OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

126-0212020-002

Agenda Item **No. 5(c)**
Meeting of October 6, 2020

TO: Commission on Community Investment and Infrastructure

FROM: Nadia Sesay, Executive Director

SUBJECT: Workshop on Proposed Amendments to the Redevelopment Plan for the Mission Bay South Redevelopment Project, the Design for Development for the Mission Bay South Project Area and the Mission Bay South Owner Participation Agreement (collectively "Plan Documents"), and the Basic Concept / Schematic Design related to a Proposed Mixed-Use Life Sciences Facility on Parcel 7 of Block 43; Mission Bay South Redevelopment Project Area

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EXECUTIVE SUMMARY

The Redevelopment Plan for the Mission Bay South Redevelopment Project ("Redevelopment Plan") authorizes 5,953,600 Leasable square feet of Commercial Industrial uses within the Mission Bay South Project Area ("Project Area). Over the twenty-one years that the Redevelopment Plan has been in effect, the Successor Agency and its predecessor, the Redevelopment Agency, have authorized the use of all of the Leasable square feet under the cap for other commercial projects in the Project Area, leaving no square footage available for new projects. Alexandria Real Estate Equities ("ARE" or "Project Sponsor") owns Parcel 7 of Block 43 ("Property") within the Project Area and has proposed to develop the Property with 169,810 square feet of commercial space.

ARE seeks amendments to the Redevelopment Plan and related documents ("Plan Documents") to allow up to 170,000 Commercial Industrial leasable square feet on the Property. ARE's proposal, reflected in its Basic Concept / Schematic Design ("BC/SD") submittal, is for a 7-story, 109-foot-high, mixed-use life sciences building. The proposed project consists of 169,810 leasable square feet in total, comprised of research and laboratory space, up to 49,999 square feet of office space, meeting rooms, and ground floor neighborhood-serving retail ("Project or 1450 Owens Life Sciences Facility").

Attachments 1 and 2 show the Project Area, including the Property, as well as neighborhood retail and community facilities.

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OCII staff, along with representatives from ARE, will present an overview of the proposed project amendments and BC/SD at an informational workshop at the Commission meeting on October 6, 2020. Pending feedback from the Commission and members of the public, staff anticipates returning to the Commission on October 20, 2020, for approval actions on the amendments for the proposed Project.

BACKGROUND

The Mission Bay South Project Area is a 238-acre development governed by the Plan Documents: the Redevelopment Plan for the Mission Bay South Redevelopment Project ("Redevelopment Plan"), the Design for Development for the Mission Bay South Project Area ("D for D") and Mission Bay South Owner Participation Agreement ("South OPA"). The South OPA was executed between the San Francisco Redevelopment Agency ("Former Redevelopment Agency"), now the Office of Community Investment and Infrastructure ("OCII"), and the original landowner and master developer, Catellus Development Corporation ("Catellus"). The South OPA, along with its development rights and obligations, was later transferred by Catellus to FOCIL-MB LLC ("FOCIL"). The Plan Documents create the land use designations, regulatory and contractual framework for development in the Project Area. Pursuant to the South OPA, the master developer, first Catellus and then FOCIL, sold vertical parcels to individual developers, who have then designed and constructed buildings according to the permitted land uses and design controls specified in the Plan Documents.

Parcel 7 of Block 43

The Property, 1.13 acres, is currently underutilized with a temporary surface parking lot use. It is bound by a yet-to-be-designed future active recreation public open space (Park P7) to the north, Owens Street (a public street) to the east, "A" Street (a private street) to the south, and the raised I-280 freeway and the Caltrain right-of-way to the west. See Attachment 1, Mission Bay Land Use Map, for the location of the Property, and Attachment 2, Mission Bay Amenities Map, for a description of nearby community amenities.

ARE acquired the Property from Catellus on September 1, 2004, and subsequently submitted a BC/SD package for a 39-foot-high (the maximum allowable building height under the D for D), 61,581 leasable-square-foot building, approved by the Former Redevelopment Agency on October 21, 2008, by Resolution No. 128-2008. ARE chose not to move forward with this project and is now proposing to develop a larger project.

DISCUSSION

ARE Proposed 1450 Owens Life Sciences Facility

Project Description

ARE is proposing a 7-story, 109-foot-high mixed-use life sciences building. The proposed Project consists of 169,810 leasable square feet in total, comprised of research and laboratory space, up to 49,999 square feet of office space, meeting rooms, and ground floor neighborhood-serving retail. As stated previously, the Plan Documents would be amended to allow up to 170,000 Commercial Industrial leasable square feet (a 2.8 percent increase to the overall Commercial Industrial square footage for the Project Area), increase the maximum building height up to 109-feet, increase the maximum bulk controls, and additional amendments to facilitate the proposed design. Please see Attachment 5 for a summary of the necessary amendments.

As proposed in the BC/SD submittal, the Project would be designed for the primary purpose of laboratory work for life sciences with 15-foot 6-inch ceiling heights to accommodate laboratory equipment, and an allowable 20-foot rooftop mechanical equipment penthouse. The Project programming is comprised of 119,812 research and laboratory space, 49,998 square feet of office space, and auxiliary meeting rooms and ground floor neighborhood-serving retail.

The proposed building will be set back from Owens Street providing a publicly accessible plaza with benches, trees, bike parking, and a potential future public art location. The proposed ground floor will feature a 2,580 square foot neighborhood-serving retail space, lobby and life science meeting conference center. All building utility and back of house space will be located on “A” Street, a private street. The North frontage is slightly set back from the property line providing a planting area for stormwater treatment adjacent to future Park P7. For fire separation the Project will be seeking a no build easement on the Park P7.

No vehicle parking is being proposed for the Project. The required parking spaces to accommodate the Project’s employees and visitors driving to the Project are available in an ARE owned multi-level parking structure (Block 43 Parcel 6) located directly across “A” Street. In addition to the bicycle parking in the plaza, secured spaces will be provided within the Project.

The building’s massing is formed by the Property’s irregular shape. The proposed building height provides a balance of preserving views and minimizing shadow. The building design uses a mix of bronze vertical window mullions and glass in an arrangement inspired by the patterns of DNA. It is further articulated by horizontal shifts in certain floor plates and curtain wall surface openings creating visual permeability to the workspaces from Potrero Hill, Mission Bay and Downtown.

Please see Attachment 2 for renderings and program information for the proposed Project.

Public Benefits

ARE will pay development impact fees as required by the Redevelopment Plan, and as outlined in the City and County of San Francisco Planning Code Article 4 and the San Francisco Citywide Development Impact Fee Register. These one-time development impact fees include the Jobs-Housing Linkage Program Fee, Inclusionary Housing Program Fee, Transportation Sustainability Fee, Mission Bay Artwork Fee, SFUSD's School Development Impact Fee and the Child Care Fee. ARE will pay the standard amounts associated with these fees with the exception of the Child Care Fee, for which they acknowledge the current rate was significantly lower for research and laboratory space and propose a higher payment. Additionally, ARE will pay an ongoing fee to support maintenance of Mission Bay Parks. Both of these additional benefits are discussed in more detail below. In total, the amount of one-time development impact fees is estimated at approximately $12.2 million, as shown in the following table. For further detail on development impact fees and on other fiscal impacts including increases to property tax increment, please see Attachment 4, the Fiscal Analysis of Proposed 1450 Owens Life Sciences Facility prepared by Seifel Consulting, Inc.

1) Increase to Child Care Fee: For this Project, only 52,578 gross square feet ("GSF") of office and retail uses would be assessed a Child Care Fee pursuant to the Redevelopment Plan. ARE has agreed the 133,046 GSF of research and laboratory space would also be assessed a Child Care Fee. Based on the GSF presented in the current proposed BC/SD package for the Project, the Child Care Fee will total $351,905. The standard fee for the office use would have only netted $97,496 outside of the Project Area.

2) Annual Open Space Maintenance Fee: ARE has agreed to pay an annual park maintenance fee contribution to Mission Bay Parks. The fee amount is $50,000 and will be paid annually beginning at the first construction-related permit for the project and shall continue for so long as the project remains in operation. The fee amount is a negotiated figure derived from examining the current Mission Bay Open Space Maintenance Community Facilities District that funds the ongoing maintenance of Mission Bay Parks.

Mission Bay Parks total 41 acres, of which 28 acres is currently completed and open to the public, with the remaining parks anticipated to be complete within the next 5 years. The fee will be paid directly to OCII and is a contribution towards the projected cost of extra maintenance due to usage of the park by the Project's workers and guests throughout the life of the project. This park maintenance fee will help defray additional costs of maintenance, repair and replacement of ordinary park services, and potentially provide a future capital reserve.

