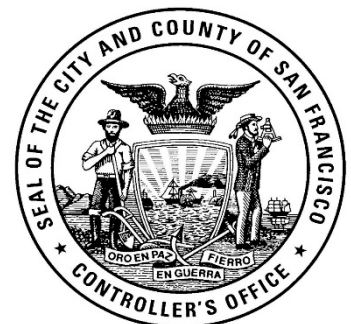
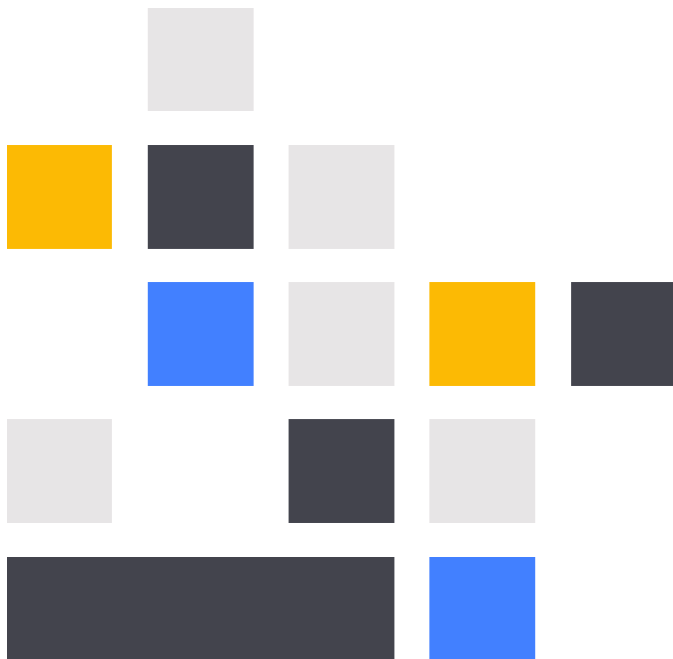


Community Facilities District No. 2016-1 (Treasure Island)

CAPITAL PLANNING COMMITTEE

Resolution for Special Tax Bonds: Resolution Authorizing the Issuance of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000



May 10, 2021

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



Actions for Consideration by Committee

RESOLUTION FOR SPECIAL TAX BONDS

- Resolution Authorizing the Issuance of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000



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
- **October 2020** – First CFD bond issuance for Improvement Area No. 1 (“2020 Bonds”) in the amount of \$17.135 million
- **May 2021** – *Board of Supervisors considers approval of Issuance of Improvement Area No. 1 2021 Special Tax Bonds (second issuance), and*
- **July 2021** – *Planned second issuance of Improvement Area No. 1 2021 Special Tax Bonds*



