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Seawall Finance Work Group Draft Report Update to the Capital Planning Committee Office of Resilience and Capital Planning

6/12/2017

Seawall Finance Work Group (SFWG) Overview

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- Mission: Analyze and prioritize the funding need Seawall Resiliency Project
- Part of San Francisco's participation in the Living Cities City Accelerator Cohort
- Draft recommendations and report



Fortifying San Francisco's Great Seawall:
Strategies for Funding the Seawall Resiliency Project
DRAFT AS OF JUNE 2, 2017



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June 2017

A report to the Capital Planning Committee and the Seawall Executive Steering Committee by the Seawall Finance Work Group

SFWG Membership

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- Chair: Office of Resilience and Capital Planning
 - Board of Supervisors
 - City Administrator's Office – Risk Management Program
 - Controller's Office – Office of Public Finance
- Mayor's Office
 - Office of Economic and Workforce Development
 - Port of San Francisco
 - SFMTA
 - Private sector financial expert

Vulnerability of San Francisco's Seawall

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Mission
Creek

1850's Shoreline

Fisherman's
Wharf

Pre-1906 Seawall

1906-1916 Seawall

The Seawall Today

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- ❑ Supports historic piers, wharves, and buildings
- ❑ Underpins major tourist destinations on the waterfront
- ❑ Serves as a critical emergency response and recovery area

- ❑ Supports BART, Muni, and ferry transportation and utility networks
- ❑ Provides flood protection to downtown San Francisco



Seawall Resiliency Project Plan

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- Port staff have envisioned 2 major phases to the Project:
 - **Phase I** – seismic improvements to address the most critical life safety and flood risks at TBD, isolated locations along the Seawall
 - **Phase II** – potential replacement of the entire 3 miles of the Seawall with all seismic and sea level rise adaptation measures

Project Phase	Budget	Duration	Start	Finish
Phase I Overview	\$500 million	11 years	January 2015	December 2025
Vulnerability Study	\$1.0 million	1.5 years	January 2015	June 2016
Planning	\$8.5 million	2.5 years	July 2016	December 2018
Preliminary Design & Environmental Approvals	\$25.5 million	2.0 years	January 2019	December 2020
Final Design & Construction	\$465.0 million	5 years	January 2021	December 2025
Phase II Overview	~ \$5 billion	~ 20 years	January 2026	January 2046

Note: Project cost estimates are in 2016 dollars and do not take into account the time value of money. It is important to consider the influence inflation will have on the overall cost of repairing the Seawall over time.

Seawall Resiliency Project Phase I Funding Need (1/2)

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- **\$500 Million Immediate Investment \leq 10-years**
 - Address life-safety & flood risks
 - Long-term ~\$5 billion need for seismic and sea level rise adaptation measures

- **\$355 Million Planned/Proposed Funding**
 - \$4.0 million City Revolving Fund (to be reimbursed from Bond)
 - \$4.9 million Port (\$2.9M), MTA (\$1.0M), and Planning (\$1.0M) investments
 - \$350 million G.O. Bond Measure in the proposed Capital Plan (assuming voter approval)

- **The SFWG will recommend sources to address remaining \$145 million gap for the first \$500 Million and the longer-term \$5 billion need**

Seawall Resiliency Project Phase I Funding Need (2/2)

