Overview

- 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
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

1850’s Shoreline

Mission Creek

Pre-1906 Seawall

1906-1916 Seawall

Fisherman’s Wharf
The Seawall Today

- 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
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

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<th>Budget</th>
<th>Duration</th>
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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)

- $500 Million Immediate Investment ≤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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<th>FY18-19</th>
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SFWG Work Process

- 10 meetings between November 2016 and May 2017

Work to date:

- Research on 48 possible funding strategies
- Establishment of 11 evaluation criteria
- Analysis of 48 funding strategies based on the criteria
- Drafted recommendations and report
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 Heat Map

### Rank Funding Strategy
1. Local Property Tax Increment from IFDs
2. Community Facilities District (CFD)
3. USACE – CAP 103 Program
4. State Property Tax Increment from IFDs
5. General Obligation (G.O.) Bonds
6. Cap & Trade Program Funding
7. State Resilience G.O. Bond
8. Sales Tax Increase
9. Hotel Assessment
10. Increased Parking Revenues
11. Assessment District
12. USACE – General Investigation
13. Philanthropy
14. Historic Tax Credits
15. Tax/Fee on Marina Uses
16. Cruise Tickets Surcharge Increase
17. Advertising
18. MMS- Bridge Tolls Program
19. Vehicle License Fee (VLF) Increase
20. Parcel Tax
21. Naming Rights
22. Congestion Pricing
23. Public Private Partnerships (P3s)
24. Utility User Tax Surcharge
25. Transit Impact Development Fee
26. Federal Transportation Funding - TIFIA
27. Real Estate Transfer Tax Increase
28. Surcharge on Event Tickets
29. Environmental Impact Bonds
30. Sale/Lease Increment of Port Assets
31. Regional Gas Tax
32. Increased Ferry Charges
33. Hazard Mitigation Grants
34. Pension Plan Investment
35. Geologic Hazard Abatement Districts
36. Infrastructure Trust Bank
37. Transit Pass Transfer Fee
38. Resilience Bonds/Insurance Value Capture

### Key:
- **Strength**: 5
- **Partial strength**: 4
- **Neither strength nor weakness**: 3
- **Partial weakness**: 2
- **Weakness**: 1

### *** Criteria Triple Weighted

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<th>Cost of Funds</th>
<th>Long Term Sustainability</th>
<th>Flexibility of Funds</th>
<th>Timing</th>
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<th>Local/Regional Political Feasability</th>
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5 Considerations:

- Revenue Generating Potential
- Timing
- Administrative Complexity
- Political Feasibility
- Cost Burden
SFWG Recommended Funding Sources

- SFWG created 3 sets of recommendations:

<table>
<thead>
<tr>
<th>Primary</th>
<th>Secondary</th>
<th>Supplementary</th>
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<tbody>
<tr>
<td>• General Obligation (G.O.) Bonds</td>
<td>• Port Capital Contribution</td>
<td>• Advertising Revenue</td>
</tr>
<tr>
<td>• Community Facilities District (CFD)</td>
<td>• Sales Tax Increase</td>
<td>• Cap &amp; Trade Program Funding</td>
</tr>
<tr>
<td>• Local Share of Property Tax Increment Revenue from IFDs</td>
<td>• Tourism &amp; Hotel Funding Sources</td>
<td>• Cruise Ticket Surcharge Increase Revenue</td>
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<td>• State Share of Property Tax Increment Revenue from IFDs</td>
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<td>• Marina Use Fee Increase Revenue</td>
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<td>• State Resilience G.O. Bond</td>
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<td>• National Park Service Historic Tax Credits</td>
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<td>• Philanthropy Proceeds</td>
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<td>• Public Private Partnerships (P3s)</td>
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<td></td>
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<td>• RM3 Bridge Tolls Program Funding</td>
</tr>
</tbody>
</table>
Recommendation: Pursue the $350 million G.O. Bond proposed in the 10-Year Capital Plan for the 2018 ballot

