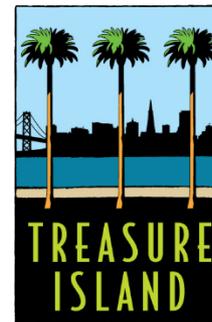
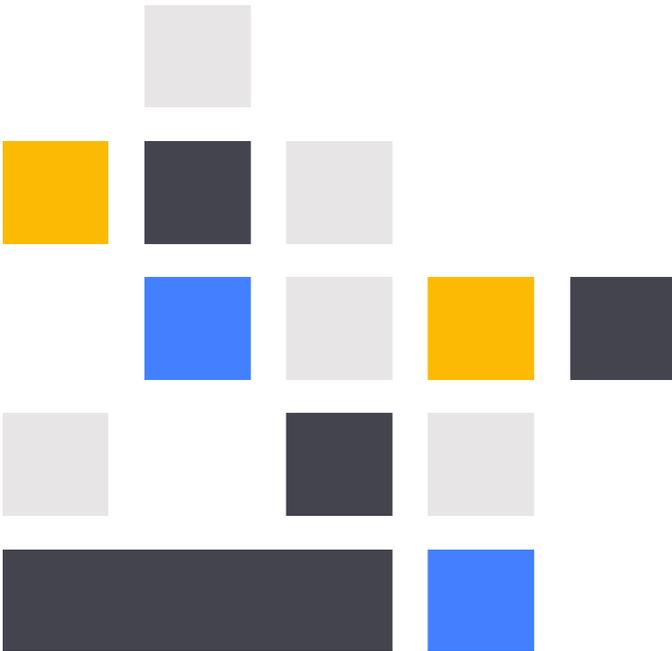


Community Facilities District No. 2016-1 (Treasure Island)

BUDGET AND FINANCE COMMITTEE

- Resolution for Special Tax Bonds: Authorizes the issuance of not to exceed \$17,990,000 aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) ("Treasure Island CFD") Special Tax Bonds, Series 2020; and
- Resolution for CFD Annexation: Confirms that property is annexed to the Treasure Island CFD as Improvement Area No. 2 and determining other matters in connection therewith.



September 16, 2020

City & County of San Francisco
Controller's Office of Public Finance &
Treasure Island Development Authority

Actions for Consideration by Committee

RESOLUTION FOR SPECIAL TAX BONDS

- Resolution Supplementing Resolution No. 12-17 to authorize the issuance and sale of one or more series of Special Tax Bonds for Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) in an aggregate principal amount not to exceed \$17,990,000, approving related documents; clarifying certain terms of the Rate and Method of Apportionment of Special Tax; and determining other matters in connection therewith, as defined herein.

RESOLUTION FOR CFD ANNEXATION

- Resolution confirming that property is annexed to the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) as Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island); and determining other matters in connection therewith, as defined herein.



Milestones for Community Facilities District No. 2016-1 (Treasure Island)

- **June 2011** – Disposition and Development Agreement signed
- **January 2017** – Infrastructure and Revitalization Financing District (IRFD) and CFD formed
- **January 2017** – Board approves \$5 billion in bonds for Treasure Island/YBI CFD
 - Improvement Area No. 1 (Yerba Buena Island) – Bonds Not to Exceed \$250 million
- **June 2019** – First building permits issued on Yerba Buena Island
- **Dec. 2019/April 2020** – First special taxes levied/collected in Improvement Area No. 1
- **May 2020** – Formation of Improvement Area No. 2 of the Treasure Island CFD by Unanimous Approval of the landowners
- **September 2020** – *Board of Supervisors considers approval of :*
 - *Issuance of Improvement Area No. 1 2020 Special Tax Bonds, and*
 - *Confirms annexation of property to the CFD as Improvement Area No. 2*
- **October 2020** – *Planned first issuance of Improvement Area No. 1 2020 Special Tax Bonds*