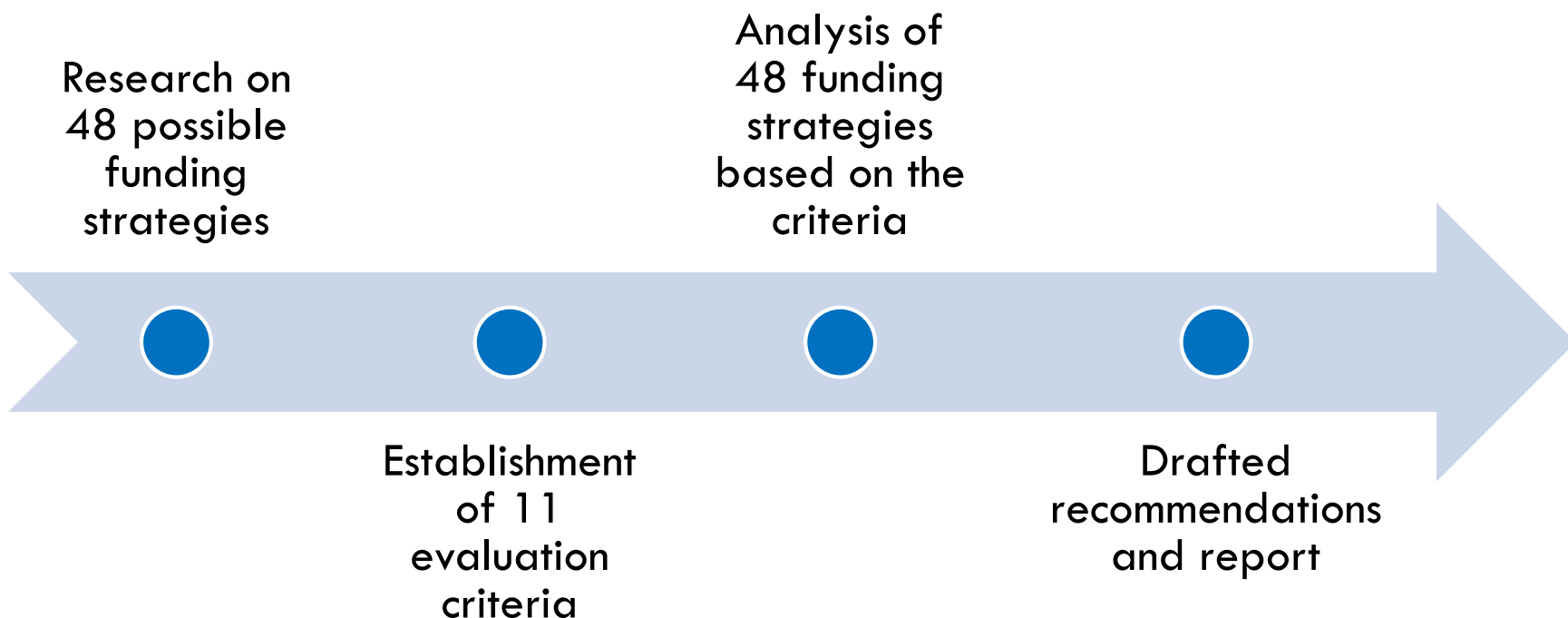
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	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY23-26	Total
Funding Sources								
Port Capital	\$2.9							\$2.9
City Revolving Fund	\$1.0	\$3.0	-\$4.0					\$0.0
MTA Contribution	\$0.5	\$0.5						\$1.0
Planning Department Contribution	\$0.5	\$0.3	\$0.3					\$1.0
2018 General Obligation Bond			\$6.7	\$7.2	\$18.6	\$19.7	\$297.8	\$350.0
Total Planned Sources	\$4.9	\$3.8	\$3.0	\$7.2	\$18.6	\$19.7	\$297.8	\$354.9
Uses of Funds								
Project Staffing	\$0.6	\$0.9	\$0.9	\$0.9	\$0.9	\$1.0	\$4.8	\$10.0
Public Outreach		\$1.0	\$0.6	\$0.4				\$2.0
Planning		\$5.3	\$2.4					\$7.7
Preliminary Design/Entitlements				\$5.8	\$7.9	\$3.9		\$17.6
Final Design & Engineering					\$5.0	\$10.1	\$28.6	\$43.7
Construction					\$4.8	\$4.8	\$409.5	\$419.0
Total Estimated Uses	\$0.6	\$7.2	\$3.9	\$7.2	\$18.6	\$19.7	\$442.9	\$500.0
Cumulative Balance	\$4.3	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0	-\$145.1	-\$145.1

SFWG Work Process

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- 10 meetings between November 2016 and May 2017
- Work to date:



SFWG List of Funding Strategies

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■ The SFWG analyzed 48 local, regional, state, and federal possible funding strategies:

- State Resilience G.O. Bond
- State Share of Property Tax Increment
- Incorporate into Pier Rehab Projects
- Geologic Hazard Abatement Districts (GHADs)
- Surcharge on Event Tickets
- Transit Pass Transfer Fee
- Increase Ferry Charges
- Cruise Ticket Surcharge
- Hazard Mitigation Grants
- National Foundation Grants
- Historic Tax Credits
- Federal Transportation Funding
- Army Corps of Engineers (USACE) – General Investigation
- USACE – CAP 103 Program
- DHS Office of Infrastructure Protection
- Commuter Transportation Tax
- Vehicle License Fee Increase
- Tax/Fee on Auto Sales
- Tax/Fee on Marina Uses
- Transit Impact Development Fee
- Increased Parking Revenues
- G.O. Bonds
- Assessment District
- CFD/Mello-Roos
- Port IFD
- IRFDs
- Sale/Lease Increment of Port Assets
- Insurance Value Capture/Resilience Bonds
- Sales Tax Increase
- Parcel Tax
- Real Estate Transfer Tax Increase
- Utility User Tax Surcharge
- Business License Tax Surcharge
- RM3- Bridge Tolls
- Cap & Trade Program Funding
- Regional Gas Tax
- Congestion Pricing
- Tax/Fee on Rental Cars
- Business Gross Receipts Tax Surcharge
- Hotel Assessment
- Infrastructure Trust Bank
- Green/Climate Bonds
- Environmental Impact Bonds
- Advertising
- Naming Rights
- Public Private Partnerships
- Philanthropy
- Pension Plan Investment

SFWG Evaluation Process

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▣ 5 Considerations:

Revenue
Generating
Potential

Timing

Administrative
Complexity

Political
Feasibility

Cost Burden

SFWG Recommended Funding Sources

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■ SFWG created 3 sets of recommendations:

