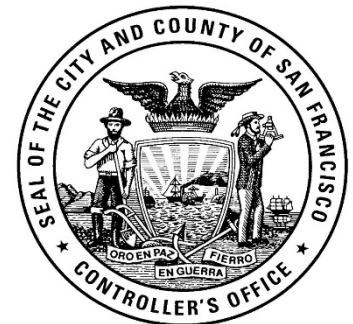
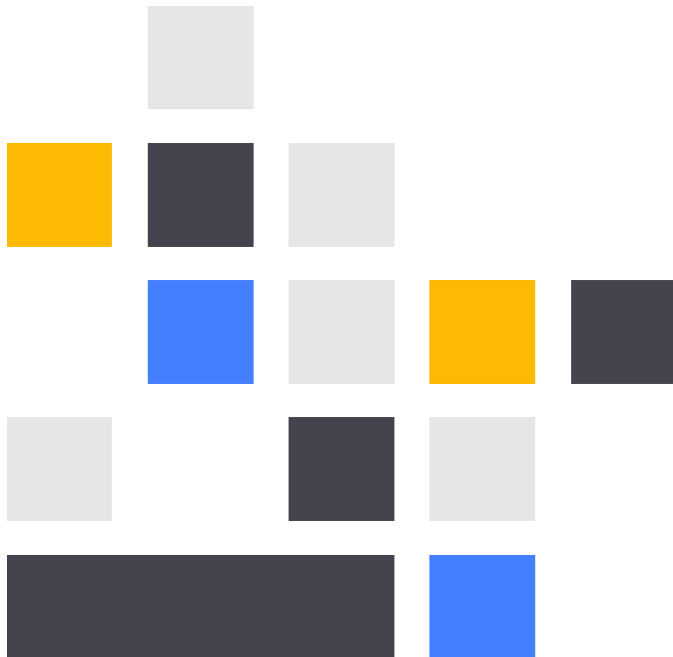


Improvement Area No. 2 of Community Facilities District No. 2016-1 (Treasure Island)

Infrastructure & Revitalization Financing District No. 1 (Treasure Island)

CAPITAL PLANNING COMMITTEE



November 13, 2023

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

Actions for Consideration by Committee

SPECIAL TAX BONDS

- Resolution Authorizing the Issuance of Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds Not to Exceed \$17,000,000

TAX INCREMENT REVENUE BONDS

- Resolution Authorizing the Issuance of City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) Tax Increment Revenue Bonds Not to Exceed \$10,000,000
- Ordinance appropriating \$1,540,000 in Tax Increment Revenue Bond Proceeds in Treasure Island Infrastructure and Revitalization Financing District – FY2023-24



Milestones for Treasure Island CFD and IRFD

- **June 2011** – Disposition and Development Agreement signed
- **January 2017** – Community Facilities District (CFD) and Infrastructure and Revitalization Financing District (IRFD) formed by Board of Supervisors to facilitate future funding of the Project
- **October 2020** – First CFD bond issuance for Improvement Area No. 1 in the amount of \$17.135 million
- **July 2021** – Second CFD bond issuance for Improvement Area No. 1 in the amount of \$41.340 million
- **January 2022** – First CFD bond issuance for Improvement Area No. 2 in the amount of \$25.13 million; third CFD bond issuance overall for Treasure Island Project
- **September 2022** – First IRFD bond issuance for the Infrastructure and Revitalization Financing District No. 1 in the amount of \$25.39 million
- **November 2023** – *Board of Supervisors considers approval of second issuance of Improvement Area No. 2 Special Tax Bonds (CFD Bonds) in amount Not to Exceed \$17 million; fourth CFD issuance overall*
- **November 2023** – *Board of Supervisors considers approval of second issuance of Infrastructure and Revitalization Financing District No. 1 (Treasure Island) Tax Increment Revenue Bonds (IRFD Bonds) in an amount Not to Exceed \$10 million; second IRFD issuance overall*
- **December 2023/January 2024** – Proposed CFD Bonds and IRFD Bonds price and close



Treasure Island Project Update

INFRASTRUCTURE IMPROVEMENTS:

- Notice of Completion (NOC) has been issued for:
 - TI Stage 1 & YBI – Utilities and Streets Infrastructure (SIP); new roadway, soil stabilization, and utility infrastructure complete
 - Water Storage, Electrical Switchyard, & Pump Facilities
 - TIDA Assets within TI Stage 1 and YBI
- First public park, The Rocks Dog Park, completed and accepted
- Ferry service running
- Bay Bridge Freeway Ramps Westbound (2016) and I-80 interchange (2023)
- Upcoming improvements: Parks (NOC expected end of 2023) - East and West Park on YBI Hilltop, Causeway Park, Waterfront Plaza, TI Storm Treatment Pump Stations



Treasure Island Project Update



HOUSING:

THE BRISTOL

- Move-ins began in June 2022
- Condominium (Studio, 1, 2, & 3-BR)
- Unit Count: 124 (14 of which are inclusionary)



MACEO MAY

- Opened in May 2023
- Swords to Plowshares & Chinatown CDC
- Unit Count: 105
- Target Population: Homeless and low-income veterans

Under Construction: 138-unit Star View Court (Mercy Housing) scheduled for completion late 2024; approx. 600 units under construction scheduled for completion by Jan. 2025.