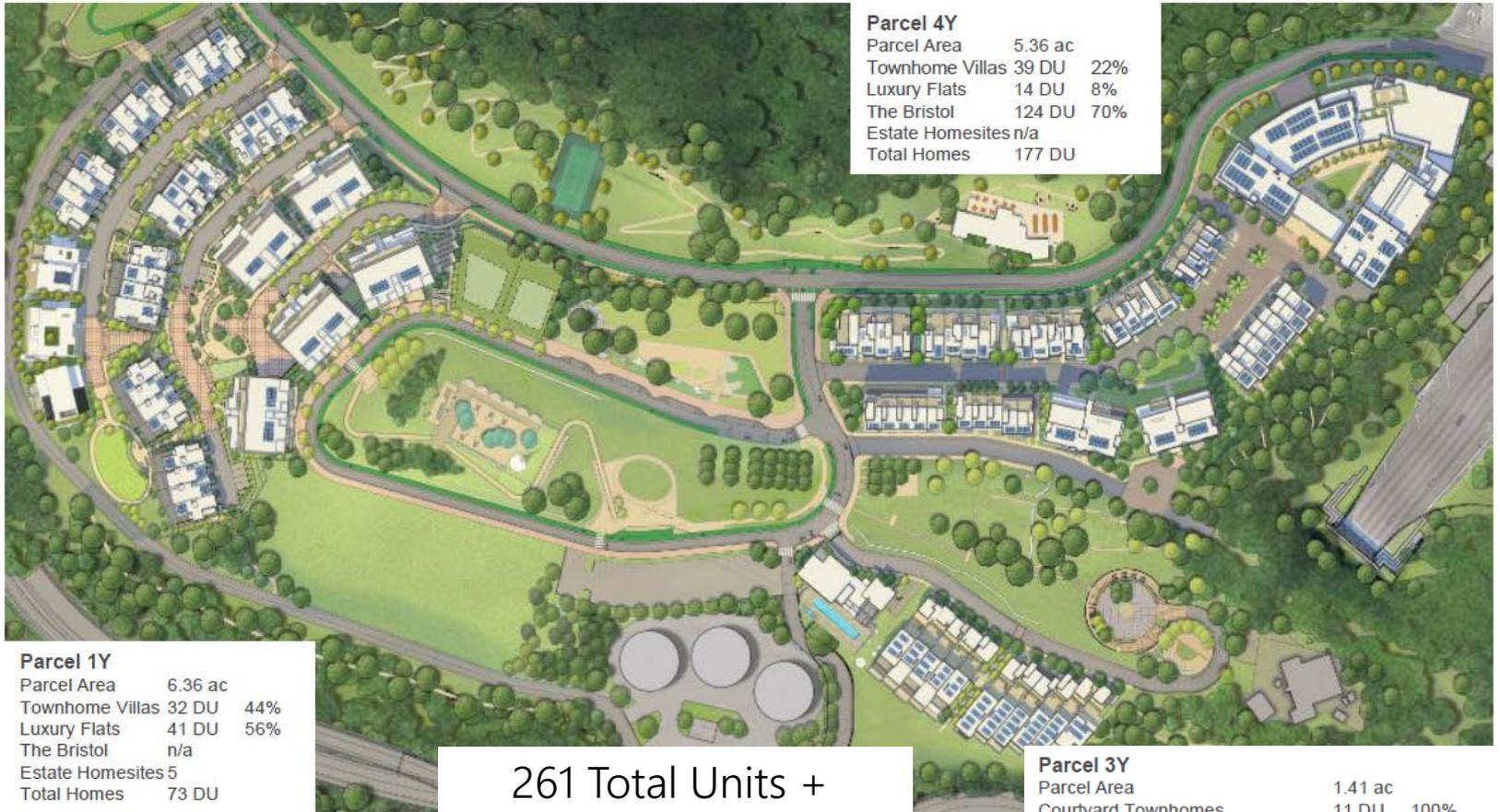


Overview of the Treasure Island CFD

- Levies a supplemental special tax on properties within the specified district
- Tax based on gross square footage of land use – commercial/retail, hotel, or residential type (townhome, low-, mid-, or high-rise)
- Funds eligible infrastructure expenses with a useful life of five years or more
- Special taxes and special tax bonds will:
 - Reimburse Treasure Island Community Development ("TICD") for eligible developer public infrastructure costs
 - Finance a future capital reserve for sea level rise adaptations
 - Provide on-going revenue stream to fund maintenance of TIDA facilities, parks, and open spaces
 - Pay for administrative costs of the CFD
- May not fund affordable housing (although the IRFD can)
- Provides for multiple Improvement Areas primarily to align with project phasing



