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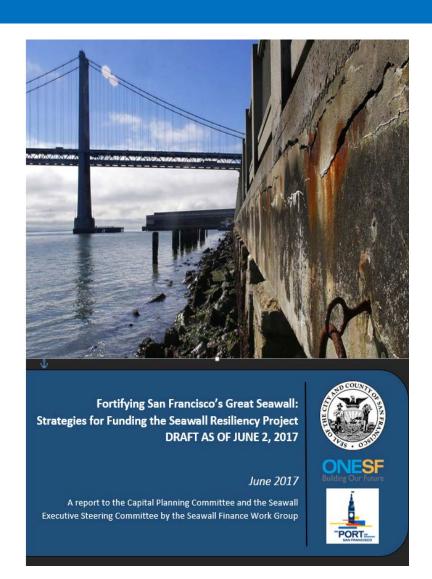


Seawall Finance Work Group Draft Report
Update to the Capital Planning Committee
Office of Resilience and Capital Planning



Seawall Finance Work Group (SFWG) 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





SFWG Membership

- 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





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 SanFrancisco





Seawall Resiliency Project Plan

- 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 June 2016 December 2018		
Vulnerability Study	\$1.0 million	1.5 years	January 2015			
Planning	\$8.5 million	2.5 years	July 2016			
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	\sim \$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)

- \square \$500 Million Immediate Investment \leq 10-years
 - Address life-safety & flood risks
 - Long-term \sim \$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

Cumulative Balance



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

	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. <i>7</i>	\$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

\$0.0

\$0.0

\$0.0

-\$145.1 -\$145.1

\$4.3

\$0.9

\$0.0



SFWG Work Process

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

Research on 48 possible funding strategies Analysis of 48 funding strategies based on the criteria









Establishment of 11 evaluation criteria



SFWG List of Funding Strategies

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

11

Key:							
	Strength	5					
4	Partial strength	4					
3	Neither strength nor weakness	3					
2	2 Partial weakness						
	Weakness	1					
***	Criteria Triple Weighted						

		Source of	Revenue Generating	Cost of	Long Term	Flexibility of		Tradeoffs for	State/Federal	Local/Regional	Administrative	Equity/Cost	
Rank	Funding Strategy				Sustainability	Funds			Political Feasability		Complexity	Burden	Weighted Average
1	Local Property Tax Increment from IFDs							4				4	4.77
2	Community Facilities District (CFD)							4			3		4.46
3	USACE – CAP 103 Program			4					4				4.38
4	State Property Tax Increment from IFDs			3				4	3				4.31
5	General Obligation (G.O.) Bonds						3	2	2				4.23
6	Cap & Trade Program Funding								3				4.23
7	State Resilience G.O. Bond						3	4	3			4	4.23
8	Sales Tax Increase										2		4.15
9	Hotel Assessment			4			3	2	2		2	4	4.08
10	Increased Parking Revenues						3	2	2				4.00
11	Assessment District								4				4.00
12	USACE – General Investigation							3	3			2	3.85
	Philanthropy		2			2	2	4					3.77
14	Historic Tax Credits		3			2						4	3.77
15	Tax/Fee on Marina Uses							3					3.62
16	Cruise Tickets Surcharge Increase			3							4	4	3.54
17	Advertising			2							2		3.46
18	RM3- Bridge Tolls Program						2				2	3	3.46
	Vehicle License Fee (VLF) Increase					2							3.38
20	Parcel Tax					2		2			2		3.38
21	Naming Rights					2	4	4			2		3.31
	Congestion Pricing						2	2	2				2 3.15
	Public Private Partnerships (P3s)		4						4				2 3.08
24	Utility User Tax Surcharge			2			2						2.92
25	Transit Impact Development Fee						2				2	4	2.77
	Federal Transportation Funding - TIFIA		4	3				2					2.77
27	Real Estate Transfer Tax Increase		3	3			3						2.69
28	Surcharge on Event Tickets	- 4						2					2.62
	Environmental Impact Bonds					2	2	2	2		2	2	2.62
30	Sale/Lease Increment of Port Assets	2	2				2						2.62
31	Regional Gas Tax		4				2		2			3	2.46
	Increased Ferry Charges					2	2		2				2.31
	Hazard Mitigation Grants											4	2.31
	Pension Plan Investment	7						2	2		2	2	2.31
	Geologic Hazard Abatement Districts								2				2.23
	Infrastructure Trust Bank		2				_ 2	2	2				2.00
37	Transit Pass Transfer Fee												1.00
	Resilience Bonds/Insurance Value Capture												1.00
- 50	mesmence somas/modrance value captale												1.00



SFWG Evaluation Process

5 Considerations:

Revenue Generating Potential

Timing

Administrative Complexity

Political Feasibility

Cost Burden



SFWG Recommended Funding Sources

SFWG created 3 sets of recommendations:

Primary

- 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

Secondary

- Port Capital Contribution
- Sales Tax Increase
- Tourism & Hotel Funding Sources