Below is a summary of all proposed development impact fees:

Fee Summary (BC/SD Proposal)

Fee Category	Proposed Fee*	Payment Trigger
Transportation Sustainability	$4,345,999	First construction document
Jobs – Housing Linkage	$6,522,028	First construction document
Mission Bay Artwork	$911,000 (or onsite installation)	First construction document
Childcare	$351,905	First construction document
San Francisco Unified School District	$111,621	
Subtotal One Time Fees to OCII / City	**$12,242,553**	First construction document
Park Maintenance	$50,000 annually.	First construction document

* Based on net Gross Square Feet of development presented in current BC/SD submittal

Proposed Amendments to the Plan Documents

The aforementioned changes require amendments to the Design for Development, Redevelopment Plan and Owner Participation Agreement. In summary, the changes for the Project would require increasing the amount of Commercial Industrial leasable square feet allowed in the Project Area, increasing the Floor Area Ratio (ratio of gross building square footage to developable land area), increasing maximum allowable height from approximately 39 feet to 109 feet on the Property, and increasing the allowable bulk as well as other design controls.

As indicated previously, please see Attachment 5 for a summary of the necessary amendments to the Plan Documents for the 1450 Owens Life Sciences Facility.

EQUAL OPPORTUNITY PROGRAM AND COMPLIANCE WITH OCII POLICIES

ARE must comply with the South OPA Program in Diversity/Economic Development Program, which includes OCII's Small Business Enterprise (SBE) Program and have worked closely with contract compliance staff to comply with the program. ARE has also agreed to apply the SBE Program to all tenant improvements for the Project. This is a positive step forward in opening opportunities to small businesses in tenant improvements, which, unless performed by an owner as part of owner improvements, are currently excluded from the SBE Program.

The project is currently exceeding OCII's 50% SBE participation goal for professional services contracts. To date, the project has achieved 66.3% SBE participation, 40% for San Francisco-based SBEs, 6.6% for minority-owned firms, 39.7% for minority women-owned businesses and 3% for women-owned firms.

During the construction phase, ARE is committed to meeting OCII's requirements and goals which includes the 50% SBE construction subcontracting goal, payment of prevailing wages, and the 50% local construction workforce hiring goal. With regards to permanent workforce hiring, the developer is obligated to follow the First Source Hiring Program administered by the Office of Economic and Workforce Development (OEWD). Compliance staff will engage OEWD staff well in advance to ensure opportunities are made available to local residents.

COMMUNITY OUTREACH: MISSION BAY CITIZENS ADVISORY COMMITTEE

The Mission Bay Citizens Advisory Committee has recommended the proposed project move forward to Commission for review and action.

ARE first pursued a recommendation from the Mission Bay Citizens Advisory Committee (“MB CAC”) for the previously proposed project, at a maximum height of 183-feet, at its July 11, 2019 meeting. Some members of the MB CAC and public had concerns about the proposed height. MB CAC majority voted to recommend the previously proposed project on the condition the project sponsor would perform outreach and seek input from the Potrero Hill neighborhood.

ARE, over a year period, workshopped with Potrero Hill stakeholders to revise the proposed design and on June 30, 2020, the Potrero Boosters Neighborhood Association recommended to approve the current proposed project at 109-feet. ARE also worked with Mission Bay stakeholders and returned to the MB CAC on July 9, 2020, when the MB CAC voted unanimously to recommend the proposed BC/SD and required Plan Document amendments to Commission. Specifically, the CAC took separate votes on five actions related to the Project: 1) recommendation of the proposed amendment to the Redevelopment Plan, 2) recommendation of the proposed amendments to the Owner Participation Agreement, 3) recommendation of the proposed amendments to the Design for Development, 4) recommendation of the proposed amendments to the Major Phase Blocks 41-43, 5) recommendation of the approval of the BC/SD.

The ARE representative member of the CAC who was present at the meeting excused herself from the meeting during the item presentation and votes.

NEXT STEPS

The proposed amendments to the Redevelopment Plan, OPA, and Design for Development, BC/SD packages, and CEQA findings for the proposed Project will be presented to Commission at its upcoming October 20th meeting. Upon Commission approval of each action and consistent with Community Redevelopment Law, the Project Sponsor will proceed to seek necessary approval actions from the Planning Commission, the Oversight Board, the Board of Supervisors and the California Department of Finance.

If the amendments to the Plan Documents are approved, ARE plans to begin construction of the proposed Project in 2021 with a completion date in 2023.

(Originated by Nikki Henry, Assistant Development Specialist)

DocuSigned by:
Nadia Sesay
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Nadia Sesay
Executive Director

Attachment 1: Mission Bay Land Use Map
Attachment 2: Mission Bay Amenities Map
Attachment 3: Project Renderings and Program
Attachment 4: Project Fiscal Benefit Report
Attachment 5: Plan Amendment Summary

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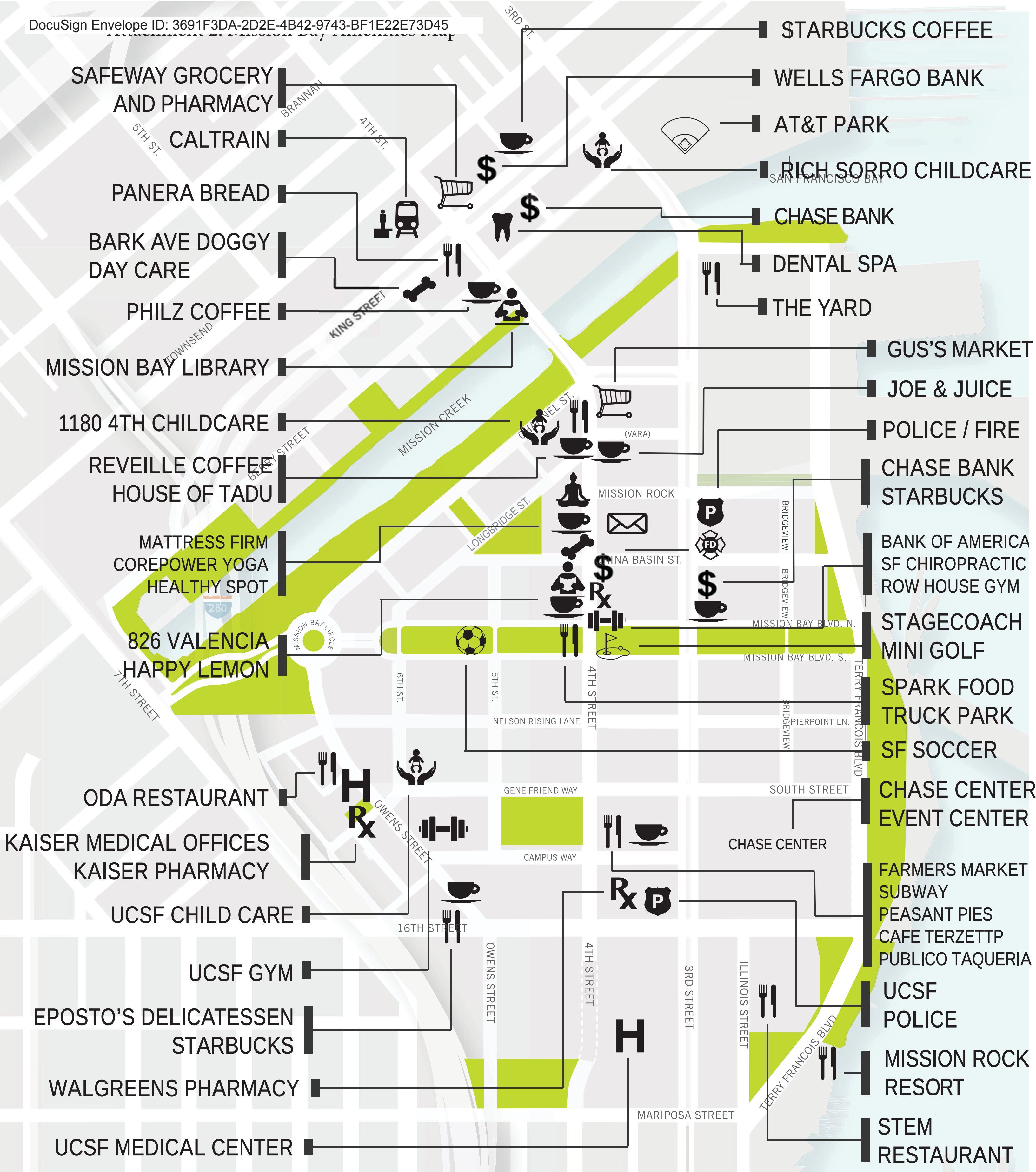
Attachment 1: Mission Bay Land Use Map