Improvement Area No. 1 - Yerba Buena Island Map



261 Total Units +
5 Single-Family
Homesites

Source: Yerba Buena Island Developer



Yerba Buena Island Development Program

Developer Parcel	Product Type	Design Status	Permitting Status	Construction Start
The Bristol* (part of 4Y)	<ul style="list-style-type: none"> Five story condominium building Two levels of subterranean parking 	Design Complete	Design Review Complete; <u>Approved:</u> Site Permit, Shoring and Excavation Permit, Addenda 1 & 2 - Foundation & Superstructure, Addendum 4 - Site Utilities (DBI approved); <u>Under Review:</u> Addenda 3 - Architectural, Electrical, Mechanical & Fire, Addendum 5 - Fire Sprinklers	May 2019
3Y & 4Y	<ul style="list-style-type: none"> Courtyard Townhomes Luxury Flats Townhome Villas 	90% Construction Documents	Design Review Complete	Q1 2021
1Y	<ul style="list-style-type: none"> Courtyard Townhomes Luxury Flats Single-Family Homesites 	Design Development	Under review with Planning	Q1 2021
The Island Club (part of 3Y)	<ul style="list-style-type: none"> Amenity Building 	90% Construction Documents	Design Review Complete	Q2 2021

* Special Taxes are currently levied only on The Bristol property

Source: Yerba Buena Island Developer

- Parcel 2Y is subject to the public trust, is not currently considered a Taxable Parcel and is only subject to taxation if leased to a third-party such as a hotel developer, and only the leasehold interest is taxable



Renderings of Planned Development - Yerba Buena Island



Source: Yerba Buena Island Developer

Budget and Finance Committee | Community Facilities District No. 2016-1 (Treasure Island)

CONTROLLER'S OFFICE OF PUBLIC FINANCE | TREASURE ISLAND DEVELOPMENT AUTHORITY



PROGRAM UPDATE: Subphase 1: Yerba Buena Island



Source: TIDA staff

Budget and Finance Committee | Community Facilities District No. 2016-1 (Treasure Island)

CONTROLLER'S OFFICE OF PUBLIC FINANCE | TREASURE ISLAND DEVELOPMENT AUTHORITY



PROGRAM UPDATE: Subphase 1: Yerba Buena Island

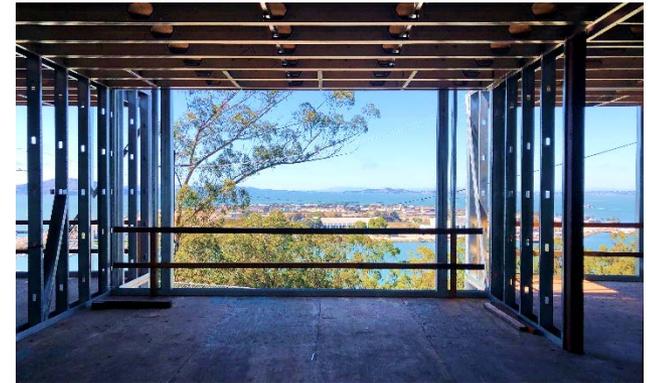
- Subdivision Map Recorded in April 2018
- Street Improvement/Infrastructure Permit Issued
- Infrastructure improvements underway
- Macalla Road realignment/widening underway
- Water reservoir site work/retaining walls in construction
- First residential project broke ground in June 2019
- First building permit issued in June 2019; taxes levied beginning Dec. 2019



Construction Commenced on Development Parcel 4Y: The Bristol 5-Story Condominium Project

PLANNED 5-STORY CONDOMINIUM BUILDING:

- 110 market-rate units and 14 inclusionary units
- Two levels of subterranean parking
- Expected completion in Q4 2021



Source: Yerba Buena Island Developer

Budget and Finance Committee | Community Facilities District No. 2016-1 (Treasure Island)

CONTROLLER'S OFFICE OF PUBLIC FINANCE | TREASURE ISLAND DEVELOPMENT AUTHORITY



Plan of Finance for Proposed Special Tax Bonds

BOND OVERVIEW & RISKS

- The proposed Bonds will be sold without a rating (“Non-Rated”). The transaction is for new real estate development still underway and would not receive an investment grade rating.
RISK: Non-Rated special tax bonds have unique credit considerations and risk factors for investors which are discussed in the Official Statement, including:
 - Until fully built-out, all Land-Secured bonds bear some degree of development risk. In troubled real estate markets, projects can struggle and may be abandoned by developers and homebuilders potentially leading to defaults.
 - Taxpayer concentration risk, as the Bonds are secured by only 1 taxpayer at this time
- The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the special taxes levied in Improvement Area No. 1.
RISK: While the General Fund of the City is not liable for the payment of principal or interest on the Bonds, and the credit of the City is not pledged to the payment of the Bonds, they still carry the “City and County of San Francisco” issuer name and market recognition → subject to reputational risk
- The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances, the City will commence judicial foreclosure proceedings with respect to delinquent special taxes on property within Improvement Area No. 1, and will diligently pursue such proceedings to completion.