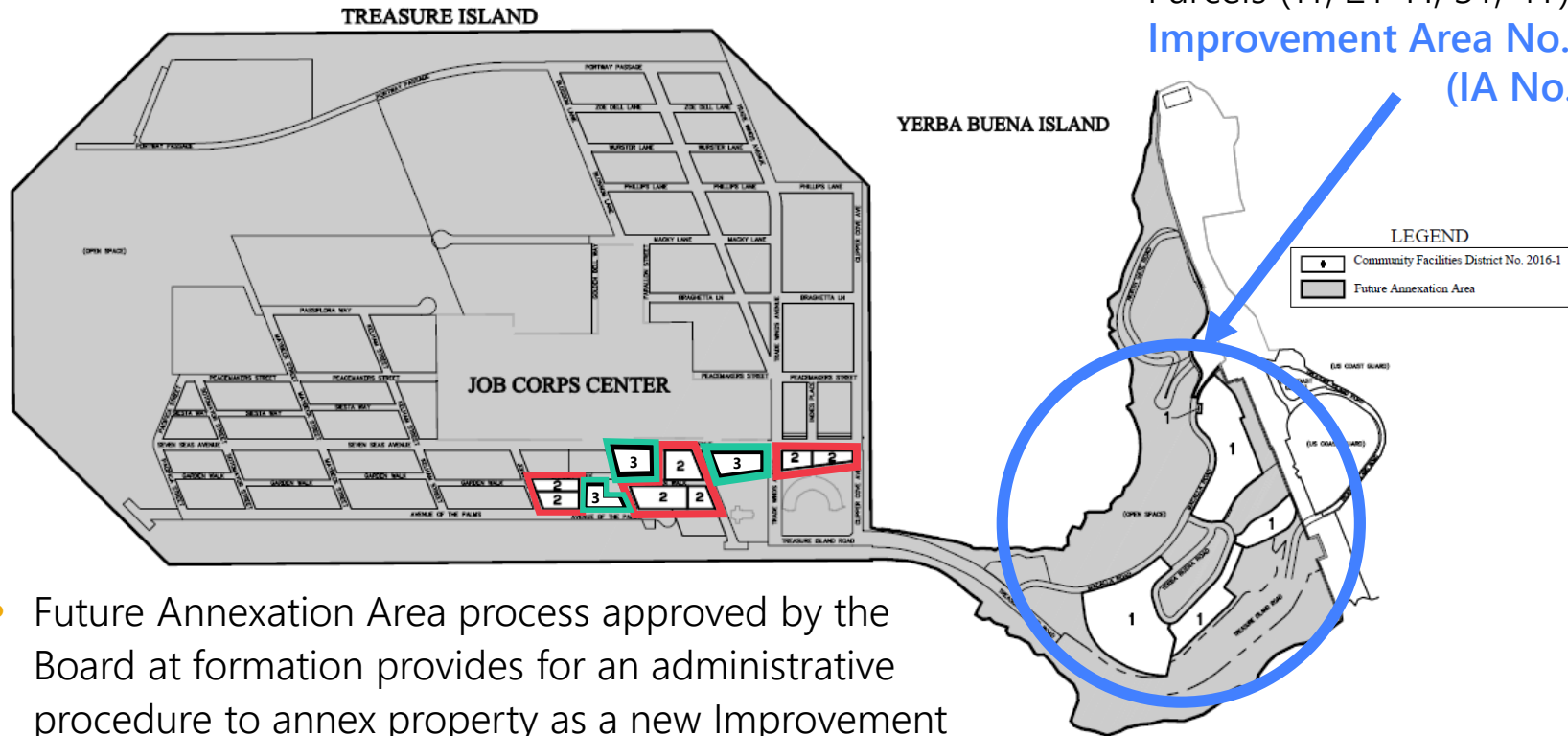
Overview of the Treasure Island CFD

- 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



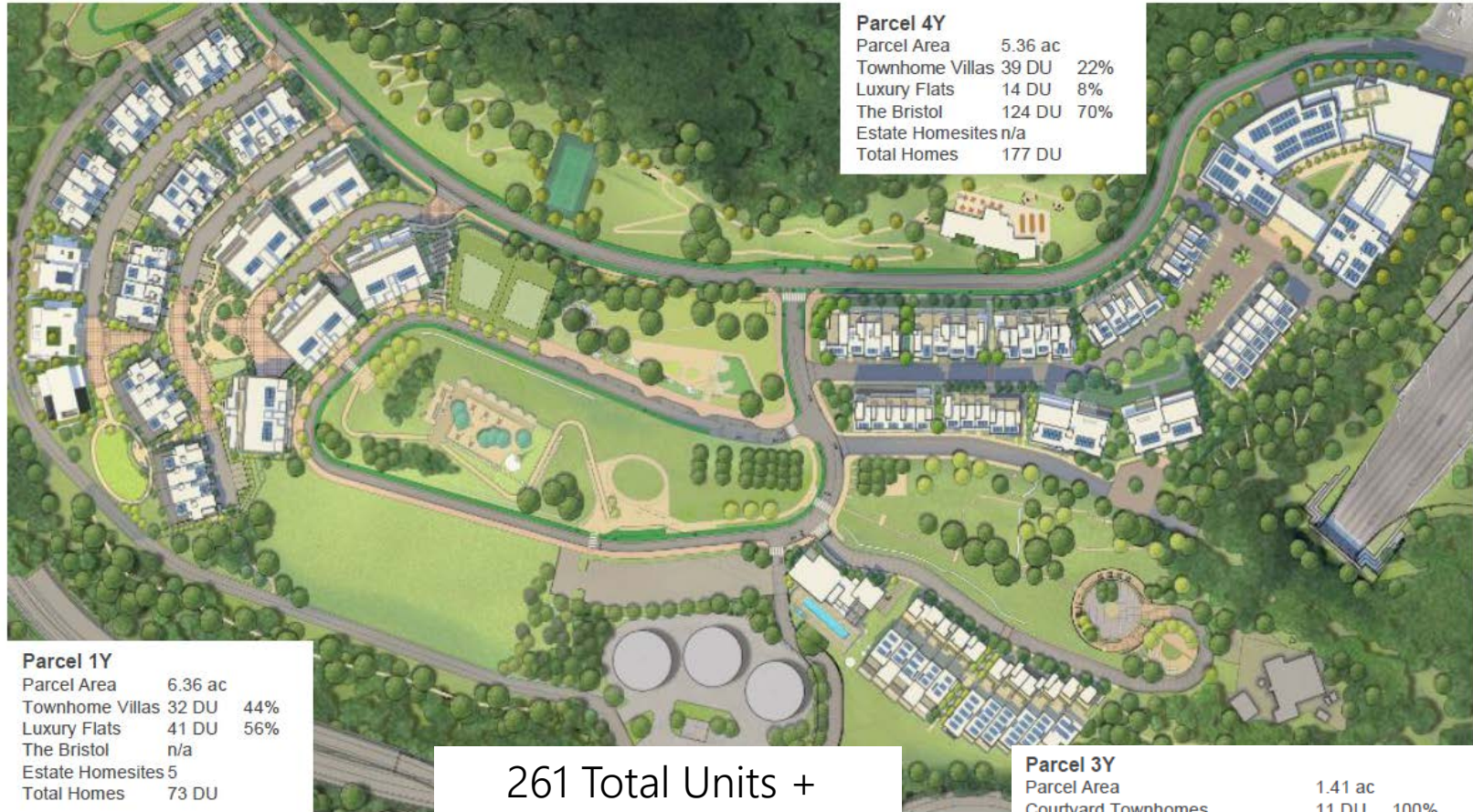
Treasure Island CFD Boundary Map

- Initial CFD Formation Area limited to YBI Development Parcels (1Y, 2Y-H, 3Y, 4Y) as **Improvement Area No. 1 (IA No. 1)**



- Future Annexation Area process approved by the Board at formation provides for an administrative procedure to annex property as a new Improvement Area or into an existing one
- In May 2020, property annexed into **Improvement Area No. 2 (IA No. 2)** of the CFD under the Annexation procedures, and in January 2021, property annexed into **Improvement Area No. 3 (IA No. 3)**

Improvement Area No. 1 - Yerba Buena Island Map