Open Space

MISSION BAY AMENITIES

JANUARY 2020

0 100 200 400 800

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1450 Owens Life Sciences Facility
Block 43 Parcel 7

Attachment 3:
Project Renderings and Program

OCII

Section 321 Project Authorization and OCII Building Area Calculations

Floor	Total Building Area (1)	Exclusions to OCII Gross Area			OCII Commercial/ Industrial Gross Area	BOMA 1996 Commercial/ Industrial Exclusions (5) (Vertical Circulation)	OCII Commercial/ Industrial Leasable Area	Exclusions to SF Planning Gross Area	SF Planning Gross Area
		Mechanical, Operational, & Penthouse Areas (2)	Ground floor circulation/ service (3)	Retail < 5,000 SF (4)				Mechanical, Operational, & Penthouse Areas (6)	
1	29,829	12,483	4,104	2,580	10,662	946	9,716	12,483	
2	27,659	1,002	0	0	26,657	934	25,723	1,002	26,657
3	29,238	1,002	0	0	28,236	934	27,302	1,002	28,236
4	28,419	1,002	0	0	27,417	934	26,483	1,002	27,417
5	29,125	1,002	0	0	28,123	934	27,189	1,002	28,123
6	28,641	1,002	0	0	27,639	934	26,705	1,002	27,639
7	28,628	1,002	0	0	27,626	934	26,692	1,002	27,626
P	5,312	5,312	0	0	0	0	0	5,312	0
TOTALS:	206,851	23,807	4,104	2,580	**176,360**	6,550	**169,810**	23,807	**183,044**

Of total leasable: Dedicated Office Use (non-Life Science):	49,998	Section 321 Project Office Allocation (8) <50,000 GSF	**49,998**
Of total leasable: Dedicated Life Science Use:	119, 812		
		Remaining SF Planning Gross Area (7)	**133,046**

(1) This area is measured at the perimeter of the building encompassing all portions of the building bound by that perimeter.

NOTE: The exclusions in footnotes 2, 3, and 4 are summarized from the Mission Bay South Design for Development document's definition for Gross Floor Area.

(2) Comprises Exclusion #3: Penthouses and Other Rooftop Spaces for the Maintenance or Operation of the Building, and Exclusion #4: Mechanical Equipment, Appurtenances and Areas Necessary to the Operation of the Building.

(3) Exclusion #11: Ground Floor Building Pedestrian Circulation and Service.

(4) Exclusion #12: Personal Service, Restaurants and Retail establishments less than 5,000 square feet.

(5) From the Mission Bay South Design for Development document's definition for Leasable Floor Area, these are exclusions as defined in the 1996 Building Owners and Management Association International publication "Standard Method for Measuring Floor Area in Office Building to determine Lease Floor Area".

NOTE: The exclusions in footnote 6 are summarized from the San Francisco Planning Code Section 102.9 defining Gross Floor Area.

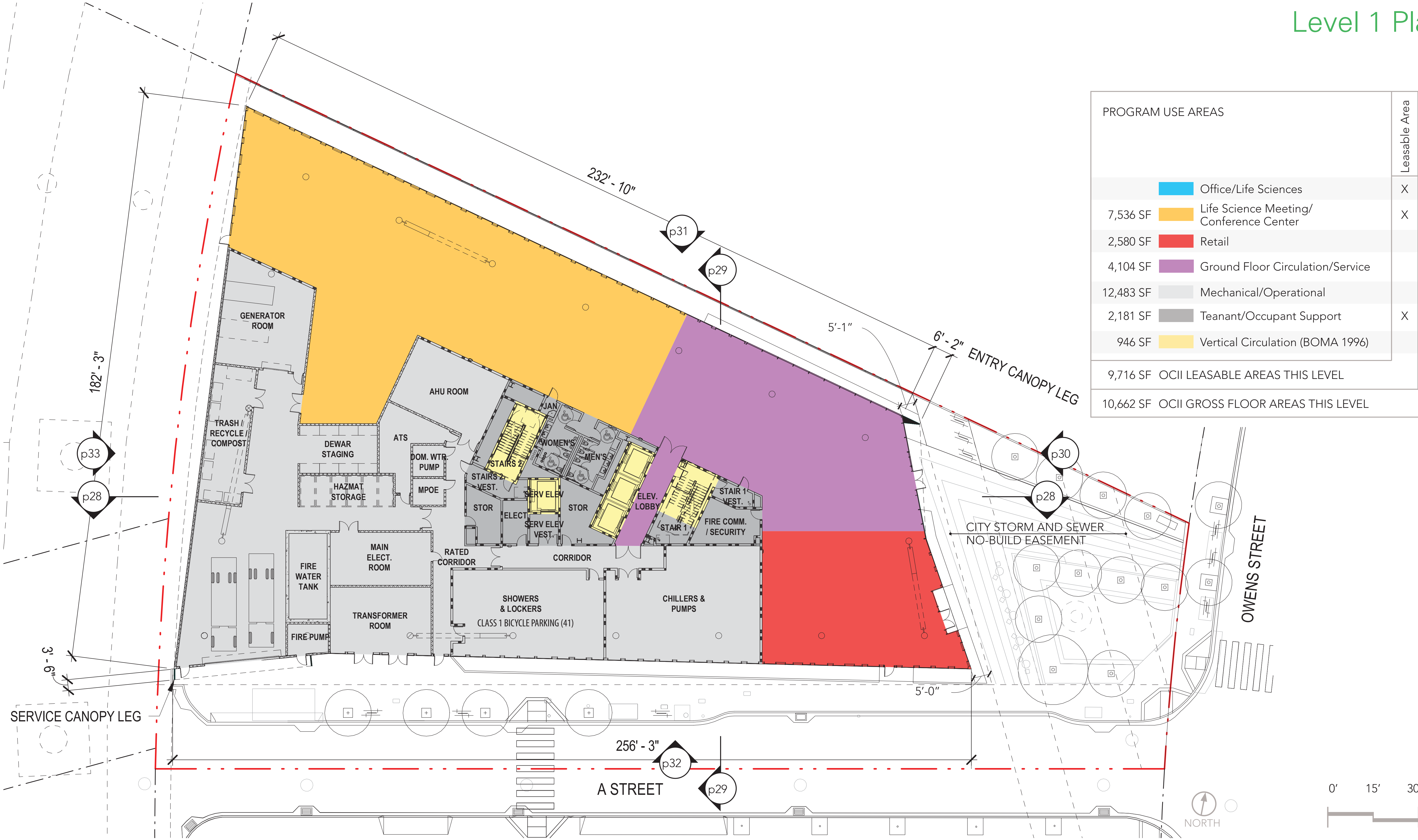
(6) Comprises the following exclusions to the Total Building Area. Exclusion #3: Penthouses and Other Rooftop Spaces for the Maintenance or Operation of the Building, and Exclusion #4: Mechanical Equipment, Appurtenances and Areas Necessary to the Operation of the Building.

(7) The uses in the gross area not allocated as office under Section 321 will be Life Science, Life Science Meeting/Conference, Retail, and Lobby/Entry.