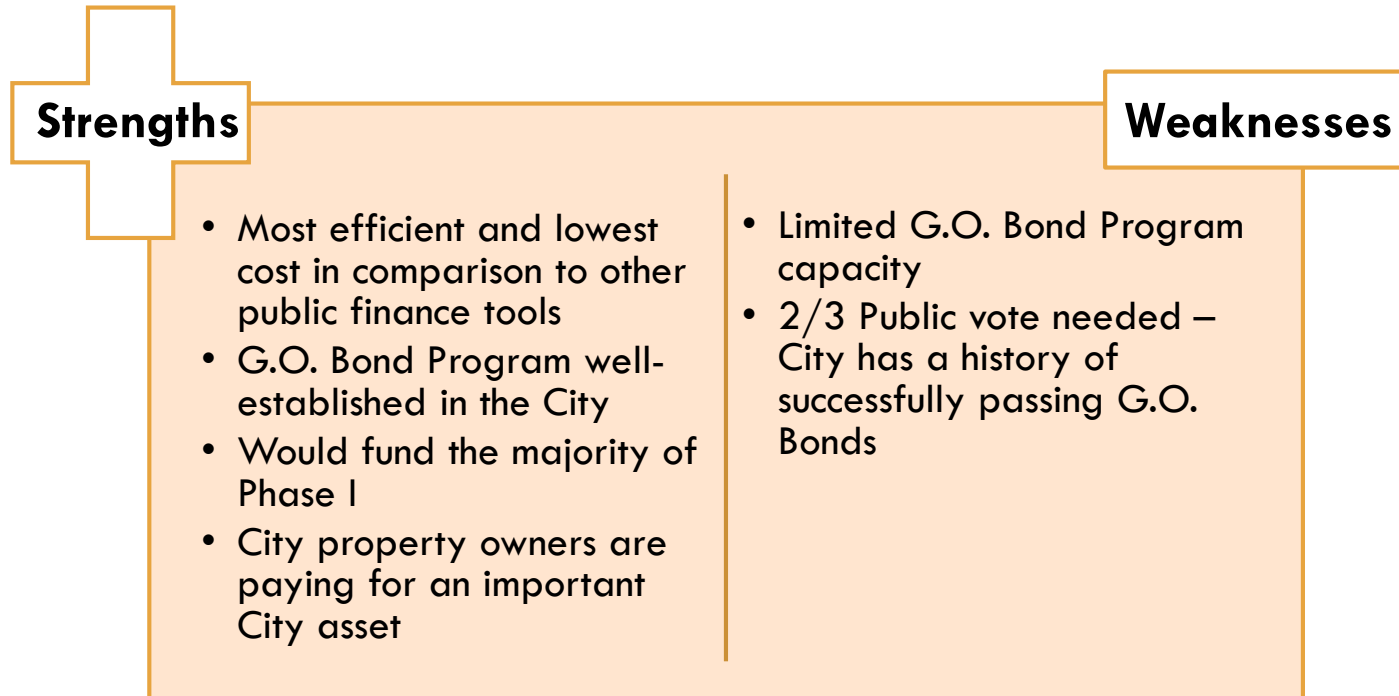
Primary	Secondary	Supplementary
<ul style="list-style-type: none"> • General Obligation (G.O.) Bonds • Community Facilities District (CFD) • Local Share of Property Tax Increment Revenue from IFDs • State Share of Property Tax Increment Revenue from IFDs • State Resilience G.O. Bond 	<ul style="list-style-type: none"> • Port Capital Contribution • Sales Tax Increase • Tourism & Hotel Funding Sources 	<ul style="list-style-type: none"> • Advertising Revenue • Cap & Trade Program Funding • Cruise Ticket Surcharge Increase Revenue • Marina Use Fee Increase Revenue • National Park Service Historic Tax Credits • Philanthropy Proceeds • Public Private Partnerships (P3s) • RM3 Bridge Tolls Program Funding

SFWG Primary Recommendation

Local: General Obligation (G.O.) Bonds

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- **Recommendation:** Pursue the \$350 million G.O. Bond proposed in the 10-Year Capital Plan for the 2018 ballot



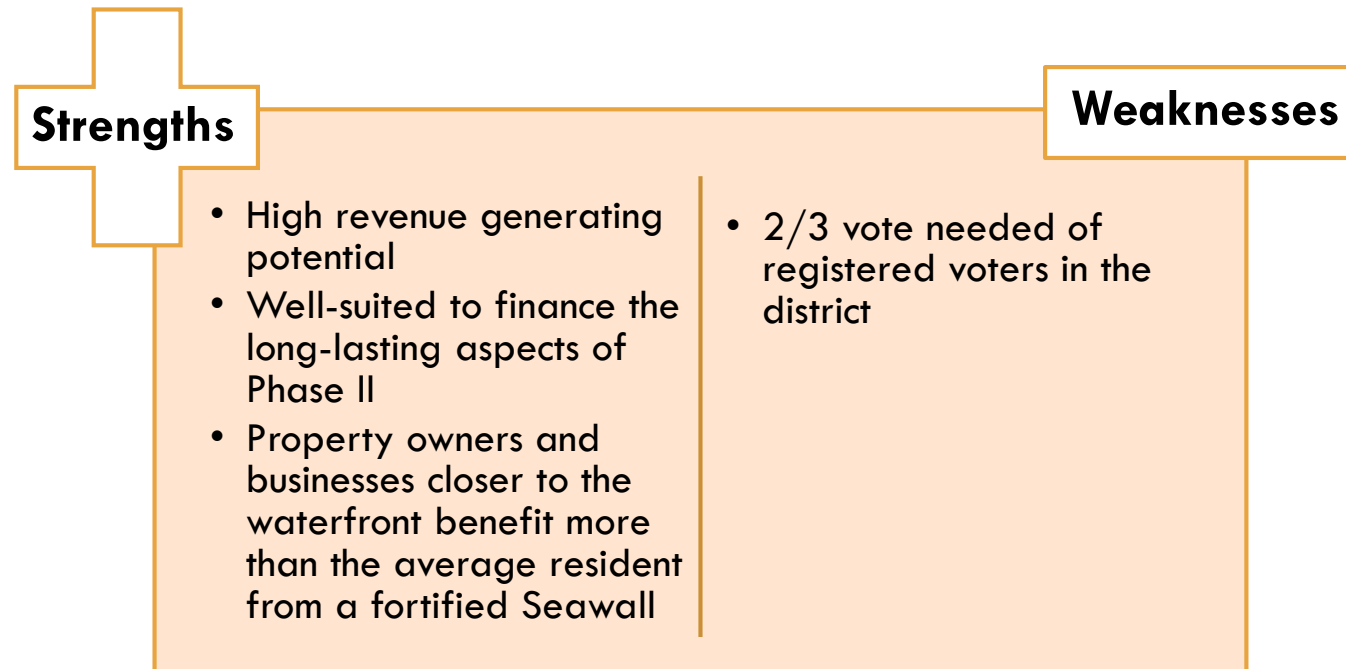
- **Next Steps:** Pre-bond planning, public outreach campaign, and consider future bond for sea level adaptations?