Source: Yerba Buena Island Developer

Capital Planning Committee | Community Facilities District No. 2016-1 (Treasure Island)

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Improvement Area No. 1 - Yerba Buena Island Map

Yerba Buena Vertical



261 Total Units +
5 Single-Family Sites

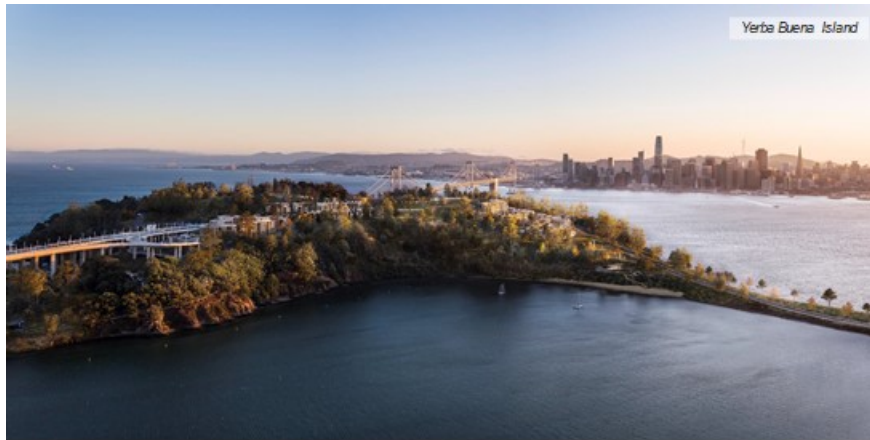
Source: Yerba Buena Island Developer

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Renderings of Planned Development - Yerba Buena Island



Source: Yerba Buena Island Developer

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PROGRAM UPDATE: Subphase 1: Yerba Buena Island



Source: TIDA staff

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PROGRAM UPDATE: Subphase 1: Yerba Buena Island