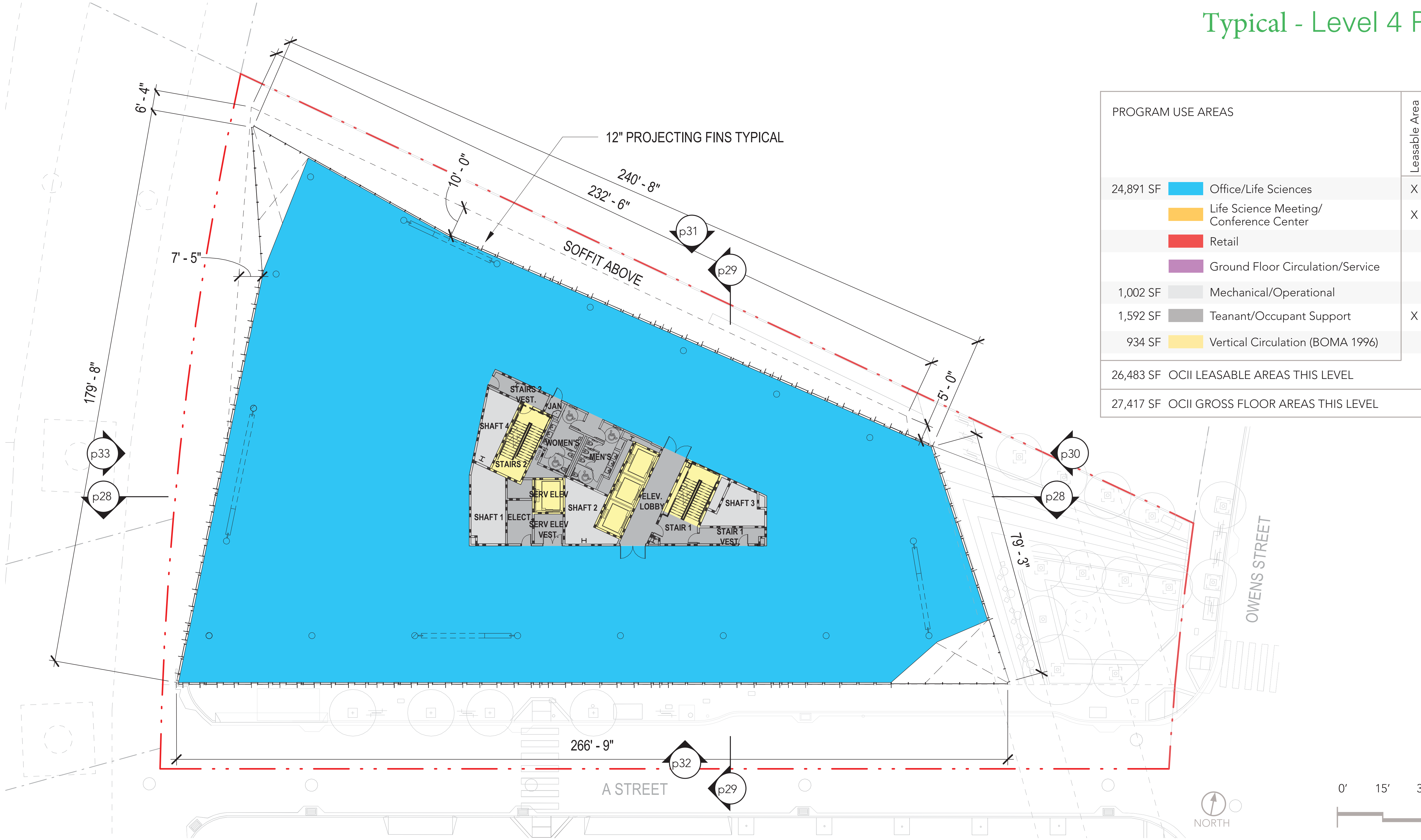
(8) Under the existing Zoning Code, the interpretation of Science Support uses includes office space as long as that space is less than 33% of the entire facility. The Section 321 office authorization will provide for any additional office space should the need arise, and it will be distributed throughout the building at the time the Tenant Improvements are built. Section 321 has procedure to administer the office allocation.

Level 1 Plan

PROGRAM USE AREAS		Leasable Area	Gross Area
	Office/Life Sciences	X	X
7,536 SF	Life Science Meeting/ Conference Center	X	X
2,580 SF	Retail		
4,104 SF	Ground Floor Circulation/Service		
12,483 SF	Mechanical/Operational		
2,181 SF	Teanant/Occupant Support	X	X
946 SF	Vertical Circulation (BOMA 1996)		X
9,716 SF	OCII LEASABLE AREAS THIS LEVEL		
10,662 SF	OCII GROSS FLOOR AREAS THIS LEVEL		



Typical - Level 4 Plan



PROGRAM USE AREAS		Leasable Area	Gross Area
24,891 SF	Office/Life Sciences	X	X
	Life Science Meeting/ Conference Center	X	X
	Retail		
	Ground Floor Circulation/Service		
1,002 SF	Mechanical/Operational		
1,592 SF	Teanant/Occupant Support	X	X
934 SF	Vertical Circulation (BOMA 1996)		X
26,483 SF	OCII LEASABLE AREAS THIS LEVEL		
27,417 SF	OCII GROSS FLOOR AREAS THIS LEVEL		

Illustrative Rendering, From Owens Street Looking Southwest

Illustrative Rendering, From Ball Field Looking South

Illustrative Rendering, Down 'A' Street, Looking West

Illustrative Rendering, View From the I-280 Freeway, Looking North

Illustrative Rendering, View At Entry Plaza

Site View: From De Haro St & Southern Heights Ave

Site View: From Arden Complex

Attachment 4: Project Fiscal Benefit Report

REPORT

Fiscal Analysis of Proposed 1450 Owens Street

Mission Bay, San Francisco

Prepared by:

Seifel Consulting Inc.

July 2020

Table of Contents

Fiscal Analysis of Proposed 1450 Owens Street Development
Mission Bay, San Francisco

I. Introduction

This report presents the preliminary findings of the fiscal analysis conducted by Seifel Consulting for the proposed mixed use project at 1450 Owens Street. The fiscal analysis projects the anticipated annual and one-time fiscal benefits from the development proposal submitted by the property owner and developer, ARE-San Francisco No. 15, LLC (ARE). The report begins with a summary of key findings, and the remainder of the report is organized as follows:

- Overview of the proposed mixed use project.
- Description of the methodology and key assumptions used to project fiscal benefits to public entities.
- Projections of the annual fiscal revenues to the City and County of San Francisco's General Fund (City's General Fund) and the Office of Community Investment and Infrastructure (OCII), as well as projected public revenues that would be generated to fund transportation, provide other dedicated and restricted revenues for the City, and provide payments to other taxing entities from the tax increment generated by the project.
- Projections of one-time fiscal revenues to the City's General Fund and to the San Francisco Unified School District (SFUSD) in the form of development impact fees and other payments.

The report also includes the supporting tables that were used to conduct the fiscal analysis in an Appendix at the end of the report.

A. Summary of Projected Fiscal Benefits from 1450 Owens Street

Seifel Consulting (Seifel) prepared a fiscal analysis to project the potential fiscal benefits from the proposed project. As summarized below and further described in this report, the proposed project would generate ongoing annual revenues and upfront, one-time revenues to the City's General Fund, OCII and other public entities, providing a substantial positive fiscal benefit to a broad range of public agencies.