SFWG Primary Recommendation

Local: Community Facilities District (CFD)

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- **Recommendation:** Create a CFD to fund sea-level rise adaptations over a waterfront zone where the threat of sea level rise is most expected



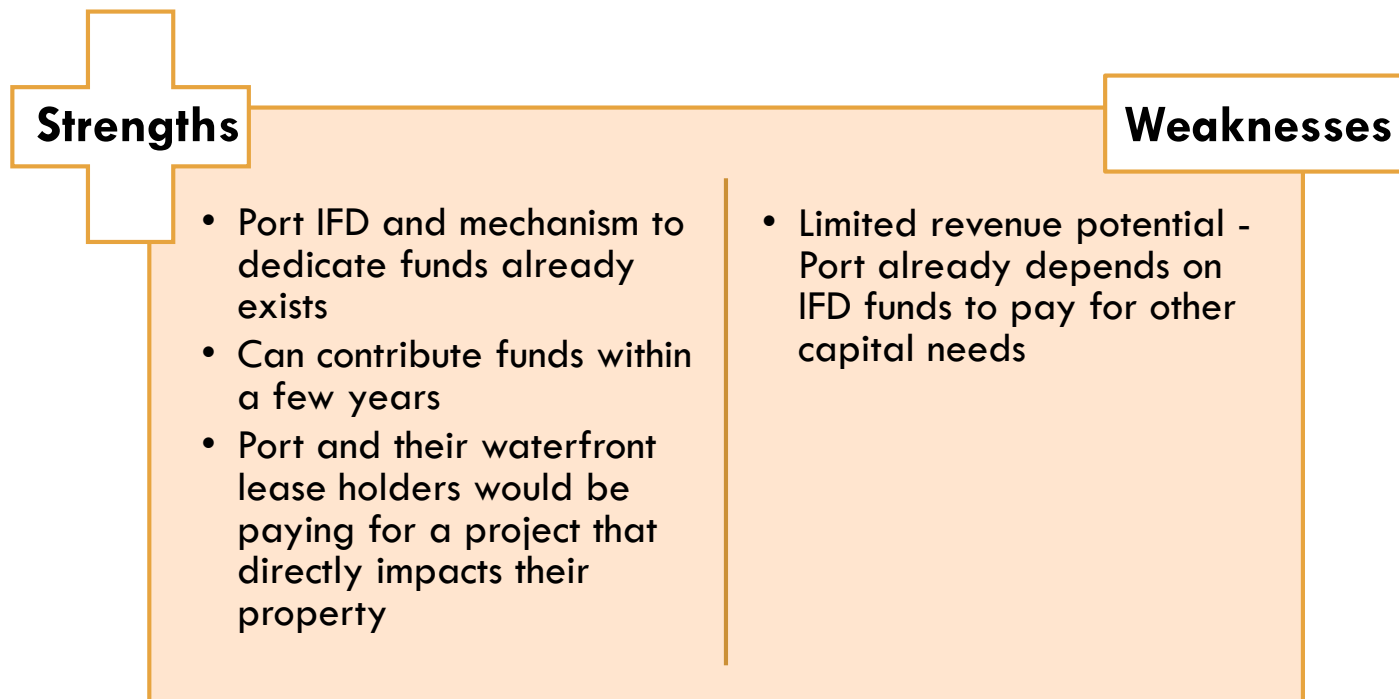
- **Next Steps:** Economic analysis, administrative planning, and public outreach

SFWG Primary Recommendation

Local: Property Tax Increment Revenue from Infrastructure Finance Districts (IFDs)

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- Recommendation: Use funds from IFDs over new development areas on Port property to fund the Seawall Project



