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
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/collection 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

261 Total Units + 5 Single-Family Homesites

Source: Yerba Buena Island Developer
Improvement Area No. 1 - Yerba Buena Island Map

Yerba Buena Vertical

261 Total Units + 5 Single-Family Sites

Source: Yerba Buena Island Developer
Renderings of Planned Development - Yerba Buena Island

Source: Yerba Buena Island Developer
PROGRAM UPDATE:
Subphase 1: Yerba Buena Island

Source: TiDA staff
**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
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.

  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
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**

\[
\frac{\text{Appraised Value* (as of March 1, 2021):}}{\text{Not to Exceed: } + \text{ Outstanding Bonds: }} \geq 3.0
\]

* 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
# 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)*

<table>
<thead>
<tr>
<th>Development Status &amp; Sub-Block</th>
<th>Units</th>
<th>Square Footage</th>
<th>Appraised Value</th>
<th>FY 2021-22 Special Tax Levy</th>
<th>Allocated Bond Debt</th>
<th>Average VTL</th>
<th>Maximum Special Tax Revenues</th>
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<tbody>
<tr>
<td><strong>Mixed Property - Developed Property (Building Permit Issued as of June 30, 2020)</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Sub-Block 4Y</strong></td>
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<tr>
<td>Developed Property</td>
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<tr>
<td>The Bristol</td>
<td>110</td>
<td>128,157</td>
<td>$895,422</td>
<td>$19,828,422</td>
<td>$895,422</td>
<td>$15,124,038</td>
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<tr>
<td><strong>Vertical DDA Property</strong></td>
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<tr>
<td>Townhomes</td>
<td>39</td>
<td>101,989</td>
<td>$445,612</td>
<td>$9,867,942</td>
<td>$655,359</td>
<td>$11,069,275</td>
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<tr>
<td>Flats</td>
<td>14</td>
<td>38,558</td>
<td>$177,441</td>
<td>$3,929,373</td>
<td>$260,961</td>
<td>$4,407,739</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>163</td>
<td>268,704</td>
<td>$96,390,000</td>
<td>$1,518,475</td>
<td>$33,626,157</td>
<td>2.87</td>
<td>$1,811,742</td>
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<tr>
<td><strong>Vertical DDA Property</strong></td>
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<tr>
<td><strong>Sub-Block 1Y</strong></td>
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<tr>
<td><strong>Sub-Block 3Y</strong></td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>84</td>
<td>251,029</td>
<td>$79,040,000</td>
<td>$1,122,113</td>
<td>$24,848,843</td>
<td>3.18</td>
<td>$1,650,283</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>247</td>
<td>519,733</td>
<td>$175,430,000</td>
<td>$2,640,588</td>
<td>$58,475,000</td>
<td>3.00</td>
<td>$3,462,025</td>
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</tbody>
</table>
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

SOURCES & USES

Sources:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Bond Proceeds</td>
<td>$41,340,000</td>
</tr>
<tr>
<td>Par Amount</td>
<td>$41,340,000</td>
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<tr>
<td>Premium</td>
<td>$2,610,000</td>
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<tr>
<td>Total Sources</td>
<td>$43,950,000</td>
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Uses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Improvement Fund</td>
<td>$37,605,000</td>
</tr>
<tr>
<td>Debt Service Reserve Fund</td>
<td>$3,175,000</td>
</tr>
<tr>
<td>Capitalized Interest Fund</td>
<td>$1,800,000</td>
</tr>
<tr>
<td>Delivery Date Expenses</td>
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<tr>
<td>Cost of Issuance</td>
<td>$750,000</td>
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<tr>
<td>Underwriter's Discount</td>
<td>$620,000</td>
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<tr>
<td>Total Uses</td>
<td>$43,950,000</td>
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</tbody>
</table>

Not-to-Exceed Par Amount: $43,950,000

Source: Stifel, PFM, and CSG Advisors, Inc.
Market conditions as of April 2021
DISCUSSION
CAPITAL PLAN HIGHLIGHTS:
Treasure Island / Yerba Buena Island

PUBLIC IMPROVEMENTS

• Total TICD Enhancement Program = $1,920 M
• Buildout expected to continue though 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

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

<table>
<thead>
<tr>
<th>Parcel</th>
<th>Status</th>
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<tbody>
<tr>
<td>Early Ramps Project Transfer</td>
<td>Transferred November 27, 2013</td>
</tr>
<tr>
<td>Initial Navy Closing</td>
<td>Transferred May 29, 2015</td>
</tr>
<tr>
<td>Parcels B3, 21 &amp; 27</td>
<td>Transferred September 20, 2016</td>
</tr>
<tr>
<td>Building 233, Parcels UC 1 &amp; UC 2</td>
<td>Transferred August 1, 2017</td>
</tr>
<tr>
<td>Parcels 30, 30N, 30S, 30W &amp; 31</td>
<td>Transferred September 13, 2018</td>
</tr>
<tr>
<td>Parcel 24</td>
<td>Transferred October 30, 2019</td>
</tr>
<tr>
<td>Parcel 2</td>
<td>Wastewater Treatment Plant site included in FOST 8. Transfer date uncertain – may be impacted by Site 6 PFOs/PFAs investigation.</td>
</tr>
<tr>
<td>Parcel 6 &amp; 32</td>
<td>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.</td>
</tr>
<tr>
<td>Parcels 12A, 12B &amp; Navy Retained Parcels</td>
<td>Site subject to further remediation. Transfer not anticipated prior to 2025.</td>
</tr>
</tbody>
</table>