1. Ongoing Annual Fiscal Revenues

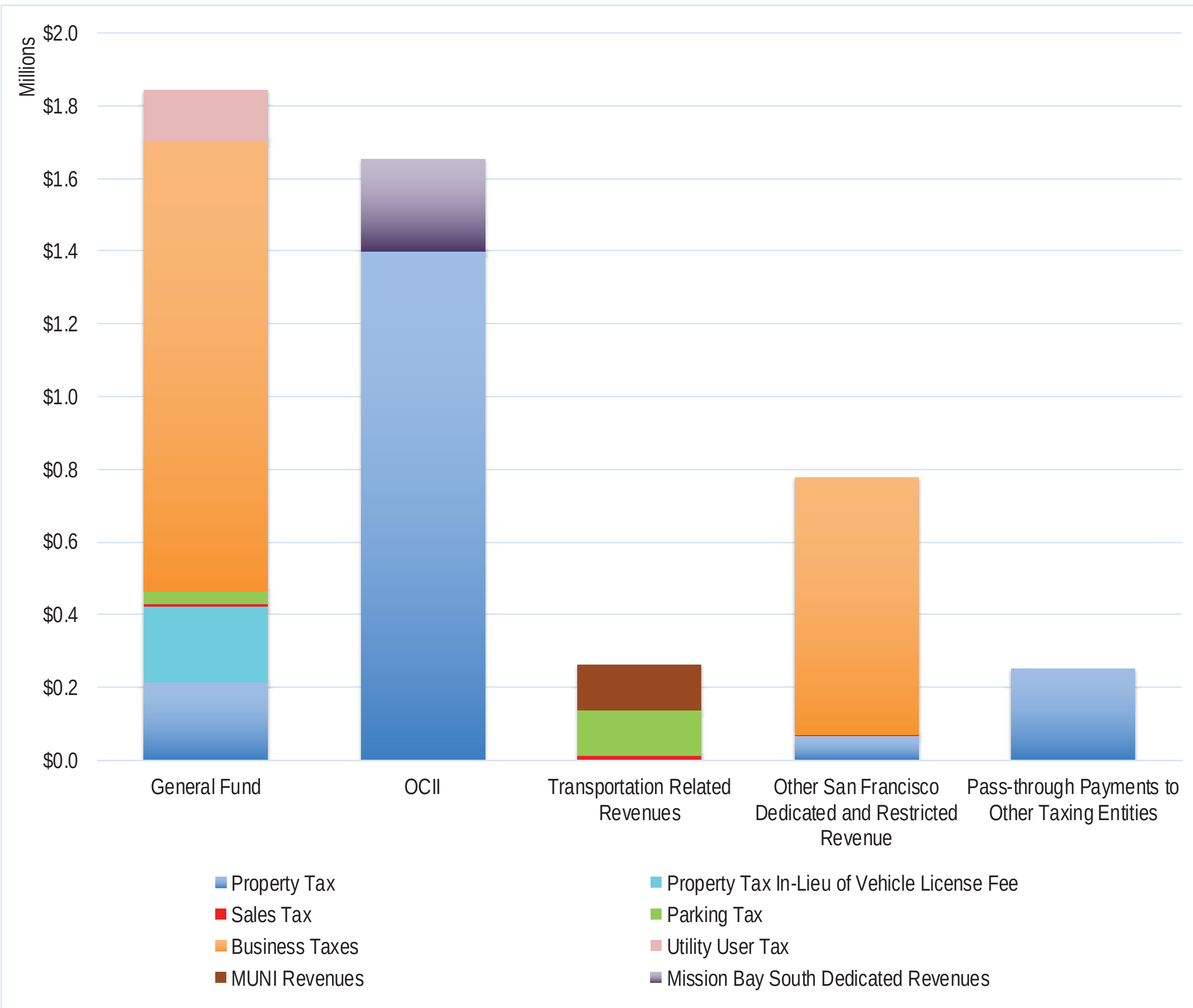
The proposed mixed use project at 1450 Owens Street is projected to generate the following annual revenues in Fiscal Year (FY) 2019/20 dollars, as illustrated below in Figure 1: [1]

- Approximately $4.8 million in annual revenues to all of the public entities studied in this report.
- Approximately $1.8 million in annual revenues to the City's General Fund, of which the largest revenue source is from gross receipts tax revenue.
- Approximately $1.7 million in tax increment revenue to OCII and dedicated revenues for Mission Bay South, including approximately $390,000 to be set-aside for affordable housing, about $1.0 million of unrestricted funding for housing and non-housing projects, and about $260,000 in dedicated revenues.
- Approximately $260,000 in transportation related annual revenues, of which the largest revenue would be from parking taxes to the San Francisco Municipal Transportation Agency (SFMTA).
- Approximately $780,000 in various dedicated and restricted annual revenues to the City.
- Approximately $250,000 in additional payments to various taxing entities from tax increment, including SFUSD.

[1] The key results of the fiscal analysis are presented in constant FY 2019/20 dollars throughout this report unless noted otherwise, including in this summary.

Figure 1 illustrates the projected fiscal revenues to the City's General Fund and OCII, as well as projected public revenues that would be generated to fund transportation, provide other dedicated and restricted revenues for the City, and make pass through payments to other taxing entities from tax increment generated by the project.

Figure 1
Projected Annual Revenues for San Francisco
1450 Owens Street
(In Constant FY 2019/2020 Dollars)

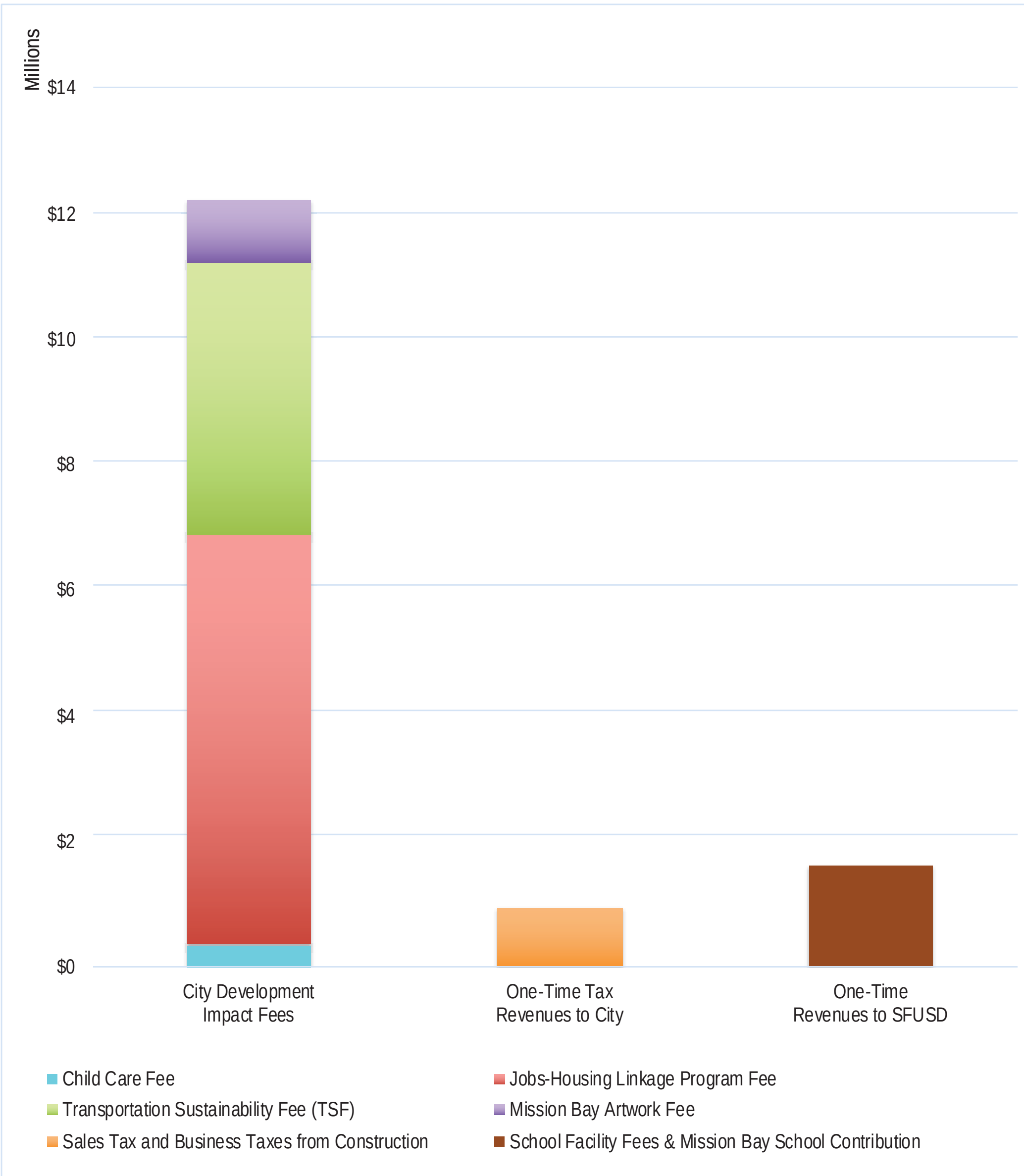


* Note: Annual revenues to OCII include property tax increment and Mission Bay South dedicated revenues for special taxes for the Mission Bay South Community Facilities Districts and maintenance for open space.

2. Upfront and One-Time Revenues

The proposed project would also generate upfront and one-time revenue to the City and SFUSD through the payment of development impact fees and tax revenues from construction, as shown in Figure 2.
In summary, the proposed project is projected to generate approximately $14.8 million in upfront and one-time revenues to the City and SFUSD, of which about $12.3 million would be related to the payment of development impact fees to the City and SFUSD. Additional one-time revenues include a $1.5 million upfront contribution to provide an operational endowment for the Mission Bay elementary school, and construction-related tax payments of about $0.9 million.