The Preliminary Official Statement

- Board members have a responsibility under federal securities laws to ensure that staff is aware of information that board members may have unique in their capacity as board members that would have a material bearing of the capacity of the CFD to repay the bonds. Board members cannot approve a POS if they are aware that it contains material misstatements or omissions.
- In Connection with the Bonds, Staff has prepared a preliminary official statement (“POS”) for prospective investors. The POS describes:
 - i. The terms of the Bonds
 - ii. Sources of repayment and the security for the Bonds (i.e. CFD special taxes; foreclosure covenant)
 - iii. Information about the CFD and its operations and financial ability of the CFD to make timely payments of principal of and interest on the Bonds.
 - iv. Risk Factors related to investment in CFD bonds
- Prior to the distribution of the POS (and final Official statement with pricing information), the POS will have been thoroughly and critically reviewed by TIDA and City and staff (in consultation with the City/TIDA's professional advisors, including Disclosure Counsel) to provide the most current material financial and other material information available.



Special Tax Bond Structure & Limitations

- Special taxes levied on properties in Improvement Area No. 1 in accordance with the Rate and Method of Apportionment (“RMA”) adopted at formation will be used to fund debt service and administrative expenses
- Bonds will be secured by a pledge of special taxes levied on all taxable property in Improvement Area No. 1, but the Proposed Bonds will be sized to leverage just the projected annual special tax levy on the Bristol
 - For Fiscal Year 2019-20, \$833,688 in special taxes were collected from Parcel 4Y
- Maximum projected special tax revenues on the Bristol provide coverage of 110% on bond debt service annually
- Per the RMA, the special taxes escalate at 2.00% annually



Special Tax Bond Structure & Limitations (cont.)

VALUE-TO-LIEN (VTL) RATIO

- The City's Local Goals and Policies – Community Facilities Districts and Special Tax Districts, require CFD Bonds to achieve at least a 3-to-1 VTL ratio based on:

$$\frac{\text{Appraised Value or Assessed Value of Taxable Property in the CFD}}{\text{Special Tax and Assessment Debt Encumbering the Taxable Property(s)}} \geq 3.0$$

- In connection with the Bonds, Integra Realty Resources, Inc. prepared an Appraisal Report dated August 28, 2020^[1] with a valuation date of July 31, 2020, and concluded that the market value in bulk of the fee simple interest of the Improvement Area No. 1 taxable parcels^[2] is \$94,950,000*, subject to certain assumptions and limiting conditions

Improvement Area No. 1

$$\frac{\text{Appraised Value* (as of July 31, 2020): } \$94,950,000}{\text{Not to Exceed 2020 Special Tax Bonds: } \$17,990,000} = 5.3$$

* Preliminary, subject to change

[1] Updated value; the Appraisal Report included in the documents submitted to the Board was August 14, with a date of value as of July 1

[2] The Taxable Parcels include Sub-Blocks 1Y, 3Y and 4Y

Budget and Finance Committee | Community Facilities District No. 2016-1 (Treasure Island)



Value-to-Lien (VTL) by Parcel in Improvement Area No. 1

FY 2020-21 SPECIAL TAX LEVY, MAXIMUM SPECIAL TAX REVENUE & SUMMARY OF VTL RATIOS*
DEVELOPMENT STATUS AS OF JUNE 30, 2020

Development Status /1 & Sub-Block	Expected Residential Units /2	Square Footage /2	Appraised Value*	FY 2020-21 Special Tax Levy /1	Allocated Bond Debt* /3	Average Value-to- Lien* /3
Developed Property (Building Permit Issued) / Vertical DDA Property						
Sub-Block 4Y						
Developed Property	110	128,157	--	\$850,361	\$17,990,000	--
Vertical DDA Property	53	136,000	--	\$0	\$0	--
Subtotal	163	264,157	\$45,210,000	\$850,361	\$17,990,000	2.51
Undeveloped Property (not currently subject to Special Tax)						
Sub-Block 1Y	73	189,890	\$43,660,000	\$0	\$0	N/A
Sub-Block 3Y	11	36,000	\$6,080,000	\$0	\$0	N/A
Subtotal	84	225,890	\$49,740,000	\$0	\$0	N/A
TOTAL	247	490,047	\$94,950,000	\$850,361	\$17,990,000	5.28

* Preliminary, subject to change.