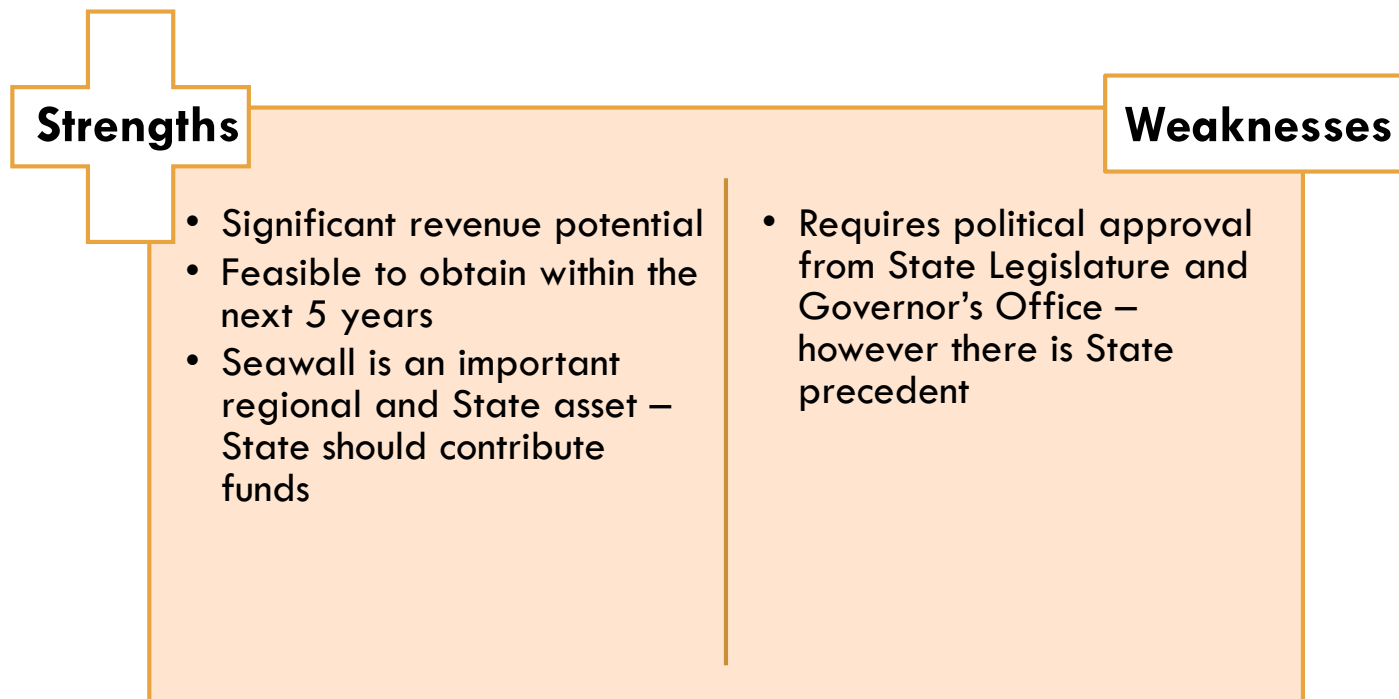
- Next Steps: Board legislation

SFWG Primary Recommendation

State: State Property Tax Increment Revenue from IFDs

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- **Recommendation:** Pursue State legislation to obtain the State Share of property tax increment revenue from Port IFDs



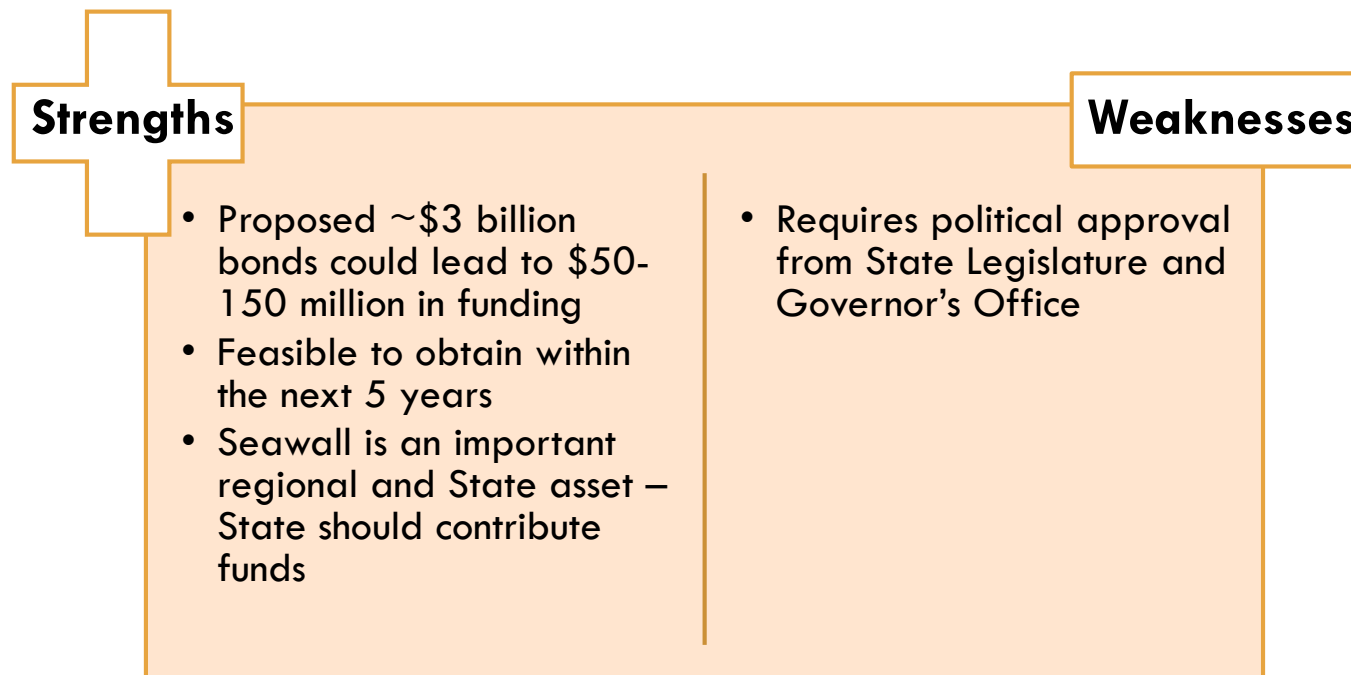
- **Next Steps:** Engage State stakeholders to build support, develop a statewide coalition, and create legislation

