

MEMORANDUM

September 6, 2017

TO: MEMBERS, Capital Planning Committee

FROM: Brad Benson, Director of Special Projects
Meghan Wallace, Finance and Procurement Manager

SUBJECT: Approval of a Resolution of Intent to Form Sub-Project Areas G-2, G-3 and G-4 to the existing Port-wide Infrastructure Financing District (IFD) and Issue Bonds for Sub-Project Areas G-2, G-3 and G-4, which encompass the Pier 70 Special Use District (Action Item); and

Approval of a Resolution of Intent to Form an Infrastructure and Revitalization Financing District No. 2 (IRFD) on land within the City commonly known as the Hoedown Yard and Issue Bonds for the IRFD (Action Item)

EXECUTIVE SUMMARY

In 2013, the Port Commission and the Board of Supervisors each unanimously endorsed the Term Sheet for the proposed Project, outlining the proposed land plan and transaction terms for future development of Pier 70.

In the general election held in the City and County of San Francisco (the "City") on November 4, 2014, an initiative entitled, the "Union Iron Works Historic District Housing, Waterfront Parks, Jobs and Preservation Initiative" ("Proposition F"), was approved by the voters in the City. Pursuant to Proposition F, the voters in the City approved a policy of the City, that the City encourages the timely development of the 28-Acre Site with a development project that includes market-rate and affordable residential uses, commercial-office, retail, light industrial-arts use, parking, and infrastructure development including street improvements, and public open space.

State law authorizes the City to form an IFD over Pier 70 to pay for public improvements and historic rehabilitation funded by both the City's share and the State's share of property tax revenue growth ("tax increment"). In 2016, the Board of Supervisors formed an IFD project area covering all Port property and approved a portwide infrastructure financing plan. Project Area G was identified in the Port IFP for the Pier 70 district, which included Sub-Project Area G-1 for the Pier 70 Historic Core and the remaining footprint for the currently proposed Sub-Project Area G-2, G-3 and G-4 that collectively encompass the Pier 70 Special Use District (SUD).

Now, after years of planning and completion of entitlements, the City, acting by and through the Port Commission, and FC Pier 70, LLC, or an affiliate thereof (“Forest City” or “Developer”) anticipate entering into a Disposition and Development Agreement (the “DDA”), and certain other agreements related thereto, including a Financing Plan that will govern the disposition and development of the 28-Acre Site and provide for the financing of certain capital facilities and public services related to the proposed project.

In preparation for approval of these transaction projects, the Port of San Francisco seeks approval from the City’s Capital Planning Committee of resolutions of intent to:

- 1) Establish Sub-Project Area G-2, G-3 and G-4 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (“the Port IFD”), and Issue Bonds for Sub-Project Area G-2, G-3 and G-4 (which collectively encompass the Pier 70 Special Use District); and
- 2) Establish City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (“the IRFD”) on land within the City commonly known as the Hoedown Yard, and Issue Bonds for the IRFD.

To establish Sub-Project Area G-2, G-3 and G-4 of the Port IFD, the Infrastructure Financing Plan (IFP) previously adopted by the Board of Supervisors in connection with the establishment of the Port IFD will need to be amended to include the proposed sub-project areas.

If approved, Port staff will return to the Capital Planning Committee in October with more specific financial details about the proposed amendment to the IFP respect to Sub-Project Area G-2, G-3 and G-4 and a proposed infrastructure financing plan for the IRFD.

Financing Districts

The IFD Law (codified at Government Code Section 53395 et seq.) and the IRFD Law (codified at Chapter 2.6 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53369) operate in much the same way as former redevelopment law: when approved by the Board of Supervisors, each district may be formed and a base year established, after which growth in property or possessory interest¹ taxes (“Tax Increment”) may be captured, either annually (“pay-go”) or through the issuance of bonds, to fund facilities of “communitywide significance” as part of an approved Infrastructure Financing Plan.

