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3333 & 3700 California EFD Formation
Office of Public Finance & Office of Economic and Workforce Development
Capital Planning Committee

October 21, 2024

EIFD Policy Approach

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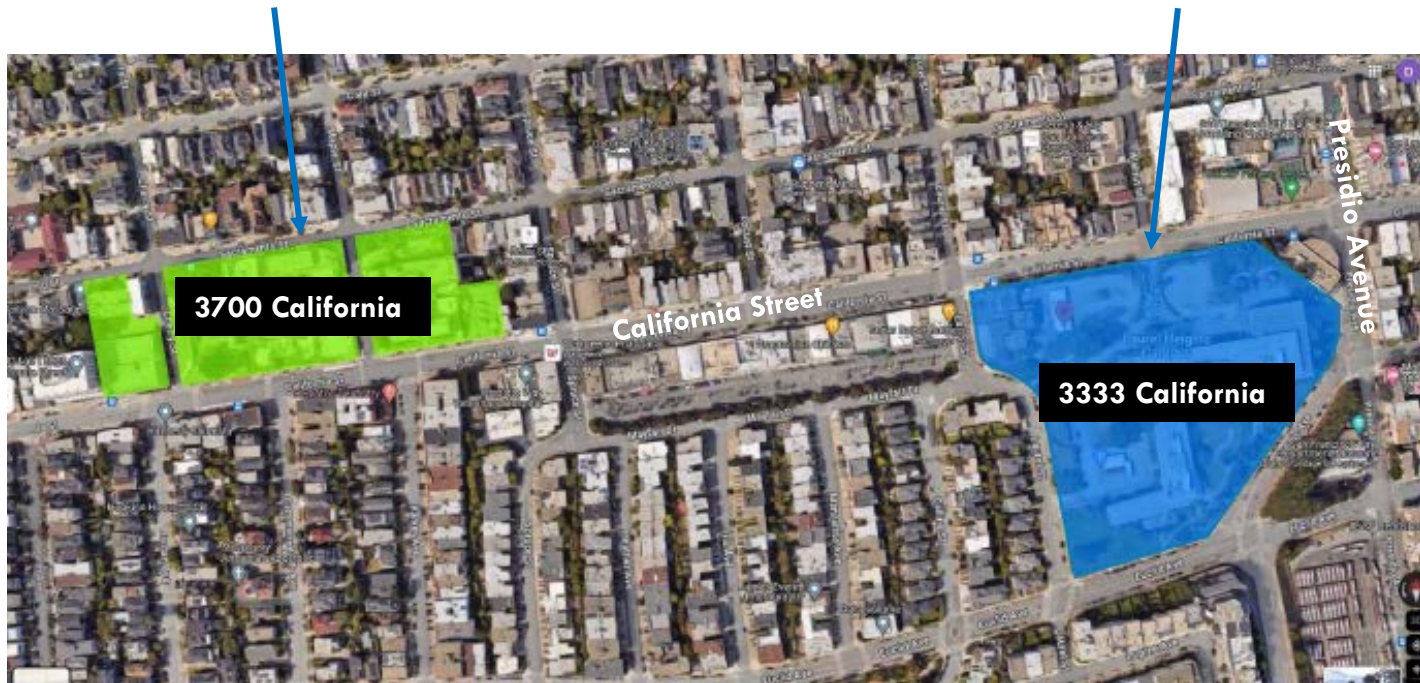
Accelerating the Housing Pipeline

- ▣ 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 the housing is able to be constructed.
- ▣ City would receive new public assets 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.
- ▣ Solution: In 2023 City updated IFD guidelines with new guardrails and guidance to allow EIFD financing to be deployed across large pipeline projects. To date: Power Station (formed), Stonestown (initiated).

3333 & 3700 California Project Locations

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- ▣ **3700 California** is located on a 4.9-acre site that encompasses 14 parcels. The site was previously occupied by Sutter Health's CPMC Hospital - all buildings are currently vacant.
- ▣ **3333 California** is located on a 10.25-acre site at the intersection of Laurel Heights and Presidio Heights. The site was previously occupied by UCSF's Laurel Heights Campus and is now vacant.