Goals for Amending Project Agreements

- Modernize the agreements between City, TIDA, and developer to reflect changes in City policy, economic conditions, and emergent island needs since the 2011 original agreement.
- Deliver the community benefits and affordable housing that were promised. Update when and how they are provided to match reality.
- Improve City process for reviewing and permitting infrastructure.
- Accelerate City fiscal resources promised for development to be able to swiftly advance Phase 2 and accelerate performance of future phases.
- Potential assumption by the City of targeted infrastructure assigned to the Developer under the DDA.
- Restructure TIDA's budget to reflect that Treasure Island is a city neighborhood and not merely a development site.
- Establish near-term transportation options for current residents to serve their needs today; while also planning for an effective congestion management policy for the long-term.

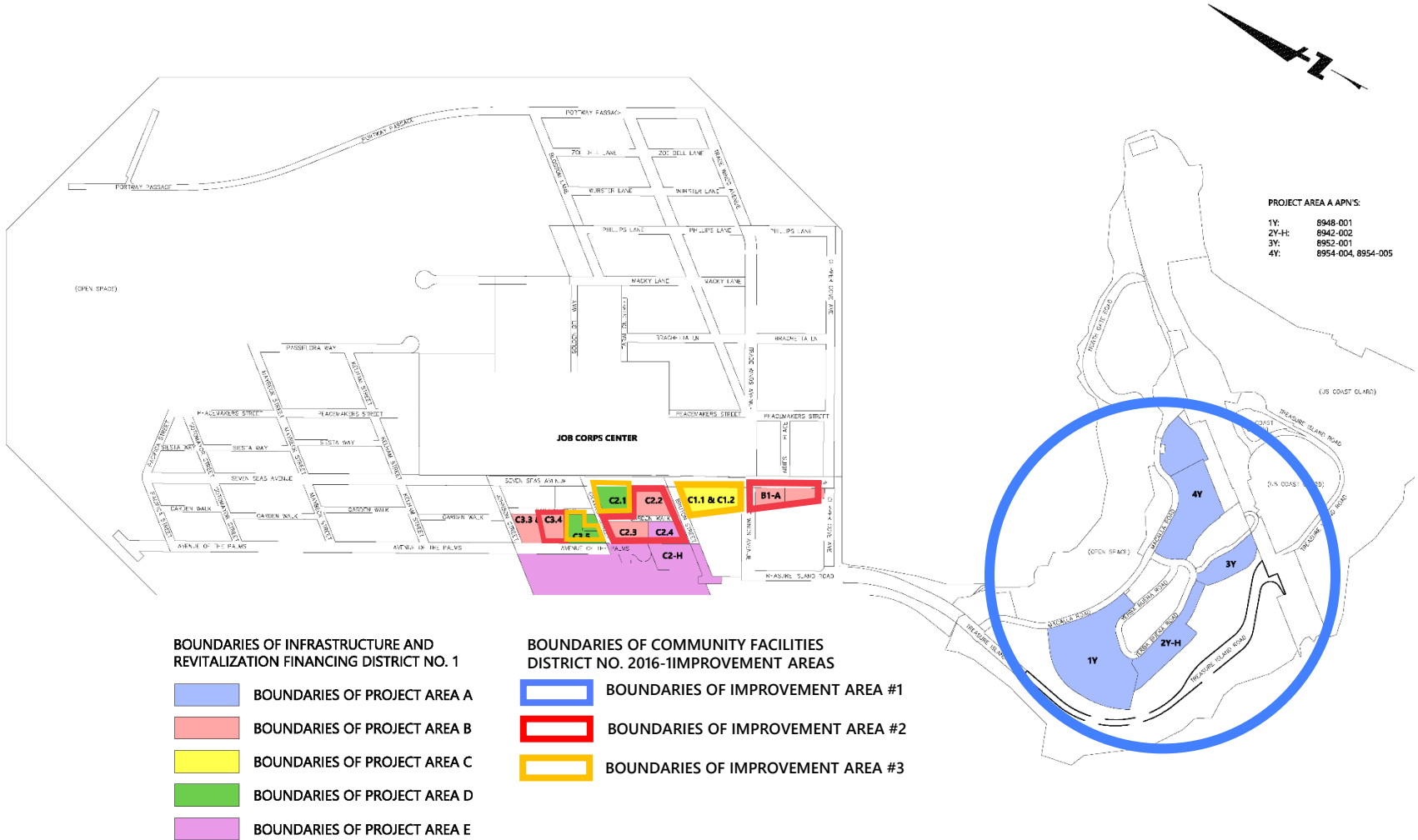


Future Project Amendments Under Consideration

1. **Project Delivery Changes:** Reorder schedule of performance deadlines for community facilities to match current needs; defer affordable housing payments until they are needed by MOHCD and defer 27 inclusionary units; build more flexibility into developer subsidies for transportation and schools.
2. **TIDA Budget Reorganization/Modernization:** Remove developer shortfall payments and oversight from TIDA's budget process and regularize developer payments of city costs to improve operations between TIDA and developer.
3. **Fiscal Measures:** Increase City investment into project through debt instruments and/or expanded tax increment allocations to more quickly repay the developer for eligible public infrastructure expenditures and increase project momentum.
4. **Integrate Treasure Island/Yerba Buena Island into SFGov:** Reorient City services and responsibilities to ensure that TI and YBI operate and are serviced on par with other neighborhoods in the city.
5. **Predictable City Permit Review:** Amend Existing Interagency Cooperation Agreement to conform to current best practices and establish clear escalation/decision protocols.



Map of the Treasure Island CFD and IRFD



Improvement Area No. 2 CFD Bonds: Overview

Security/Structure

- Secured by pledge of special taxes levied in Improvement Area 2 (IA 2) in accordance with the Rate and Method of Apportionment (“RMA”) adopted at formation
- Aggregate annual debt service coverage of 110%, net of administrative costs, based on taxes levied “Developed” parcels^[1]
- Taxes and debt service escalate at 2% per year