Supplementary

- 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



Local: General Obligation (G.O.) Bonds

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

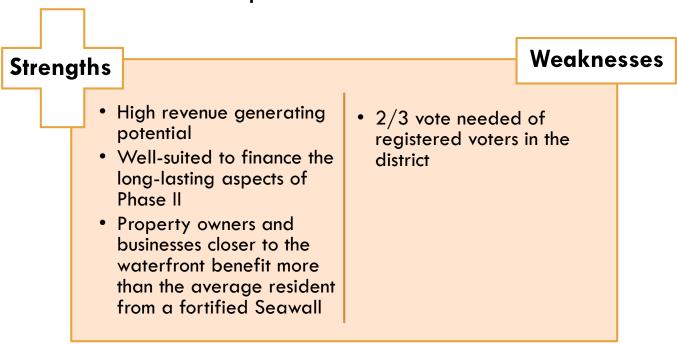
Weaknesses **Strengths** Most efficient and lowest Limited G.O. Bond Program cost in comparison to other capacity public finance tools 2/3 Public vote needed – City has a history of • G.O. Bond Program wellsuccessfully passing G.O. established in the City Bonds Would fund the majority of Phase I City property owners are paying for an important City asset

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



Local: Community Facilities District (CFD)

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



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

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

Weaknesses **Strengths** Port IFD and mechanism to Limited revenue potential dedicate funds already Port already depends on IFD funds to pay for other exists capital needs Can contribute funds within a few years Port and their waterfront lease holders would be paying for a project that directly impacts their property

Next Steps: Board legislation



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

• Significant revenue potential
• Feasible to obtain within the next 5 years
• Seawall is an important regional and State asset — State should contribute funds

• 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



State: State Resilience G.O. Bond

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

• Proposed ~\$3 billion
bonds could lead to \$50150 million in funding
• Feasible to obtain within
the next 5 years
• Seawall is an important
regional and State asset —
State should contribute
funds

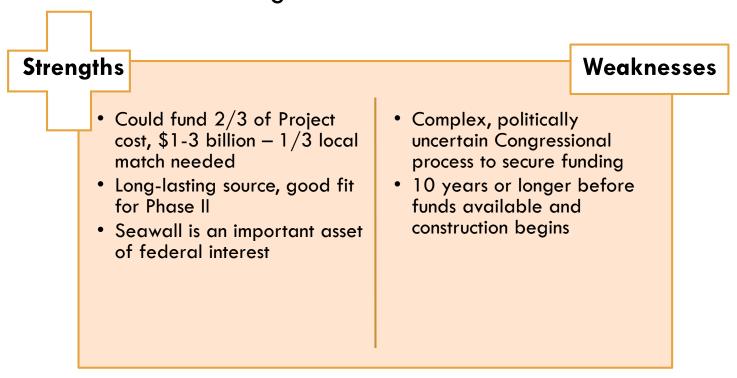
• Requires political approval
from State Legislature and
Governor's Office

<u>Next Steps:</u> Engage State stakeholders to build support for current bills and monitor discussions in the next few years for future opportunities



Federal: U.S. Army Corps of Engineers Funding

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



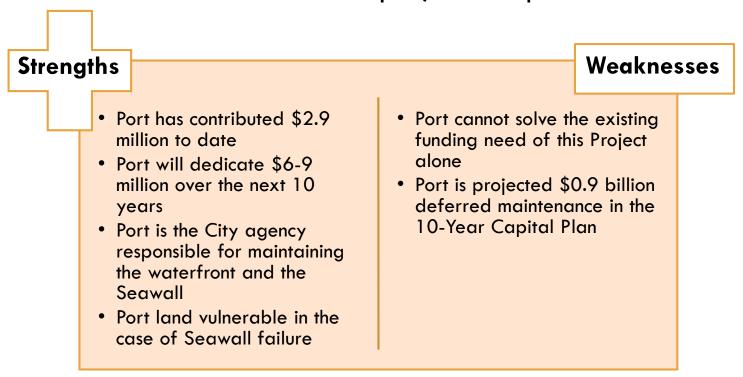
Next Steps: Proceed with CAP 103 Program, conduct a Feasibility Study, and seek 2020 WRDA Bill



SFWG Secondary Recommendation

Local: Port Capital Contribution

<u>Recommendation</u>: Port should continue to dedicate funds and resources to the Seawall Project, where possible



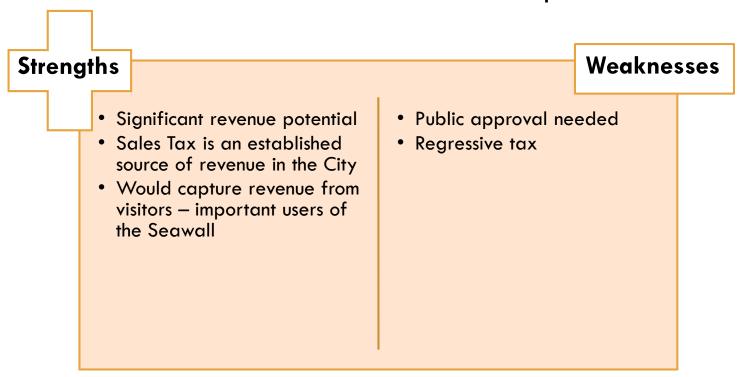
Next Steps: Port to explore ways to prioritize the Seawall Project amongst their many capital needs



SFWG Secondary Recommendation

Local: Sales Tax Increase

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

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

Strengths

Weaknesses

- 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

- 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

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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

- 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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