- Macalla Road realignment/widening underway
- Street Improvement/Infrastructure Permit Issued
- Water reservoirs are undergoing testing and are scheduled to be commissioned in Q3 2021
- First residential project, the Bristol, is expected to be complete in late 2021
- MOHCD lottery begins in October 2021 (14 BMR units)



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 late 2021
- First residents move on to YBI in early 2022



Source: Yerba Buena Island Developer

Capital Planning Committee | Community Facilities District No. 2016-1 (Treasure Island)

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PROGRAM UPDATE:

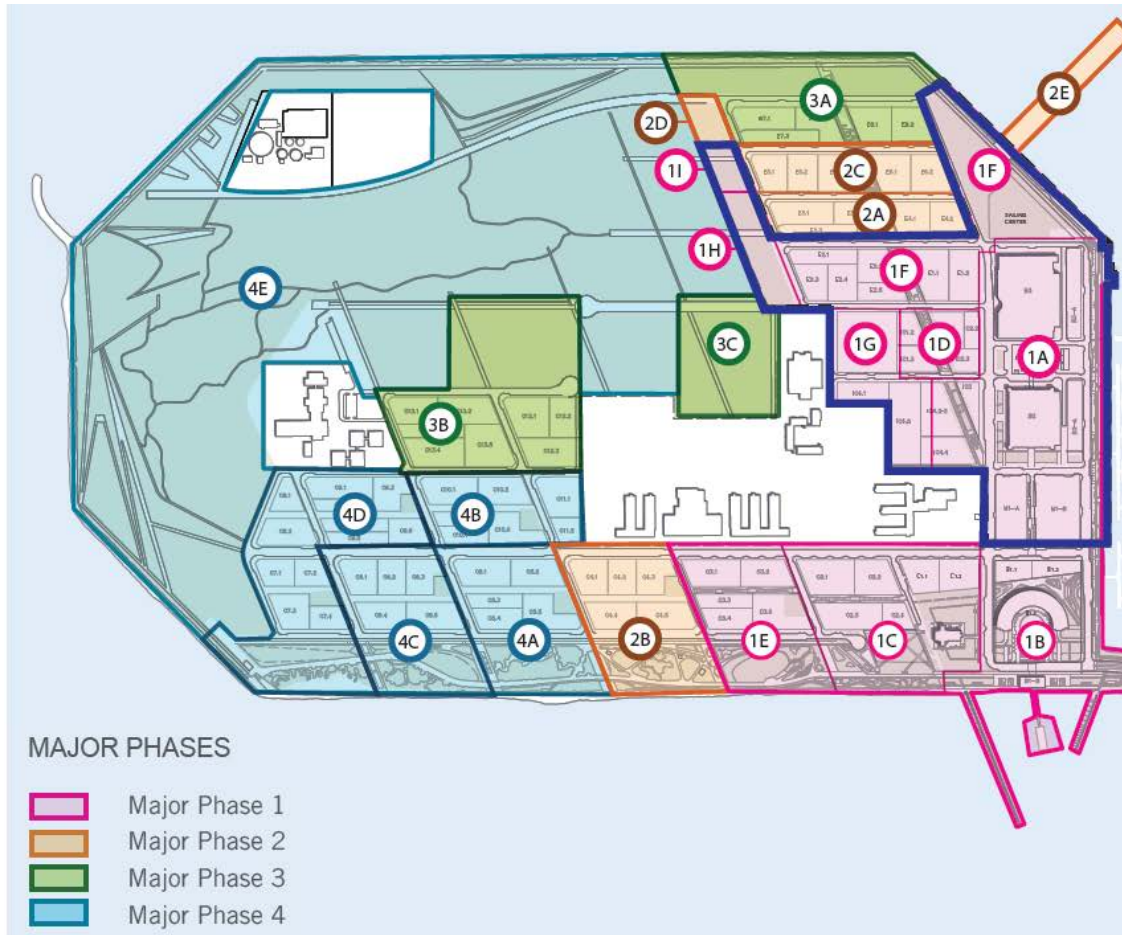
Subphase 2: Treasure Island

- Ferry Improvements under construction – to be completed Fall 2021
- Switchyard was turned over to the SFPUC to begin installation of cabling and equipment
- Goal is to activate new switchgear by the end of May and feed current residents from new switchyard by June
- SFPUC to advertise Wastewater Treatment Facility for construction in late 2021
- First 100% affordable residential building expected completion in May 2022