SFWG Primary Recommendation

State: State Resilience G.O. Bond

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- **Recommendation:** Secure funding through State G.O. Bonds – either current bills SB5 and AB18 or through future bills



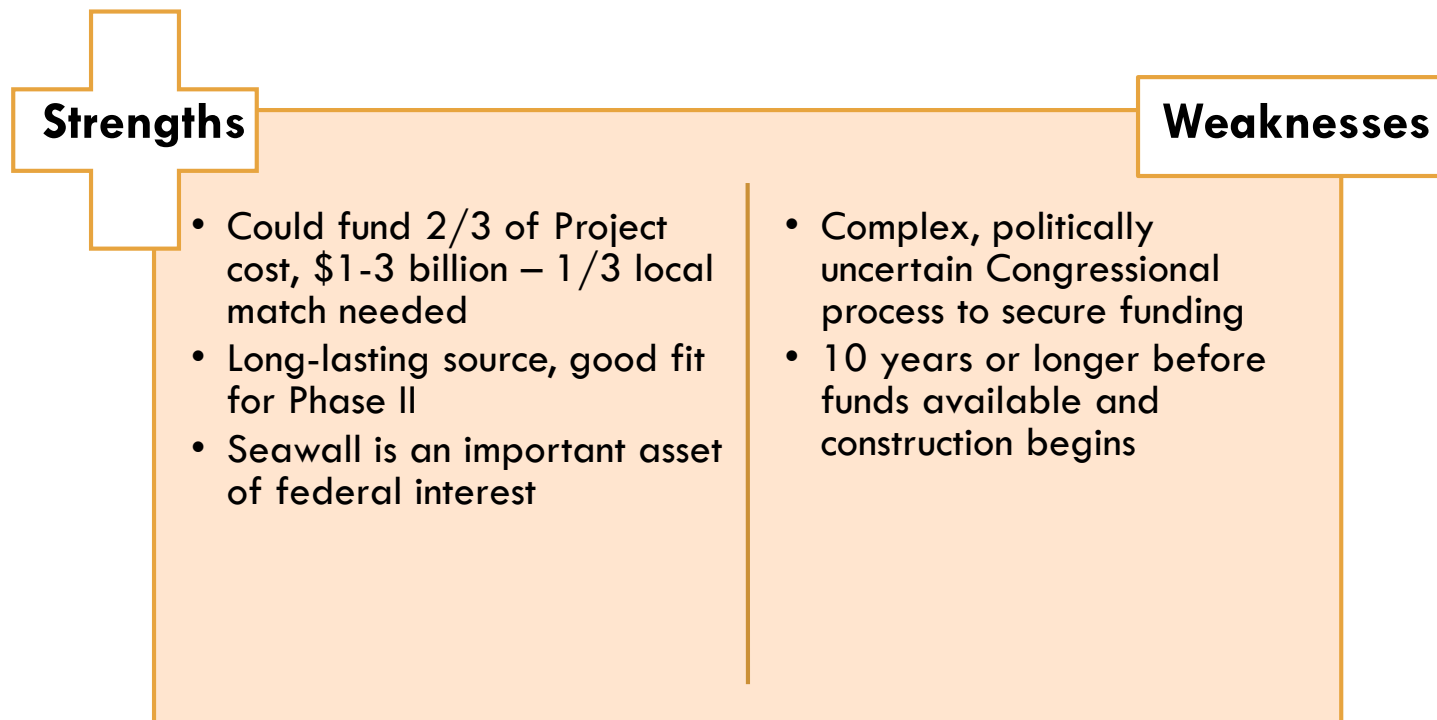
- **Next Steps:** Engage State stakeholders to build support for current bills and monitor discussions in the next few years for future opportunities

SFWG Primary Recommendation

Federal: U.S. Army Corps of Engineers Funding

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- **Recommendation:** Pursue General Investigation funding as well as the CAP 103 Program