**Strengths**
- Most efficient and lowest cost in comparison to other public finance tools
- G.O. Bond Program well-established in the City
- Would fund the majority of Phase I
- City property owners are paying for an important City asset

**Weaknesses**
- Limited G.O. Bond Program capacity
- 2/3 Public vote needed – City has a history of successfully passing G.O. Bonds

Next Steps: Pre-bond planning, public outreach campaign, and consider future bond for sea level adaptions?
**Recommendation:** Create a CFD to fund sea-level rise adaptations over a waterfront zone where the threat of sea level rise is most expected

**Strengths**
- High revenue generating potential
- Well-suited to finance the long-lasting aspects of Phase II
- Property owners and businesses closer to the waterfront benefit more than the average resident from a fortified Seawall

**Weaknesses**
- 2/3 vote needed of registered voters in the district

**Next Steps:** Economic analysis, administrative planning, and public outreach
Recommendation: Use funds from IFDs over new development areas on Port property to fund the Seawall Project

Strengths

- Port IFD and mechanism to dedicate funds already exists
- Can contribute funds within a few years
- Port and their waterfront lease holders would be paying for a project that directly impacts their property

Weaknesses

- Limited revenue potential - Port already depends on IFD funds to pay for other capital needs

Next Steps: Board legislation
SFWG Primary Recommendation
State: State Property Tax Increment Revenue from IFDs

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

**Strengths**
- Significant revenue potential
- Feasible to obtain within the next 5 years
- Seawall is an important regional and State asset – State should contribute funds

**Weaknesses**
- Requires political approval from State Legislature and Governor’s Office – however there is State precedent

- **Next Steps:** Engage State stakeholders to build support, develop a statewide coalition, and create legislation
SFWG Primary Recommendation
State: State Resilience G.O. Bond

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

**Strengths**
- Proposed ~$3 billion bonds could lead to $50-150 million in funding
- Feasible to obtain within the next 5 years
- Seawall is an important regional and State asset – State should contribute funds

**Weaknesses**
- Requires political approval from State Legislature and Governor’s Office

**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

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

**Strengths**
- Could fund 2/3 of Project cost, $1-3 billion – 1/3 local match needed
- Long-lasting source, good fit for Phase II
- Seawall is an important asset of federal interest

**Weaknesses**
- Complex, politically uncertain Congressional process to secure funding
- 10 years or longer before funds available and construction begins

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

**Local: Port Capital Contribution**

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

**Strengths**
- Port has contributed $2.9 million to date
- Port will dedicate $6-9 million over the next 10 years
- Port is the City agency responsible for maintaining the waterfront and the Seawall
- Port land vulnerable in the case of Seawall failure

**Weaknesses**
- Port cannot solve the existing funding need of this Project alone
- Port is projected $0.9 billion deferred maintenance in the 10-Year Capital Plan

- **Next Steps:** Port to explore ways to prioritize the Seawall Project amongst their many capital needs
Recommendation: City should explore a Sales Tax increase and dedicate new revenue to the Seawall Project

Strengths:
- Significant revenue potential
- Sales Tax is an established source of revenue in the City
- Would capture revenue from visitors – important users of the Seawall

Weaknesses:
- Public approval needed
- Regressive tax

Next Steps: Political and public outreach
SFWG Secondary Recommendation
Local: Tourism & Hotel Funding Sources

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

  - **Strengths**
    - Significant revenue potential
    - Could contribute to Phase I or Phase II and funds could last for ~30 years
    - Would capture revenue from tourists – important users of the Seawall

  - **Weaknesses**
    - Approval needed by hotel owners (assessment) or public (TOT)
    - Assessment district would be administratively complex

- **Next Steps:** Economic analysis and political and public outreach
SFWG Supplementary Recommendations

- 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

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

- 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

Office of Resilience and Capital Planning

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Port of San Francisco

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Meghan Wallace, Finance and Procurement Manager