferring between surface and subway trains will be an inconvenience and an adjustment

Finally, as with everything else with this pandemic, how our service is allocated throughout the city beyond August is uncertain. It will depend on the physical distancing requirements and revenues. We are making many temporary changes to adjust to rapidly evolving circumstances. We know that permanent long-term service changes will require additional analysis and public input and we look forward to engaging on these issues with our elected officials and communities.

These are hard choices that involve trade-offs. But they are the right way to provide core service in the face of these immense challenges.

A Path Forward

This crisis is reshaping the services every San Franciscan depends on. Our budget will get us through the coming months, and for those who crave more details, our agency created a COVID-19 Data Analytics Dashboard, and you can see our budget presentation here.

But for us to break through this crisis, restore more service and expand progressive and innovative policies, we'll need more resources.

The federal government, through the CARES Act, bought us time. But the money only covered the pandemic's immediate impact and without further action by Congress, our city is on its own.

We, as San Franciscans, own the Muni system and the rest of the transportation network. As the owners of it, I know we need it to be equitable, efficient and safe. We need the transportation system to help our city correct for many inequalities, including growing income disparities, and support the economic recovery of all San Franciscans. Across city agencies, there is work being done to sow the seeds for a resurgence of neighborhood life and vitality -- transportation is a key part of doing that.

I, and the SFMTA team, are the stewards of these goals and are committed to working with all of you on finding creative solutions, including financial ones, to deliver a system San Franciscans are proud to own. To this end, we are committed to:

- being thoughtful in trying new things and not letting the fear of imperfection keep us from trying new things, listening to feedback, and quickly adjusting what we're doing if it is not working;
- Making tough decisions now to avoid expensive fixes later, and being transparent about what these decisions and trade-offs are; and,
- Identifying new funding sources to keep our transportation moving over the long run.

I know that change is hard, particularly during these uncertain times when we're having to make so many adjustments across all aspects of our lives. I am confident that we can work through these adjustments together and build a stronger transportation system worthy of San Francisco's legacy.

We may be able to introduce some additional service changes in the fall, but looking further ahead, future service increases depend largely on additional revenue and the potential relaxation of COVID-19 distancing requirements.

The SFMTA's revenues have fallen while costs of providing service have dramatically increased, largely due to the new physical distancing and cleaning requirements. [The pandemic and the financial crisis] mean the SFMTA must do more with less. Amid these deep budget shortfalls and public health capacity limits, our staff – especially our operators, cleaning crews, facilities staff, service planners, and COVID response team – have been working hard to restore more routes with resources, including staff, vehicles and funds, stretched thin.

Focusing on our customers, equity and efficiency as we restore service

To provide our customers with the best service we must reduce duplicate service and costly sources of delay. In deciding how service is restored, we are focused on:

- Meeting ridership demands identified during the pandemic; and
- Prioritizing service for people who need it most—our obligation is to serve people that depend on transit.

We have steadily restored service from the 17 core routes that were in place in April to 42 routes by August, retaining or returning full or modified service to:

- All rail routes, with [a new reconfiguration to improve reliability] and time savings
- Key Rapid lines like the 9R San Bruno Rapid, 14R Mission Rapid and 38R Geary Rapid with high ridership and crosstown service
- Almost all our Frequent Service routes that have high ridership and provide important crosstown connections
- Close to half of our Grid routes – our most common, regular service neighborhood routes – prioritizing those that provide important crosstown service
- Almost all the Owl network – late-night service traditionally from 1:00 a.m. to 5:00 a.m. but currently operating between the hours of 10:00 p.m. to 5:00 a.m.
- And 29 of our 41 equity service routes — the August 22 service changes will improve transit access through all of the neighborhoods identified in [Muni's Service Equity Strategy]. These neighborhoods rely on transit service the most based on the percentage of households with low incomes, private vehicle ownership and concentrations of people of color.

We continue to hear about overcrowding and pass ups on specific lines, which is why we are increasing frequencies and adding vehicles and operators to those routes. Because of physical distancing, it now takes three times as many vehicles to move the same amount of people as pre-COVID. This significantly limits the resources available to bring back additional routes. Our August 22 service changes will put close to the maximum number of available operators and vehicles out on the street to serve our customers. At the same time, our budget shortfalls prevent us from hiring more operators and cleaners or purchasing more vehicles.

As with everything else with this pandemic, our service allocation throughout the city beyond August is uncertain. The routes that are not being prioritized to bring back into service in the near term consist of routes that:

- Provide parallel, duplicative, service to our existing network
- Connector, historic and specialized routes, that are important and beloved, but provide shorter service to a smaller number of people

These service changes are temporary. Longer-term service changes would require additional analysis and public input. We look forward to engaging on these issues with our elected officials and communities.