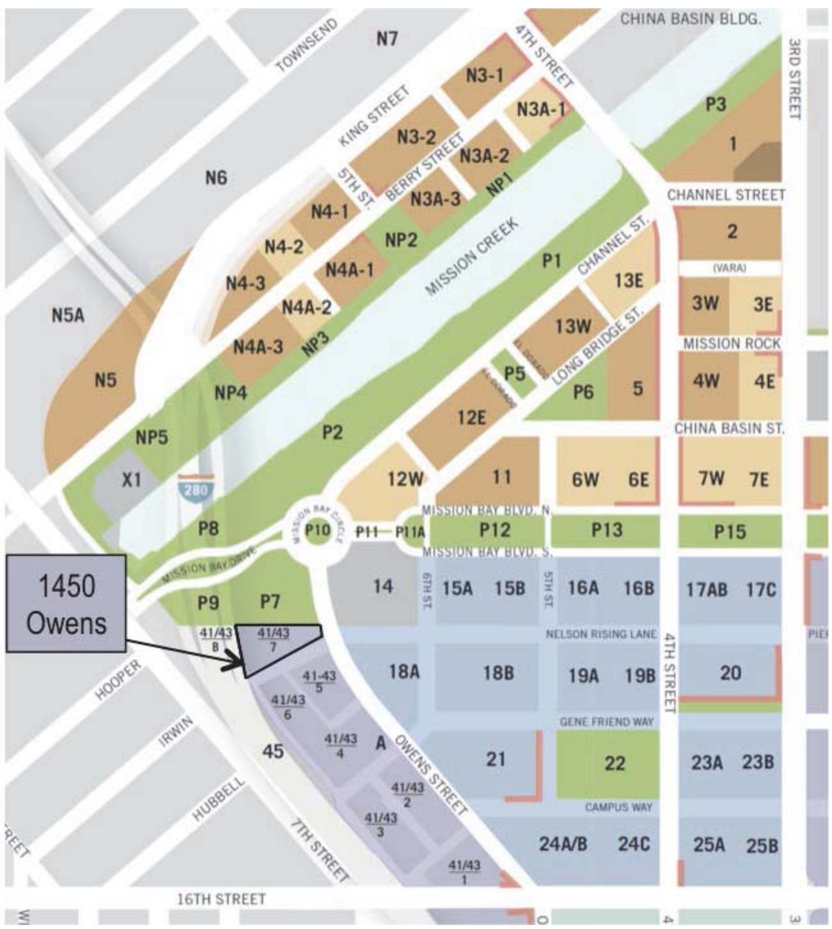
Figure 2
Projected Upfront and One-Time Revenues
1450 Owens Street
(In Constant FY 2019/20 Dollars)



II. Proposed Project

The approximately 1.13-acre project site at 1450 Owens Street is within the City and County of San Francisco's Mission Bay South Redevelopment Plan Area. Bounded by I-280 to the west, Owens Street to the east, and "A" Street to the south, the trapezoidal project site is currently used as surface parking for Mission Bay Shuttle buses. Figure 3 shows the location of the project site within the Mission Bay South Redevelopment Plan Area.

Figure 3
Project Site
1450 Owens Street



(Source: San Francisco Office of Community Investment and Infrastructure, 2018)

The project sponsor (ARE-San Francisco No. 15, LLC or ARE) proposes to build a mixed-use life sciences facility consisting of 130,466 gross square feet (GSF) of life sciences research and development (R&D) space; up to 49,998 GSF of office space; and 2,580 GSF of ground-floor retail space. The R&D space would include life science laboratories and accessory office space, a life sciences incubator space, and an event/conference center.

Table 1 presents the proposed development program at build-out.

Table 1
Summary of Development Program
1450 Owens Street

Land	Land Square Feet		Acreage
Parcel Size	49,528		1.14
1450 Owens Street Building	Total Building Area (Square Feet)	OCII Leasable Area (Square Feet)	Planning Gross Area (Square Feet or GSF)
Office[a]	49,998	49,998	49,998
Retail	2,580	0	2,580
R&D and Life Sciences[b]	154,273	119,812	130,466
Total	**206,851**	**169,810**	**183,044**
Offsite Parking Garage (1470 Owens Street)	Number of Spaces[c] (Space)		
Parking	177		

a. Office area is based on Planning Gross Ares for Office use.

b. This area includes life science lab, incubator, conference space, lobby and occupant support.

c. Pursuant to the OCII Major Phase Approval for Blocks 41-43, Code-required parking for the development on these Blocks (including 1450 Owens Street) will be provided in two parking garages located at 1470 and 1670 Owens Street. The Code-required 177 parking spaces for 1450 Owens Street will be accommodated in these parking garages.

Source: ARE-San Francisco No. 15, LLC. (ARE), Environmental Science Associates (ESA).

III. Fiscal Analysis

A. Approach

The fiscal analysis presented in this report evaluates the fiscal benefits from the proposed project at the project's buildout. As described previously, this study projects the annual revenues that would be generated to the City's General Fund, OCII, and other public entities, as well as the one-time, upfront fiscal revenues that would be generated to the City's General SFUSD related to project construction.

1. Methodology

The fiscal analysis relies on the following methodological approaches for public revenues and costs:

- City fiscal revenues – The application of appropriate municipal tax rates to estimate public revenues to the City's General Fund from property tax, property tax in-lieu of vehicle license fees (VLF), sales tax, parking tax, gross receipts tax, business registration tax, payroll tax, and utility user tax revenues.
- OCII revenues – The application of appropriate municipal tax rates to estimate incremental property tax available to OCII, of which 20% is set-aside for affordable housing. OCII receives net tax increment available for housing and non-housing projects after the 20% housing set-aside and other obligations, including pass through payments to taxing entities. Additional dedicated revenues for Mission Bay South will also be generated from the payment of special taxes and to pay for annual maintenance of open space.
- Transportation related revenues – The application of appropriate municipal tax rates to estimate public revenues to the City's transportation related funds from sales tax and parking tax.
- Other San Francisco dedicated and restricted revenues – The application of appropriate municipal tax rates to estimate public revenues to the City's dedicated and restricted funds from incremental property tax, sales tax and gross receipts tax.
- Incremental property tax revenues through pass through payments to other taxing entities – The application of appropriate municipal tax rates to estimate incremental property tax passed through from OCII to other taxing entities.

Some of the fiscal analysis calculations shown in this study are rounded, which also means that some of the numbers presented in the tables may not precisely calculate due to rounding.

2. Data Sources

The base year for this study is FY 2019/20, the most recent fiscal year for which data was available at the time of this analysis. The analysis presented in this report has been gathered from the most reliable sources available to Seifel. The estimates and projections of current and future information assembled and provided herein are intended solely for the purpose of establishing reasonable estimates for use in this study. While Seifel believes these estimates are reasonable and are based on the best available information, Seifel makes no warranty of the accuracy of these numbers, or their consistency with future trends and events.

3. Key Assumptions

The fiscal benefit analysis is based on a variety of conditions and assumptions as summarized below:

- **Constant FY 2019/20 Dollars** – The analysis was conducted primarily on a constant dollar (FY 2019/20) basis, and the baseline assumptions were adjusted accordingly. All fiscal benefit results presented in this report are in constant FY 2019/20 dollars unless noted otherwise.
- **Property Valuation** – All valuation assumptions are based on current estimated property values on a constant dollar (FY 2019/20) basis. The projected values were estimated by Seifel Consulting based on market information and interviews with ARE as well as local real estate agents from 2018 through early 2020 as presented in Appendix Table 1. These assumptions are based on the San Francisco real estate market prior to the COVID-19 pandemic.
- **Ongoing Revenue Assumptions** – Ongoing municipal revenues from property tax, property tax in-lieu of VLF, sales tax, parking tax, gross receipts tax, business registration tax, payroll tax, and utility user tax revenues are calculated by multiplying current municipal tax rates by the projected relevant tax base from new development.
- **Payroll Expense Tax and Gross Receipts Tax Assumptions** – The City has been shifting the structure of payroll expense tax and gross receipts tax. In addition, voters in San Francisco recently approved additional taxes on gross receipts through Proposition C in June 2018 and Proposition C in November 2018. Payroll expense tax and gross receipts tax, and business registration tax were derived based on appropriate municipal tax rates and various City publications, supplemented by discussions with staff of the City and County of San Francisco Controller's Office (Controller's Office) and the City and County of San Francisco Treasurer's Office (Treasurer's Office).
- **Upfront and One-Time Revenues to the City** – Upfront and one-time revenues to the City are projected based on the City's current tax rate/fee schedule applied against new development values and/or square feet of new development as well as input from staff of the OCII and the City and County of San Francisco Planning Department (Planning Department).
- **Transportation Analysis Assumptions** – Transit revenues are projected based on the estimated number of trips generated by the new development, based on the Memorandum from José I. Farrán, Adavant Consulting, to Susan Yogi and Karl Heisler, Environmental Science Associates, regarding the transportation assessment for changes in land use in the San Francisco Mission Bay South Plan Area. The number of trips is consistent to the environmental documents available as of June 2020.