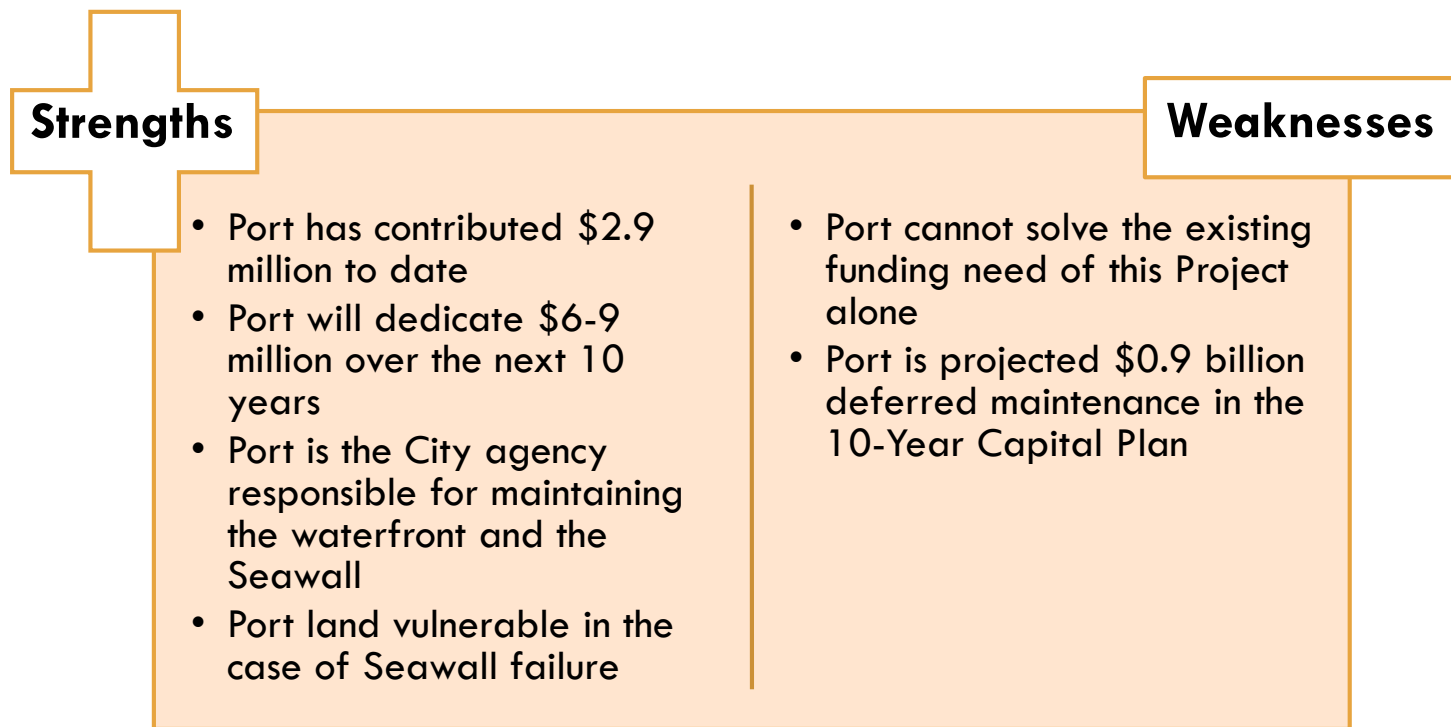
- **Next Steps:** Proceed with CAP 103 Program, conduct a Feasibility Study, and seek 2020 WRDA Bill

SFWG Secondary Recommendation

Local: Port Capital Contribution

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- **Recommendation:** Port should continue to dedicate funds and resources to the Seawall Project, where possible



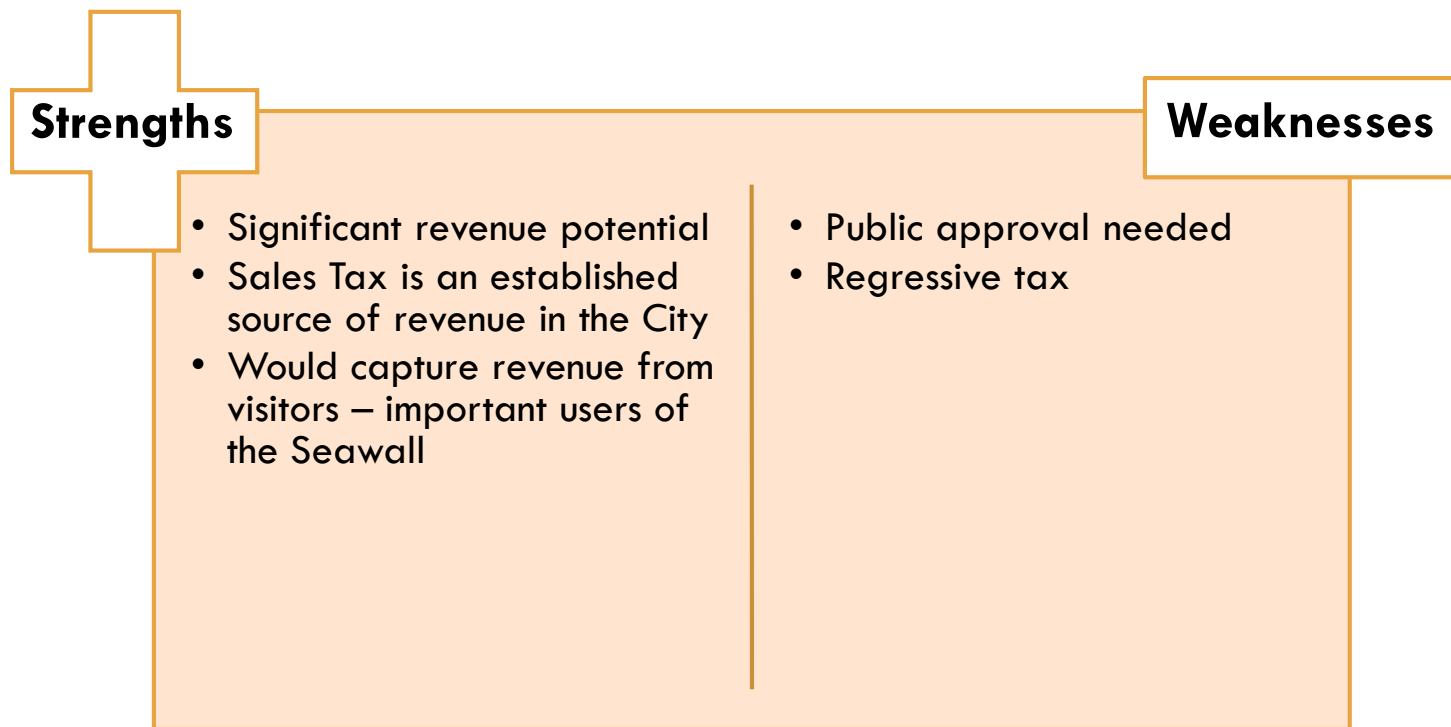
- **Next Steps:** Port to explore ways to prioritize the Seawall Project amongst their many capital needs