/1 Based on building permits issued prior to June 30, 2020.

/2 Does not include the 14 inclusionary units in the 124 unit podium building under construction, known as The Bristol.
Per the Rate and Method, inclusionary units are not subject to the special tax.

/3 Allocated based on the fiscal year 2020-21 special tax levy.

Budget and Finance Committee | Community Facilities District No. 2016-1 (Treasure Island)

CONTROLLER'S OFFICE OF PUBLIC FINANCE | TREASURE ISLAND DEVELOPMENT AUTHORITY



Planned Use of Proceeds

IMPROVEMENT FUND

- Special Tax Bond proceeds are expected to reimburse the Developer for qualified project costs, subject to bond counsel review, including:
 - On-site infrastructure costs (e.g. utility improvements, street facilities, curb, gutter and sidewalk improvements, streetlights, and traffic signals)
 - Related pre-development costs

DEBT SERVICE RESERVE FUND

- A debt service reserve fund will be funded equal to 125% of average annual debt service on the Bonds over their 30-year term

FINANCING COSTS

- Costs incurred in the formation of the CFD and preparing the financing including but not limited to City administrative fees, legal fees, advisory fees, and underwriter's discount



Estimated Sources & Uses for Improvement Area No. 1 Special Tax Bonds – Not to Exceed \$17,990,000

ESTIMATED FINANCING TERMS

- Final Maturity of September 1, 2050
- Estimated True Interest Cost: 3.84%
- Estimated Bond Proceeds: \$15.18M
- Estimated Financing Costs: \$1.25M
- Estimated Total Debt Service: \$31.29M

Source: Stifel, PFM, and CSG Advisors, Inc.
Market conditions as of August 20, 2020

SOURCES & USES

Sources:

Bond Proceeds	
Par Amount	\$17,165,000
Premium	581,000
Total Sources	\$17,746,000

Uses:

Improvement Fund	\$15,184,000
Debt Service Reserve Fund	1,313,000
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$1,000,000
Underwriter's Discount	215,000
CSA Audit Fee	34,000
Total Uses	\$17,746,000
<i>Reserve for Market Uncertainty</i>	<i>\$244,000</i>
Not-to-Exceed Par Amount	\$17,990,000



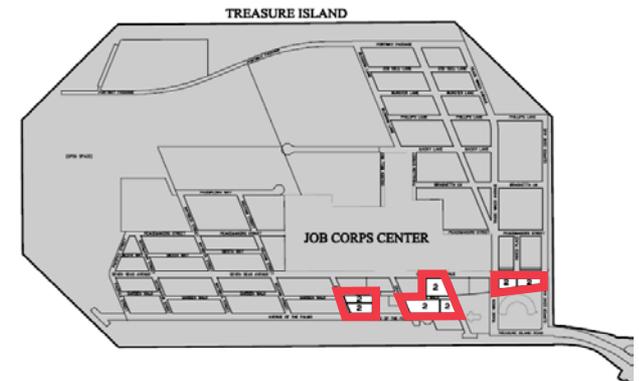
Annexation of Property as Improvement Area No. 2

- The Annexation Resolution confirms the annexation Five (5) development parcels located on Treasure Island (the “Annexation Property”) were annexed into the CFD as a new Improvement Area No. 2 on May 15, 2020
- In order for property to be annexed into the Treasure Island CFD, a resolution determining that the property has been added to the CFD must be approved by the Board of Supervisors

(See Appendix A for additional information)