B. Annual Fiscal Revenues

This section presents the projections of ongoing annual fiscal revenues to the City's General Fund, OCII and other taxing entities. As summarized in Table 2, 1450 Owens Street is projected to generate ongoing fiscal revenues to local entities from the following revenue categories.[2]

- Property Tax (through Tax Increment)
- Property Tax In-Lieu of Vehicle License Fee
- Sales Tax
- Parking Tax
- Business Taxes (Payroll Expense Tax, Gross Receipts Tax, and Business Registration Tax)

[2] Section C below describes these revenue categories and summarizes key assumptions for revenue projections.

- Utility User Tax
- Mission Bay Open Space Maintenance
- Mission Bay South Community Facilities District special taxes
- Municipal Railway (MUNI) Fare

Table 2
Projected Annual Revenues for San Francisco
1450 Owens Street
(In Constant FY 2019/20 Dollars)

	Annual Revenues
1. General Fund	
Property Tax	$214,700
Property Tax In-Lieu of Vehicle License Fee	$207,100
Sales Tax	$9,300
Parking Tax	$31,400
Business Taxes (Gross Receipts Tax)	$820,500
Business Taxes (Business Registration Tax)	$34,100
Business Taxes (Payroll Tax)	$386,600
Utility User Tax	$139,600
Subtotal	**$1,843,300**
2. OCII- Tax Increment and Dedicated Revenues for Mission Bay South	
Tax Increment Available for Housing and Non-Housing Projects (Unrestricted)	$1,013,200
Tax Increment - Set Aside for Affordable Housing Projects	$385,500
Mission Bay Open Space Maintenance	$50,000
Mission Bay South Community Facilities District No. 5	$24,900
Mission Bay South Community Facilities District No. 6	$181,500
Subtotal	**$1,655,100**
3. Transportation Related Revenues	
MUNI Revenues	$126,400
Parking Tax to SFMTA	$125,800
County Transportation Authority Sales Tax (Prop K)	$4,600
State Sales Tax (AB 1107)	$4,600
TDA Sales Tax	$2,300
Subtotal	**$263,700**
4. Other San Francisco Dedicated and Restricted Revenue	
Special Fund Property Tax Pass-through Payments	$63,800
Public Safety Sales Tax	$4,600
Childcare Gross Receipts Tax	$443,900
Homelessness Gross Receipts Tax	$266,300
Subtotal	**$778,600**
5. Pass-through Payments to Other Taxing Entities	
San Francisco Unified School District	$54,600
San Francisco Community College District	$10,300
Educational Revenue Augmentation Fund	$179,600
Other Taxing Entities	$5,900
Subtotal	**$250,400**
Grand Total	**$4,791,100**

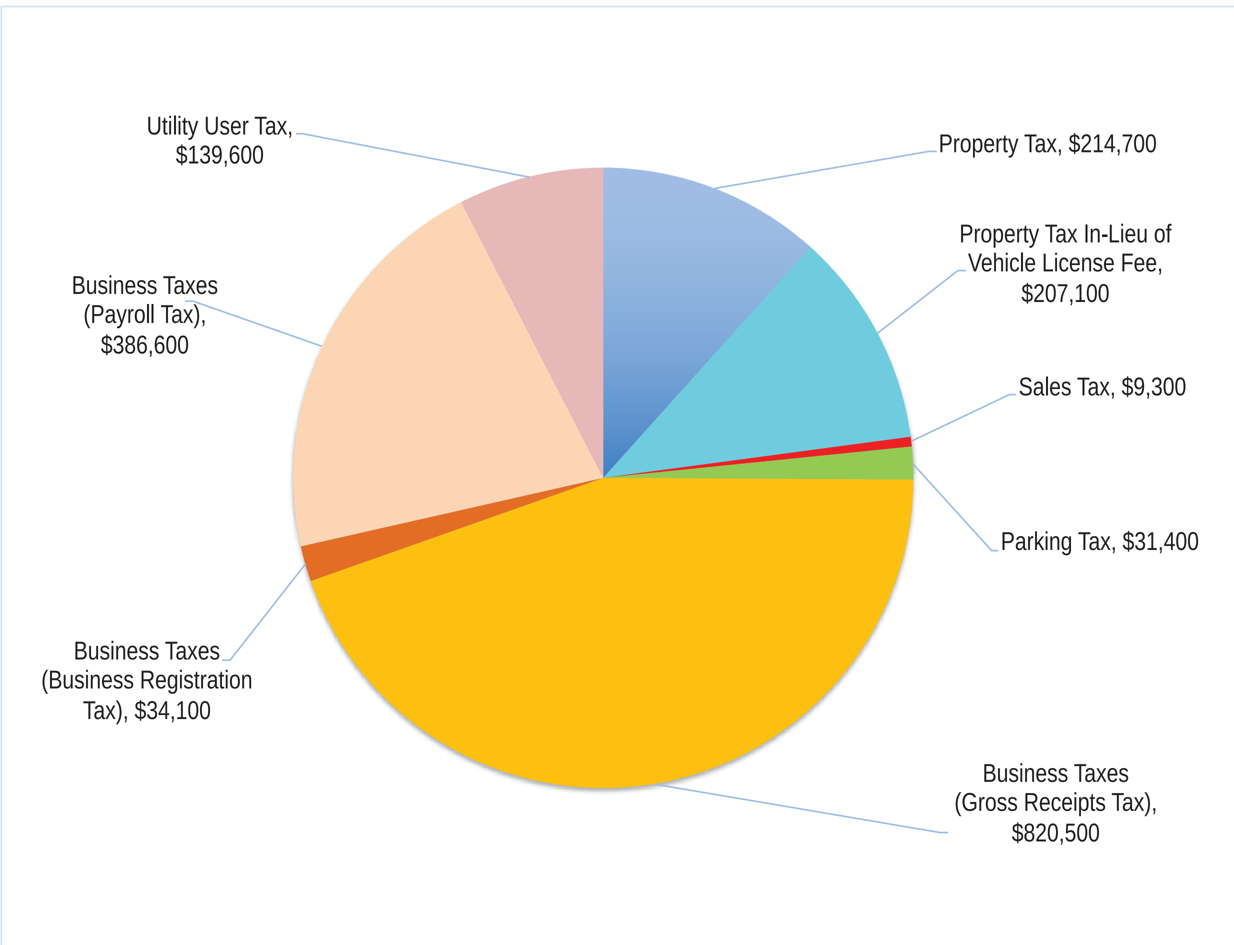
Note: Some numbers may not precisely total or calculate due to computer rounding.
Source: City and County of San Francisco, ARE, Seifel Consulting Inc.

1. Annual Revenues to the City's General Fund

As presented in Table 2, the City's General Fund receives approximately $1.8 million collectively from all sources listed above except MUNI fare revenues at the project build-out.

Figure 4 illustrates the projected annual fiscal revenues to the City's General Fund at build-out. The largest revenue source generated from the project is Gross Receipts tax (which includes Proposition C revenues approved by the voters in June and November 2018), followed by payroll tax, property tax, and property tax in-lieu of VLF.

Figure 4
Annual Fiscal Revenues to City General Fund
City and County of San Francisco
(In Constant FY 2019/20 Dollars)



2. Annual Revenues to OCII

OCII is projected to receive approximately $1.7 million in tax increment revenues based on growth in assessed value of 1450 Owens Street. As further described under Section C.1 below, 20 percent (%) of gross tax increment is required to be spent on affordable housing projects. After meeting affordable housing and pass through obligations, the remaining tax increment is available for OCII's housing and non-housing projects.

In addition, OCII is projected to receive annual revenues to pay for maintenance of Mission Bay Open Space and ARE will pay annual special taxes to the Mission Bay South Community Facility Districts No. 5 and No. 6.

3. Annual Transportation Related Revenues

The proposed development at 1450 Owens Street is projected to generate transportation revenues to several transportation agencies, as summarized in Table 3. SFMTA receives MUNI fare and parking tax. San Francisco County Transportation Authority receives a portion of sales tax through Proposition K. MTC and BART would receive a portion of the State sales tax through AB 1107. In addition, a portion of retail sales will be used to finance transit operations, and bus and rail projects as well as special paratransit services for disabled passengers, and bicycle and pedestrian projects per the Transportation Development Act (TDA). In addition, the City is assumed to transfer approximately 12.1 percent of the General Fund revenue to SFMTA.[3]

[3] Annual General Fund transfer to SFMTA shown in Table 3 is not separately listed in Table 2 because this transfer represents a portion of the projected General Fund revenue in Table 2.