PROGRAM UPDATE:

Subphase 3: Treasure Island



- Encompasses Island Center
 - Commercial core & transportation hub
 - Important to provide service sector to growing community
- Street Improvement Permit Package submitted May 2019
 - Final subdivision map and street improvement permit completed by Q3 2021
- Abatement and demolition of structures have been completed
- Geotechnical ground improvement of this area is anticipated to start Q4 2021



Plan of Finance for Proposed Special Tax Bonds

BOND OVERVIEW & RISKS

- Non-Rated Special Tax (also known as “Land-Secured”) Bonds for new real estate development still underway would not receive an investment grade rating
RISK: Non-Rated Land-Secured bonds have unique credit considerations and risk factors:
 - Until fully built-out, Bonds bear some degree of development risk.
In troubled real estate markets, projects can struggle and may be abandoned by developers and/or 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 has covenanted, under certain circumstances, to 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 IA 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
 - Special Taxes are levied at their maximum for Developed Property, which is any property for which a building permit for vertical construction has been issued on or before June 30 of prior fiscal years
- Bonds are secured by pledge of special taxes levied on property in IA No. 1
- The 2020 Bonds were sized to leverage just the annual developed special tax levy on the Bristol (FY 2020-21, \$850,361 in special taxes collected)
- For the 2021 Bonds we are determining the sizing methodology and whether to leverage the value of all property in IA No. 1 by levying a VDDA special tax on parcels which have not yet pulled a building permit based on debt service on the 2021 Bonds
- Maximum projected special tax revenues on all properties must provide coverage of 110% on bond debt service annually – special tax rates escalate at 2% each year per the RMA



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 upcoming 2021 Bonds for IA No. 1, Integra Realty Resources, Inc. has prepared a preliminary Appraisal Report dated April 14, 2021^[1] with a valuation date of March 1, 2021, and concluded that the market value of the IA No. 1 taxable parcels^[2] is \$175,430,000*, subject to certain assumptions and limiting conditions

Improvement Area No. 1

$$\frac{\text{Appraised Value* (as of March 1, 2021): } \$175,430,000}{\begin{array}{l} \text{Not to Exceed: } \$41.340\text{M} \\ + \text{ Outstanding Bonds: } \$17.135\text{M} \\ \hline \$58,475,000 \end{array}} = 3.0$$

* Preliminary, subject to change

[1] Draft Appraisal Report will be included in the documents submitted to the Board of Supervisors related to the 2021 Special Tax Bonds approval

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

Capital Planning Committee | Community Facilities District No. 2016-1 (Treasure Island)



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

FY 2021-22 SPECIAL TAX LEVY, MAXIMUM SPECIAL TAX REVENUE &
SUMMARY OF VTL RATIOS* (DEVELOPMENT STATUS AS OF JUNE 30, 2020)

Development Status & Sub-Block	Expected Residential		Projected Special Tax Levy				Maximum Special Tax Revenues		
	Units	Square Footage	Appraised Value	FY 2021-22 Special Tax Levy	Allocated Bond Debt	Average VTL	FY 2021-22 Special Tax Levy	Allocated Bond Debt	Average VTL
Mixed Property - Developed Property (Building Permit Issued as of June 30, 2020) / Vertical DDA Property									
Sub-Block 4Y									
Developed Property									
The Bristol	110	128,157		\$895,422	\$19,828,842		\$895,422	\$15,124,038	
Vertical DDA Property									
Townhomes	39	101,989		\$445,612	\$9,867,942		\$655,359	\$11,069,275	
Flats	14	38,558		\$177,441	\$3,929,373		\$260,961	\$4,407,739	
Subtotal	163	268,704	\$96,390,000	\$1,518,475	\$33,626,157	2.87	\$1,811,742	\$30,601,051	3.15
Vertical DDA Property									
Sub-Block 1Y	73	210,989	\$70,760,000	\$947,170	\$20,974,785	3.37	\$1,392,996	\$23,528,267	3.01
Sub-Block 3Y	11	40,040	\$8,280,000	\$174,943	\$3,874,058	2.14	\$257,287	\$4,345,682	1.91
Subtotal	84	251,029	\$79,040,000	\$1,122,113	\$24,848,843	3.18	\$1,650,283	\$27,873,949	2.84
TOTAL	247	519,733	\$175,430,000	\$2,640,588	\$58,475,000	3.00	\$3,462,025	\$58,475,000	3.00