- Additional Special Tax Reserve Fund available to pay debt service on the proposed and outstanding Bonds until a release test tied to commencement of construction on Sub-Block B1 has been satisfied

Use of Proceeds

- CFD proceeds will reimburse the developer for qualified project costs, including but not limited to permitting and asset acceptance costs and predevelopment costs attributable to supporting public infrastructure



Source: Rendering from Treasure Island Master Developer

[1] A property for which a building permit for vertical construction has been issued on or before June 30 of prior fiscal years



Improvement Area No. 2 – Development Parcels

IMPROVEMENT AREA NO. 2 CONSISTS OF FIVE DEVELOPMENT PARCELS

Development Status & Sub-Block	Merchant Builder	Development Description	Development Status	Appraised Value*	Allocated Bond Debt*	Value-to-Lien*
Developed Property						
Sub-Block B1	Poly	Rental Residential	Site permit issued; start of construction TBD	\$10,500,000	\$4,198,750	2.50
Sub-Block C2.4	Stockbridge/ Wilson Meany JV	Rental Residential	Under construction	\$99,900,000	\$7,954,686	12.56
Sub-Block C2.2	Lennar	Rental Residential	Under construction	\$37,300,000	\$5,637,027	6.62
Sub-Block C3.4	Stockbridge/ Wilson Meany/Lennar JV	For-Sale Condos	Under construction	\$46,900,000	\$12,994,364	3.61
Vertical DDA Property						
Sub-Block C2.3	Poly	For-Sale Condos	Site permit issuance TBD	\$25,300,000	\$9,205,173	2.75
Total				\$219,900,000	\$39,990,000	5.50

* Preliminary, subject to change



Treasure Island IRFD: Overview

- FY24 Assessed Value for active Project Areas (A, B, E) of \$486,864,276 is estimated to generate \$3,130,794 of **Pledged Tax Increment**
- City has pledged a portion of its incremental ad valorem property taxes collected on properties within the IRFD (56.588206% of the 1%, "**Net Available Increment**") to finance:
 - 82.5% to reimburse eligible developer infrastructure costs ("Facilities Bonds")
 - 17.5% to fund affordable housing ("Housing Bonds")
- The City's remaining (8.00% of the 1%) portion of its share of property tax increment is pledged to the IRFD for debt service coverage
 - Funds will return to the general fund each year if not needed



Proposed IRFD Bonds

Use of Proceeds

- *Facilities (2023A)*: Expected reimbursement of qualified project costs of the developer including but not limited to geotechnical work conducted and attributable to supporting public infrastructure
- *Housing Bonds (2023B)*: Planned source for affordable housing loan to support predevelopment work on 150 units affordable housing project constructed by John Stewart Company and Catholic Charities on Treasure Island (“TI Parcel IC4.3 Project”)