SFWG Secondary Recommendation

Local: Sales Tax Increase

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- Recommendation: City should explore a Sales Tax increase and dedicate new revenue to the Seawall Project



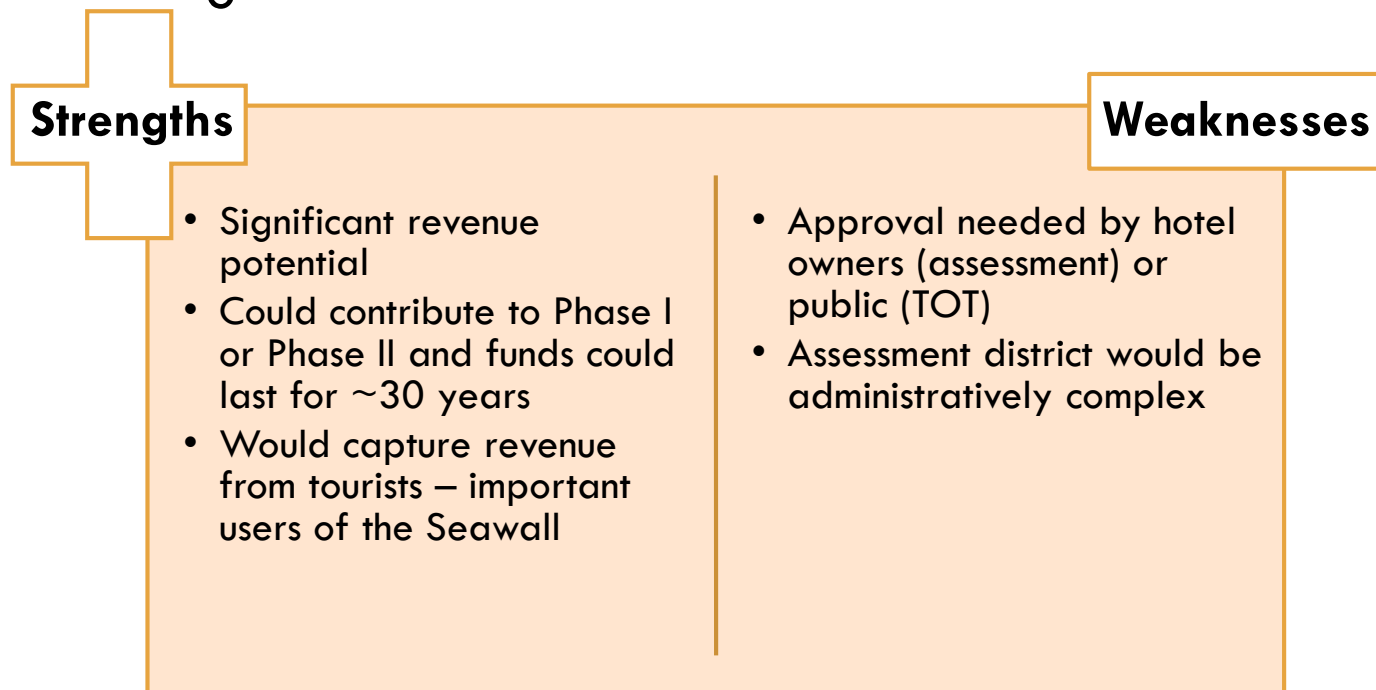
- Next Steps: Political and public outreach

SFWG Secondary Recommendation

Local: Tourism & Hotel Funding Sources

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- **Recommendation:** Create a hotel assessment or an increased transient occupancy tax (TOT) to recover costs from tourists visiting San Francisco's waterfront



- **Next Steps:** Economic analysis and political and public outreach

SFWG Supplementary Recommendations

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- Low revenue potential or political feasibility but are related to the Project and still worth pursuing

Local Recommendations:

- Advertising Revenue
- Cruise Ticket Surcharge Increase Revenue
- Marina Use Fee Increase Revenue
- Philanthropy Proceeds
- Public Private Partnerships (P3s)

Regional and State Recommendations:

- Cap & Trade Program Funding
- RM3 Bridge Tolls Program Funding

Federal Recommendation:

- National Park Service Historic Tax Credits

SFWG Next Steps

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Incorporate feedback

- June 12: Capital Planning Committee
- June 16: Port's Seawall Resiliency Project Executive Steering Committee
- Finalize report and recommendations by end of July

Efforts already underway

- G.O. Bond: pre-bond planning and public outreach
- State legislative pursuits: Property Tax Increment and Resilience G.O. Bond
- Army Corps of Engineers funding

Remaining Funding Needs

- Port to engage Mayor's Office, Controller's Office, and BOS
- Weigh other recommendations
- Determine course of action

Discussion Questions

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- ❑ Thoughts on the recommended funding sources?
- ❑ How do we strategize and/or prioritize our recommendations?
- ❑ What other stakeholders should be engaged in this process?
- ❑ Other feedback?

Questions & Comments

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