Capital Planning Committee | Community Facilities District No. 2016-1 (Treasure Island)

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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)
 - Land acquisition costs
 - 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 \$41,430,000

ESTIMATED FINANCING TERMS

- Final Maturity of September 1, 2051
- Estimated True Interest Cost: 3.66%
- Estimated Bond Proceeds: \$35.53M
- Estimated Financing Costs: \$1.37M
- Estimated Total Debt Service: \$76.87M

Source: Stifel, PFM, and CSG Advisors, Inc.
Market conditions as of April 2021

SOURCES & USES

Sources:

Bond Proceeds	
Par Amount	\$41,340,000
Premium	2,610,000
Total Sources	\$43,950,000

Uses:

Improvement Fund	\$37,605,000
Debt Service Reserve Fund	3,175,000
Capitalized Interest Fund	1,800,000
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$750,000
Underwriter's Discount	620,000
Total Uses	\$43,950,000

Not-to-Exceed Par Amount	\$43,950,000
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DISCUSSION



APPENDIX A: PROGRAM OVERVIEW



CAPITAL PLAN HIGHLIGHTS:

Treasure Island / Yerba Buena Island

PUBLIC IMPROVEMENTS

- Total TICD Enhancement Program = \$1,920 M
- Buildout expected to continue through 2030 – 2035
- Major Projects
 - Geotechnical improvements
 - New utilities (electric, water, storm, sewer)
 - 300 acres of open space improvements (trails, parks, waterfront)
 - New ferry facilities
 - Building 1 & Hanger 2 renovation
- Major Funding Sources
 - Private capital
 - Community Facilities District proceeds
 - Infrastructure & Revitalization Financing District proceeds
 - State and Federal funds (to be identified)



CAPITAL PLAN HIGHLIGHTS:

Treasure Island / Yerba Buena Island

Facility	Estimated Project Costs	Estimated Timing
Acquisition	65,180,000	2015-2024
Abatement & Hazardous Soil Removal	108,770,422	2016-2025
Demolition	98,070,064	2016-2025
Supplemental Fire Water Supply System	15,019,498	2019-2020
Low Pressure Water	49,803,499	2016-2025
Water Tank Facilities	40,226,923	2016-2017
Recycled Water	24,261,180	2016-2027
Storm Drainage System	82,842,389	2016-2027
Separated Sanitary Sewer	84,776,715	2016-2027
Joint Trench	60,463,015	2016-2027
Earthwork	381,697,388	2016-2027
Retaining Walls	7,827,847	2016-2027
Highway Ramps, Roadways, Pathways, Curb, & Gutter	105,081,013	2016-2027
Traffic	26,253,068	2016-2027
Streetscape	51,539,433	2016-2029
Shoreline Improvements	19,871,129	2016-2027
Parks	202,140,427	2017-2029
Ferry Terminal	91,521,948	2019-2026
Other Hard & Soft Costs	30,970,991	2016-2025
Community Facilities	157,054,837	2017-2028
Historic Renovation	37,500,000	2019-2023
Subsidies	179,124,259	2017-2029
Total	\$1,919,996,044	



PROGRAM UPDATE: Property Transfers of Navy Lands

Parcel	Status
Early Ramps Project Transfer	Transferred November 27, 2013
Initial Navy Closing	Transferred May 29, 2015
Parcels B3, 21 & 27	Transferred September 20, 2016
Building 233, Parcels UC 1 & UC 2	Transferred August 1, 2017
Parcels 30, 30N, 30S, 30W & 31	Transferred September 13, 2018
Parcel 24	Transferred October 30, 2019
Parcel 2	Wastewater Treatment Plant site included in FOST 8. Transfer date uncertain – may be impacted by Site 6 PFOs/PFAs investigation.
Parcel 6 & 32	Initial field work complete. Navy conducting PFOs/PFAs survey of Site 6. Both parcels used by Navy to support activities in Site 12. Transfer date uncertain – may be transferred concurrent with Parcel 2.
Parcels 12A, 12B & Navy Retained Parcels	Site subject to further remediation. Transfer not anticipated prior to 2025.