Proposed IA No. 2 CFD Bonds - Estimated Sources & Uses

ESTIMATED FINANCING TERMS

- Final Maturity: September 1, 2052
- Estimated True Interest Cost: 6.56%
- Estimated Bond Proceeds: \$11.8M
- Estimated Financing Costs: \$766K
- Estimated Total Debt Service: \$32.6M

SOURCES & USES

Sources:

Par Amount	\$14,380,000
Original Issue Discount	(333,824)
Est Special Taxes on Hand	634,454

Total Sources	\$14,680,630
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Uses:

Project Fund	\$11,797,443
Deposit to Parity Reserve	1,483,033
Additional Special Tax Reserve	634,454

Delivery Date Expenses

Cost of Issuance	\$550,000
Underwriter's Discount	\$215,700

Total Uses	\$14,680,630
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Source: Stifel, Nicolaus & Co, Inc.; Market conditions as of October 2023

Proposed IRFD Bonds – Estimated Financing Structure

- The Bonds will be structured with annual level debt service and coverage of 125% from Pledged Tax Increment

EST. FINANCING TERMS

2023A & 2023B Bonds

- Final Maturity: Sept. 1, 2053
- Est. True Interest Cost: 6.40%
- Est. Bond Proceeds: \$7.1M
- Est. Financing Costs: \$678K
- Estimated Total Debt Service: \$19.6M

SOURCES & USES

	2023A Facilities	2023B Housing	Total Bonds
<u>Sources:</u>			
Bond Proceeds			
Estimated Par Amount	\$7,035,000	\$1,480,000	\$8,515,000
Original Issue Discount	(143,833)	(30,365)	(174,198)
Total Sources	\$6,891,167	\$1,449,635	\$8,340,802
<u>Uses:</u>			
Project Fund	\$5,845,088	\$1,228,064	\$7,073,152
Debt Service Reserve Fund	486,150	103,775	589,925
<u>Delivery Date Expenses</u>			
Cost of Issuance	454,404	95,596	550,000
Underwriter's Discount	105,525	22,200	127,725
Total Uses	\$6,891,167	\$1,449,635	\$8,340,802



Source: Stifel, Nicolaus & Co, Inc.; Market conditions as of October 2023

Proposed IA2 CFD and IRFD Bonds – Risk Factors

- The proposed CFD & IRFD Bonds will be sold without a rating (non-rated)
- Certain risk factors associated with the Bonds are discussed in the “Special Risk Factors” on pg. 82-102 of the CFD Preliminary Official Statement (POS) and “Risk Factors” on pg. 71-87 of the IRFD Preliminary Official Statement (POS)
- Unique real estate risks associated with non-rated land secured bonds are discussed in the Preliminary Official Statement(s), including:
 - Adverse changes in local market conditions
 - Reduction in tax base and assessed values (IRFD)
 - Concentration of property ownership
 - Failure to develop properties
- Other significant risk factors include: public health emergencies, seismic risks, and sea level rise
- The CFD & IRFD Bonds are limited obligations of the City, secured by and payable solely from a pledge of the special taxes levied in Improvement Area No. 2 and Pledged Tax Increment, respectively
- 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
- For the CFD, City has covenanted, under certain circumstances, to commence judicial foreclosure proceedings with respect to delinquent special taxes on property within Improvement Area No. 2, and will diligently pursue such proceedings to completion



Preliminary Official Statement

- SF Board of Supervisors is the governing body of the CFD/IRFD and approves the issuance of bonds and the form of the Preliminary Official Statement (delegating final authority to Controller's Office)
- Policy makers have a responsibility under federal securities laws to ensure that staff is aware of information that they may have unique in their capacity as policy makers that would have a material bearing of the capacity of the CFD/IRFD to repay the bonds
- The POS describes the following for prospective investors:
 - i. The terms of the Bonds
 - ii. Sources of repayment and the security for the Bonds
 - iii. Information about the CFD/IRFD and its operations and financial ability of the CFD/IRFD to make timely payments of principal of and interest on the Bonds.
 - iv. Risk Factors related to investment in CFD/IRFD bonds
- Prior to the distribution of the Preliminary Official Statement ("POS") (and final Official Statement), the disclosure 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.



APPENDIX A: ADDITIONAL INFORMATION



Treasure Island / Yerba Buena Island Highlights

- Total TICD Enhancement Program = \$2.5 Billion
- Buildout expected to continue through 2030 – 2035
- Major Projects
 - 8,000 units on TI and YBI (27.2% affordable)
 - Geotechnical improvements
 - Sea level rise mitigation and adaptive strategies
 - New utilities (electric, water, stormwater, 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; Infrastructure & Revitalization Financing District proceeds
 - State and Federal funds