3333 California Project Overview

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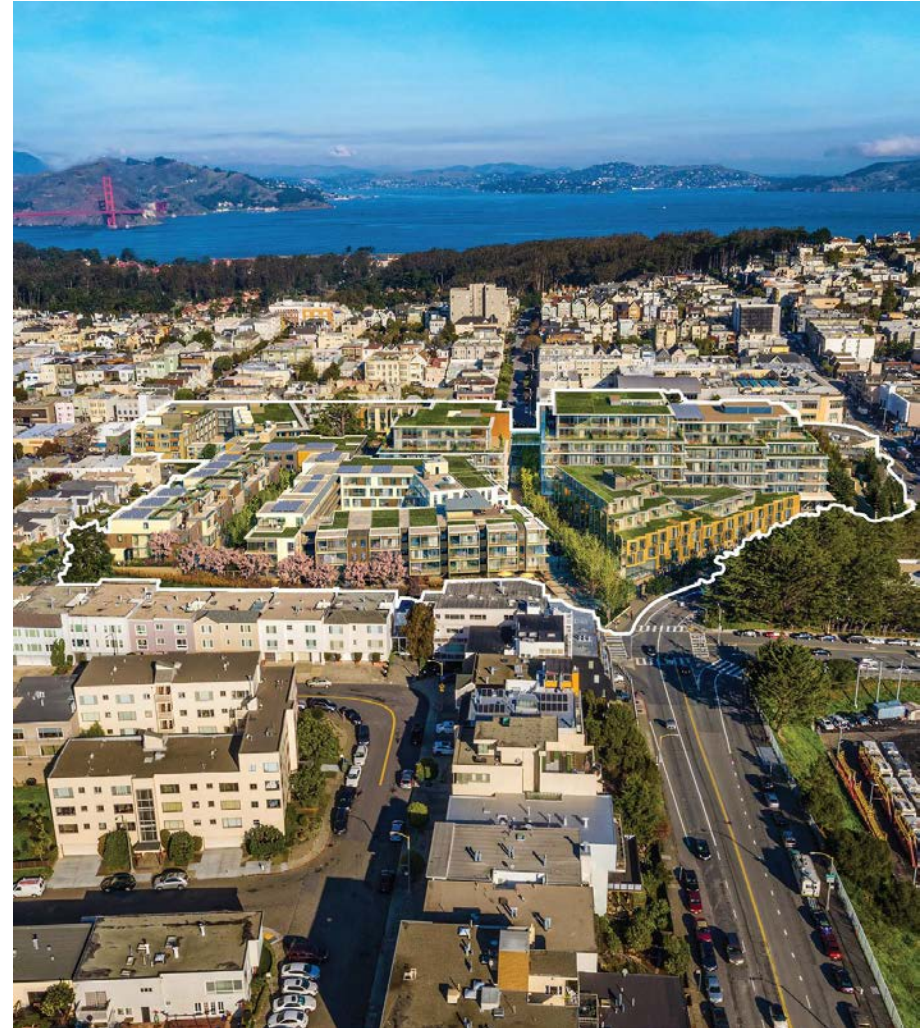
- ▣ 3333 California will be comprised of:
 - ▣ 744 residential units (125 senior affordable)
 - ▣ 38,094 square feet of neighborhood-serving retail space
 - ▣ A 13,933 square foot childcare space (175 seats)
 - ▣ 3 acres of new public open spaces
 - ▣ Sidewalk and streetscape improvements
 - ▣ Adaptive reuse of existing office building to residential



- Features:**
1. California Square
 2. Walnut Drive
 3. Walnut Court
 4. Mayfair Walk
 5. Overlook
 6. Pine Street Steps
 7. Masonic Terraces
 8. Corner Plaza
 9. Walnut Walk
 10. Mayfair Garden
 11. Euclid Green
 12. Commercial Streetscape

3333 California at Full Buildout

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3700 California Project Overview

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- ❑ 3700 California program includes:
 - ❑ 567 total market-rate units including:
 - ❑ 335 residential units
 - ❑ 232-unit senior living community (continuum of care)
 - ❑ Sidewalk and streetscape improvements
 - ❑ Adaptive reuse of Marshal Hale hospital building



3700 California at Full Buildout

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Public Benefits

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- ▣ Housing
 - ▣ Over 1,300 units of new housing in a high-resource neighborhood with traditionally limited supply
 - ▣ 125 units of on-site affordable senior housing by Mercy Housing
 - ▣ Affordable housing fee payments
- ▣ Publicly-Accessible Open Space: 3 acres of new public open space including flowering gardens, plazas, trees, and a large park at the corner of Euclid and Laurel Streets
- ▣ Jobs: 1,500+ Construction jobs and 206 permanent jobs; LBE and First Source
- ▣ Mobility and Walkability: Public pedestrian walkways through sites to connect community, bike parking, car share, childcare pick up zones, and delivery supportive amenities
- ▣ Sustainability: Adaptive Reuse (office to residential conversion), LEED Gold +
- ▣ On-Site Childcare: Childcare space for 175 children

Why EIFD for 3333 & 3700 California?

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- Like many projects, 3333 & 3700 California is financially challenged given today's economics, including high construction costs and interest rates.
- EIFD harnesses net new tax revenue generated by the project to support the project's cost of infrastructure, which is otherwise difficult to finance.
- EIFD improves the project's economics by providing a reliable stream of funding over time to reimburse the developer for the cost of eligible uses in the project.
- This tool brings the project much closer to feasibility and will allow it to commence construction of much needed housing and associated community benefits sooner into the City's economic recovery.
- City is accelerating housing production in our large pipeline projects with EIFD, which will help us achieve our housing production goals.