The Port’s 10-Year Capital Plan has included projected proceeds from a Port-wide infrastructure financing district to fund major capital improvements since 2007. On February 23, 2016, the Board of Supervisors established the Port IFD, adopted the IFP

¹ Possessory interest taxes are property tax levied against leasehold interests. Port tenants are responsible for paying possessory interest taxes to the City.

and reserved the right to establish infrastructure financing plans in the future specific to other project areas and sub-project areas within the IFD. Accordingly, within the Port IFD, the Port establishes “project areas” encompassing each project site, but only when the Board approves the related development. Section 53395.8 of the IFD Law (the Port IFD Law) permits an infrastructure financing district formed thereunder to capture of Tax Increment for periods of up to 45 years; establishing different project areas allows the Port to set different 45-year “clocks” for each project area, thus maximizing capture of Tax Increment.

Legislative Process

On July 25, 2017, Mayor Edwin M. Lee and Supervisor Malia Cohen co-sponsored two resolutions to initiate the process to form Sub-Project Areas G-2, G-3, and G-4 within the existing Port IFD and three proposed resolutions to initiate the process to form a new IRFD over the Hoedown Yard. These resolutions included:

1. Resolution of Intention to establish Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (File No. 170878).
2. Resolution of Intention to Issue Bonds in an Amount Not to Exceed \$273,900,000, \$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4, respectively, City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (File No. 170879).
3. Resolution of Intention to establish City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) on land within the City and County of San Francisco commonly known as the Hoedown Yard to finance the construction of affordable housing within Pier 70 and Parcel K South; to call a public hearing on October 24, 2017 on the formation of the district and to provide public notice thereof; and determining other matters in connection therewith (File No. 170880).
4. Resolution authorizing and directing the Executive Director of the Port of San Francisco, or designee of the Executive Director of the Port of San Francisco to prepare an infrastructure financing plan for City and County of San Francisco Infrastructure Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith (File No. 170881).
5. Resolution of intention to issue bonds for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith (File No. 170882).

These items were assigned to the Budget and Finance Committee, but have not yet been calendared. Once heard, the legislation will provide the public with notice of the City’s intent to form Sub-Project Areas G-2, G-3, and G-4 within the existing Port IFD and to establish a new infrastructure revitalization financing district, the IRFD, on City

property at the Hoedown Yard and to issue bonds repaid with tax increment from the Sub-Project Areas G-2, G-3, and G-4 and the IRFD, respectively. Additionally, the legislation directs City staff to prepare infrastructure financing plans for Sub-Project Areas G-2, G-3, and G-4 and the IRFD, including a detailed expenditure plan for available tax increment.

Recommendation and Next Steps

Port staff recommends approval of the attached resolutions, triggering a Capital Planning recommendation to the Board of Supervisors to approve these actions.

With this approval, the Port will prepare the infrastructure financing plans for Sub-Project Areas G-2, G-3, and G-4 and the IRFD in accordance with the Port IFD Law and the IRFD Law and return to CPC on October 16, 2017, with the final authorizing items including, without limitation:

- Ordinance Establishing Sub-Project Areas G-2, G-3, and G-4 and Adopting an Infrastructure Financing Plan for Sub-Project Areas G-2, G-3, and G-4
- Resolution Calling Special Election to Establish Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and related resolutions
- Ordinance Establishing Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and Adopting an Infrastructure Financing Plan
- Resolution(s) Authorizing the Issuance of Bonds

Attachments:

Attachment 1: Resolution of Intention to establish Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (File No. 170878).

Attachment 2: Resolution of Intention to Issue Bonds in an Amount Not to Exceed \$273,900,000, \$196,100,000 and \$323,300,000 for Sub-Project Area G-2, Sub-Project Area G-3 and Sub-Project Area G-4, respectively, City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (File No. 170879).

Attachment 3: Resolution of Intention to establish City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) on land within the City and County of San Francisco commonly known as the Hoedown Yard to finance the construction of affordable housing within Pier 70 and Parcel K South; to call a public hearing on October 24, 2017 on the formation of the district and to provide public notice thereof; and

determining other matters in connection therewith (File No. 170880).

Attachment 4: Resolution authorizing and directing the Executive Director of the Port of San Francisco, or designee of the Executive Director of the Port of San Francisco to prepare an infrastructure financing plan for City and County of San Francisco Infrastructure Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith (File No. 170881).

Attachment 5: Resolution of intention to issue bonds for City and County of San Francisco Infrastructure and Revitalization Financing District No. 2 (Hoedown Yard) and determining other matters in connection therewith (File No. 170882).