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Supplemental Update to Citywide IFD Policy
Office of Public Finance & Office of Economic and Workforce Development
Capital Planning Committee

February 27, 2023

Mayor Breed's Housing for All Plan

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- ❑ Entitled large projects in the pipeline are our best and fastest opportunity to add significant housing supply.
- ❑ Yet these projects are grappling with significant feasibility issues that are inhibiting their progress.
- ❑ City can accelerate pipeline projects by investing funds to pay for the public infrastructure that must be built before housing parcels are ready for construction.
- ❑ City would receive new public infrastructure faster and unlock an expansion of our housing supply plus associated community benefits.
- ❑ **Why Now?** Mounting development infeasibility, Housing Element requirements, increasing unaffordability, unlocking a wider tax base.

Infrastructure Financing District (IFD) Policy Background

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- ▣ Original IFD Policy was approved in February 2011
 - ▣ Contained six (6) minimum threshold criteria and four (4) strategic criteria
 - ▣ Approved in tandem with the Rincon Hill Pilot IFD
 - ▣ Excluded Redevelopment Project Areas and Port owned/managed land, which is subject to a separate Port IFD Policy

- ▣ Key Elements of the 2011 IFD Policy
 - ▣ Limited IFD eligibility to large-scale projects with significant rezoning and net fiscal benefit
 - ▣ Limited to projects that address infrastructure deficiencies and contain long-term maintenance commitments
 - ▣ Restricted the maximum cumulative increment available to no more than 50% of the total projected increment over the 30-year term of the IFD, and in no event allow an IFD's cumulative share of increment to exceed the total projected net fiscal benefit generated within the IFD over its 30-year term
 - ▣ Conformed to State IFD law that was in place at the time

Proposed Updates to IFD Policy

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□ New or modified items

- 50% of increment (criterion #3) to be enforced on an **annual** rather than **cumulative** basis, allows City to allocate additional increment on a conditional basis for debt service coverage
- Conforms policy to current State IFD laws established since 2011 (ex. EIFD program has a 45 year term)
- **New** policy (criterion #7) limits IFD debt across all IFDs such that total annual debt payments do not exceed 5% of annual property tax revenue
- **New** “Use it or lose it” clause (criterion #8) with option for City to dissolve a district if minimum development milestones are not met (clause expires once debt is issued)

□ Original items being retained

- Limit IFD eligibility to large-scale projects with significant rezoning and net fiscal benefit
- Limit to projects that address infrastructure deficiencies and contain long-term maintenance commitments
- Redevelopment Project Areas, Port owned/managed land, and established districts (ex. Treasure Island) are exempt from all items except new citywide 5% limit (criterion #7)

Approval and Implementation

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- Potential future districts will work with OPF and OEWD to assess eligibility and select specific IFD program.
- Capital Planning Committee reviews policy guidelines and each proposed district formation.
- Board of Supervisors formally establishes each district and approves the allocation of the increment.
- Public Financing Authority (PFA) is established to manage EIFDs; membership includes three Board members and two members of the public.
- District/developer funds City staff time needed to implement district and issue bonds; tax increment pays for compliance work.