EIFD Eligible Uses

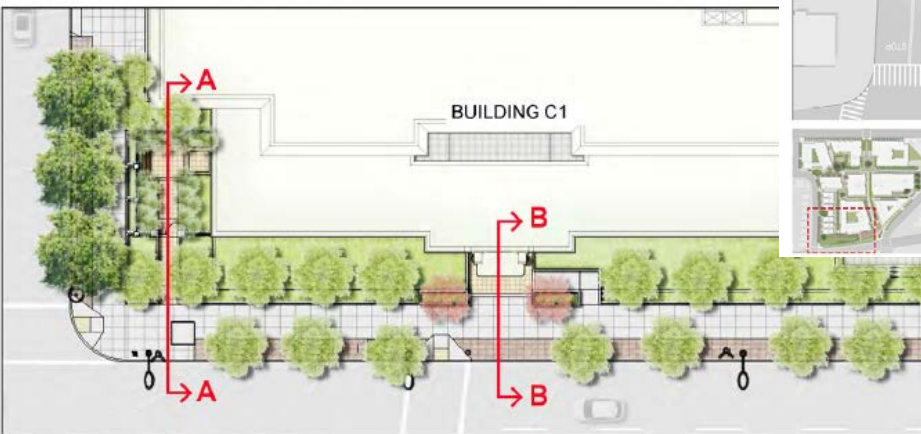
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Facilities

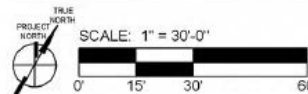
- Streets, sidewalks, and utilities
- Parks and Open Space
- Privately-Owned, Publicly-Accessible Community Improvements
- Affordable Housing

Other

- Bond-related expenses
- Administrative fees
- Reimbursement of costs related to the formation of the EIFD and Project Areas



CALIFORNIA STREET PLAN - BLOCK C WEST



Net Fiscal Benefit Analysis

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- EPS has prepared a preliminary fiscal impact report to demonstrate the project’s net fiscal benefit after tax increment diversion.
- The City’s fiscal consultant Keyser Marston Associates has peer reviewed the analysis and confirmed that the project will generate a net fiscal benefit, assuming that the project’s anticipated performance metrics are realized.

Annual Estimated Fiscal Impact at Buildout 3333 & 3700 California

Annual General Fund Revenues After Baseline Funding	6,479,000
<u>(Less) Annual General Fund Expenditures</u>	<u>-5,191,000</u>
Net Annual Impact on General Fund	1,288,000
<u>Net Impact on MTA Fund</u>	<u>285,000</u>
Total Fiscal Benefit Estimate	1,573,000

Annual Estimated 3333 & 3700 California Tax Increment at Buildout

Property Tax - GF Revenue	9,216,007
<u>PTILVLF - GF Revenue</u>	<u>1,521,087</u>
Total - GF Tax Increment Revenue	10,737,094
Developer Share of Property Tax (58.25%)	5,368,547
<u>Developer Share of PTILVLF (0%)</u>	<u>0</u>
Developer Share of Tax Increment Revenue (50%)	5,368,547
City Share of Tax Increment Revenue (50%)	5,368,547

Next Steps

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- ▣ Resolution of Intention to Form EIFD and other items at Budget and Finance Committee on October 30, 2024.
- ▣ Project considered by full Board of Supervisors (BoS) on November 5, 2024 for first reading and November 19, 2024 for second reading.
- ▣ Formation process, including drafting of Infrastructure Financing Plan (IFP) and hearings of the EIFD No. 1, continues into 2025.
- ▣ BoS consideration of IFP anticipated in Summer 2025.

Appendix

IFD Policy Compliance

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1. The project requires significant rezoning, extensive need for infrastructure, and IFD funding necessary for feasibility; and is within a priority development area and includes a Development Agreement for 3333 California.
2. Based on economic analysis, the project results in a net fiscal benefit to the General Fund after tax increment diversion.
3. 50% of the tax increment will be allocated to EIFD and 50% will continue to flow to City.
4. The project will address infrastructure deficiencies in the neighborhood by constructing significant streetscape and access improvements.
5. The project includes a long-term maintenance commitment.
6. All incremental property tax revenues will flow to General Fund until specifically appropriated into the EIFD.
7. EIFD debt payments for this project plus all other EIFDs will not exceed 5% of annual property tax revenue.
8. This EIFD will be subject to ten year “use it or lose it” requirement.

EIFD Public Financing Authority No. 1

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- ▣ The Board of Supervisors (BoS) approved the creation of the EIFD PFA No. 1 in 2023 to serve as governing body of the Power Station EIFD
- ▣ In 2024 the BoS passed Ordinance No. 210-24, which allows the EIFD PFA No. 1 to serve as the legislative body for any additional EIFDs that are formed.
- ▣ The EIFD PFA No. 1 has three seats held by BoS members and two seats held by members of the public.
- ▣ During the formation process for the 3333 & 3700 California EIFD the EIFD PFA No. 1 will hold five public meetings, three of which will be public hearings on the Infrastructure Financing Plan.