Renderings; Treasure Island Vertical Update to TIDA Board August 12, 2020



DISCUSSION



APPENDIX A: ANNEXATION PROCEDURES



Future Annexation Area

BOARD-APPROVED ANNEXATION APPROVAL PROCEDURES

- The purpose of establishing the Future Annexation Area was to provide for streamlined annexations of future phases of the Project into the Treasure Island CFD
- In the Resolution of Formation, the Board resolved that parcels in the Future Annexation Area may be annexed into the Treasure Island CFD as a new improvement area or into an existing one, through a Unanimous Approval of the property owners
- “Annexation Approval Procedures” approved in the Resolution of Formation establish conditions for annexation either (A) without further TIDA/Board of Supervisors approval or (B) subject to TIDA/Board of Supervisors approval.
- A property owner must submit a Unanimous Approval to the Director of the Office of Public Finance (“OPF”) to determine if the conditions of the following Annexation Approval Procedures have been met (for new improvement areas):
 - i. New IA RMA was prepared by the City’s Special Tax Consultant
 - ii. New IA RMA is consistent with the financing plan
 - iii. New IA RMA maximum special tax rate for the same category of property in the same fiscal year is not greater than 120% of the same special tax rate for IA No. 1
 - iv. New IA RMA does not contain a type of special tax that was not included in IA1 RMA
- If the conditions in the Annexation Approval Procedures for annexation without further TIDA/Board approval are met, then no further Board approval is required for the annexation and the Director of OPF accepts the Unanimous Approval in writing and the Clerk of the Board shall record a notice of special tax lien



Annexation of Property as Improvement Area No. 2

UNANIMOUS APPROVAL

- On April 13, 2020, an affiliate of the Developer, Treasure Island Series 1, LLC, submitted a Unanimous Approval to the Director of OPF requesting the annexation of certain parcels (“Annexation Property”) in the Future Annexation Area into the Treasure Island CFD
- The Unanimous Approval identified, specified and approved:
 1. The annexation of the Annexation Property to the Treasure Island CFD as a Future Improvement Area designated Improvement Area No. 2 (“IA No. 2”)
 2. The maximum amount of bonded indebtedness for IA No. 2 of \$278,200,000
 3. The rate and method of apportionment of special tax for IA No. 2
 4. The initial appropriations limit for IA No. 2 of \$76,000,000

ACCEPTANCE & ANNEXATION UNDER ANNEXATION APPROVAL PROCEDURES

- After review with the City Attorney’s office and the TIDA Director, the Director of OPF concluded that the Unanimous Approval complies with the Annexation Approval Procedures, and provided a written letter of acceptance to the Clerk of the Board and Treasure Island Series 1, LLC
- On May 11, 2020, the Clerk of the Board executed the Notice of Special Tax Lien for IA No. 2, which was recorded by the Assessor-Recorder on May 15, 2020.



Expected Land Uses in Improvement Area No. 2

Sub-Block	Expected Land Use	Expected No. of Units	Expected Square Footage	Base Facilities Special Tax (FY 2019-20)	Expected Maximum Facilities Special Tax Revenues (FY 2019-20)
<u>Rental Residential</u>					
C2.2	Market Rate Units	166	132,050	\$2.97 per sq. ft.	\$392,189
	Inclusionary Units	9	6,935	\$0.00 per sq. ft.	-
<u>Rental Residential</u>					
C2.4	Market Rate Units	223	189,780	\$2.97 per sq. ft.	\$563,647
	Inclusionary Units	24	19,464	\$0.00 per sq. ft.	-
<u>Rental Residential</u>					
B1	Market Rate Units	114	78,150	\$2.97 per sq. ft.	\$232,106
	Inclusionary Units	6	4,160	\$0.00 per sq. ft.	-
C2.3	Low-Rise Units	108	93,161	\$6.51 per sq. ft.	\$606,478
	Inclusionary Units	6	5,401	\$0.00 per sq. ft.	-
C3.4	Low-Rise Units	152	134,200	\$6.51 per sq. ft.	\$873,642
	Inclusionary Units	8	6,425	\$0.00 per sq. ft.	-
Total Expected Units / Sq. Ft.		816	669,726	N/A	N/A
Maximum IA No. 2 Revenues (Fiscal Year 2019-20)					\$2,668,062



Renderings; Treasure Island Vertical Update to TIDA Board August 12, 2020



The Annexation Resolution

- By adopting the Annexation Resolution, the Board will:
 1. Confirm that the Annexation Property is annexed into Improvement Area No. 2,
 2. Ratify and confirm direction to the Clerk of the Board to:
 - A. Record notice of annexation
 - B. Record a consolidated map of the boundaries of the Treasure Island CFD, and
 - C. To record additional consolidated boundary maps from time to time as Unanimous Approvals are received from property owners in the Future Annexation Area
 3. Confirm for Improvement Area No. 2:
 - A. maximum aggregate principal amount of indebtedness is \$278,200,000,
 - B. that the rate and method of apportionment of the Special Tax among the parcels of real property within IA No. 2 is on file with the Clerk
 - C. Confirm that the annual appropriations limit of IA No. 2, as defined by Article XIII B Section 8 (h) of the California Constitution is \$76,000,000