Table 3
Transportation Related Revenues
1450 Owens Street
(In Constant FY 2019/20 Dollars)

Annual Revenues	
Transit Revenues	
MUNI Revenues[a]	$126,400
Parking Tax to SFMTA	$125,800
County Transportation Authority Sales Tax (Prop K)	$4,600
State Sales Tax (AB 1107)[b]	$4,600
TDA Sales Tax	$2,300
Subtotal - Non-General Fund Transit Revenues	**$263,700**
Estimated Annual General Fund Transfer to SFMTA[c]	***$223,200***
One-Time Revenues	
Development Impact Fee	
Transportation Sustainability Fee (TSF)	$4,346,000
Total	**$4,346,000**

Note: Some numbers may not precisely total or calculate due to computer rounding.

a. Based on estimated average weekday trip generation of 130 round trips at $81 monthly MUNI "M" Pass.
b. State sales tax (AB 1107) is a one-half cent sales tax, which allocates 25% to MTC and 75% to BART.
c. Estimated based on projected FY 2019/20 General Fund share of 12.1%, as indicated in General Fund Supported Baselines in Appendix 4 of "FY 2019-20 and FY 2020-21 Revenue Letter, Controller's Discussion of the Mayor's Proposed Budget" prepared by the City and County of San Francisco Controller's Office in June 2019.

Source: City and County of San Francisco, ARE, Adavant Consulting, Seifel Consulting Inc.

4. Other San Francisco Dedicated and Restricted Annual Revenues

The City and County of San Francisco receives tax increment in Special Funds separately in addition to the City's General Fund. The City's Special Funds include a property tax set-aside for Library, Open Space, and Children's Fund.

5. Pass-through Payments to Other Taxing Entities

A portion of tax increment revenues are also distributed as pass-through payments to other taxing entities, including the San Francisco Unified School District (SFUSD), San Francisco Community College District (SFCCD), and the Educational Revenue Augmentation Fund (ERAF).

C. Ongoing Revenue Sources

This section describes ongoing fiscal revenue categories and summarizes key assumptions for the fiscal revenue projections for 1450 Owens Street.

1. Property Tax and Community Facilities District Special Tax

As of FY 2019/20, the assessed value of 1450 Owens Street is approximately $5.9 million. The assessed value at the project's buildout was estimated by Seifel Consulting based on the relevant market information and interviews with ARE as well as local real estate agents from 2018 through early 2020. The projected assessed value at buildout is $198.7 million in FY 2019/20 constant dollars.[4] The supporting market and valuation assumptions are summarized in Appendix Table 1 and property tax projections are presented in Appendix Table 2.

The 1450 Owens Street property is located within the boundaries of the Mission Bay South Redevelopment Plan Area. For properties in this Redevelopment Plan Area, the General Fund receives property taxes from the base assessed value in the Project Area (at the time of Project Adoption in FY 1998/99), and tiered pass through payments that are calculated based on the property tax increment that is generated from the growth in assessed values as shown in Appendix Table 3.

Property tax increment is projected based on a 1 percent base tax rate multiplied by the growth in assessed value. Tax increment revenues are distributed to OCII and to the affected taxing entities according to California Redevelopment Law (CRL). The CRL requires OCII to set aside not less than 20% of all tax increment revenues into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. The CRL also requires OCII to make pass through payments to affected taxing entities following a tiered statutory formula. Affected taxing entities, including the City and County of San Francisco, receive pass through payments calculated based on this formula and their respective property tax shares.[5]

Mission Bay South also has two Mello-Roos Community Facility Districts (CFDs) that were formed to help pay for public infrastructure and facilities costs in Mission Bay South. ARE will continue to make annual special tax payments for CFDs No. 5 and No. 6. Please refer to Appendix Table 4 for the supporting calculations of the CFD special taxes.

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[4] These assumptions are based on the San Francisco real estate market prior to the COVID-19 pandemic.

[5] OCII is a separate legal entity from the City and County of San Francisco. The assessed valuation of property located within a redevelopment project area is "frozen" in the year when the redevelopment plan is adopted and is referred to as the base year value. The increase in assessed valuation above the base year value is the basis on which the "tax increment revenue" and pass through payments are calculated. Each entity levying property taxes receives an annual pass through payment in proportion to its property tax levy. The City and County of San Francisco, as the sponsoring entity, elected to receive a tier one pass through payment. Thus, all taxing entities including the City receive the tier one payment, equal to each taxing entity's share of 20 percent of the gross tax increment allocated to OCII from assessed value growth above the project area's base year assessed value. In addition, all affected taxing entities except the City receive a tier two and a tier three pass through payments. The tier two and tier three payments are equal to each taxing entity's share of 16.8 percent and 11.2 percent of the gross tax increment respectively.

2. Property Tax In-Lieu of VLF Revenue

The City also receives an additional share of property taxes in lieu of vehicle license fee (VLF) revenues, which is based on growth in assessed valuation, as presented in Appendix Table 5. These revenues are the result of a revenue swap enacted as part of the State Budget Act of 2004 when the Legislature voted to provide additional property tax revenue to cities and counties to help compensate for reductions in VLF revenues that had been received previously.

Property tax in lieu of VLF revenue is calculated by applying the future percentage increase in assessed value from 1450 Owens Street to the City's FY 2019/20 VLF revenue.[6] This analysis only assumes growth in assessed value from the project and does not take into consideration citywide growth in assessed value. (See Appendix Table 4.)

3. Sales Tax

Retail development on the ground floor of 1450 Owens Street is projected to generate sales tax from new retail businesses. Based on a review of information regarding comparable retail space in Mission Bay South, this analysis assumes that the new retail space would generate sales of $400 per square foot and 90 percent of these sales would be taxable. The City General Fund collects 1 percent of sales tax from businesses generating taxable sales within San Francisco. Furthermore, the City and other transportation related entities receive additional sales tax revenues as described below:

- **State Sales Tax for Public Safety (0.5%)**—Also known as the Half-Percent Sales Tax for Public Safety, proceeds from this tax go toward the Local Public Safety Fund to support local criminal justice activities.[7]
- **San Francisco County Transportation Authority (Prop K) (0.5%)**— The State of California collects and remits 0.50 percent of taxable sales to the County Transportation Authority (CTA) through Proposition K. Approved in 2003, Proposition K is a half-cent local sales tax for transportation. Sales tax revenues from Prop K are invested in projects and programs under four categories: transit, paratransit, streets and traffic safety, and transportation systems management/strategic initiatives. Projects are identified in the Prop K Strategic Plan's 5-Year Prioritization Programs, updated every five years by the Transportation Authority.[8]
- **State Sales Tax (AB 1107 or BART) to SFMTA (0.125%)**—Also referred to as Assembly Bill (AB) 1107, this half-cent sales tax for the three BART counties of Alameda, Contra Costa and San Francisco is distributed 75 percent to BART and the remaining 25 percent to MTC, which allocates its share of the funds evenly between the San Francisco Municipal Transportation Agency (SFMTA) and AC Transit.[9]

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[6] Per SF Open Book by the City and County of San Francisco.

[7] Per California Department of Tax and Fee Administration (https://www.cdtfa.ca.gov/taxes-and-fees/sut-rates-description.htm).

[8] Per San Francisco County Transportation Authority California (https://www.sfcta.org/prop-k-home).

[9] Per Metropolitan Transportation Commission (https://mtc.ca.gov/our-work/fund-invest/sales-tax-and-gas-tax-funding) and "Plan Bay Area 2014 Final Supplemental Report" by Metropolitan Transportation Commission and Association of Bay Area Governments (July 2017).

- **TDA Sales Tax to SFMTA (0.25%)**—A state sales tax equal to one-quarter of one percent of all taxable retail sales within San Francisco County is generated to fund transit operations, and bus and rail projects as well as special paratransit services for disabled passengers, and bicycle and pedestrian projects. (In non-urban areas TDA funds may be used in some cases for maintenance of local streets and roads.)[10]

Please refer to Appendix Table 6 for the sales tax projections.

4. Parking Tax

The City collects a 25 percent parking tax from commercial off-street parking charges. The project requires 177 net new off-street and structured parking spaces pursuant to Code requirements.[11] The project's parking spaces are assumed to be subject to the parking tax based on potential public parking revenues. Approximately 20 percent of the parking tax proceeds are allocated to the General Fund, while the remaining 80 percent are allocated to the San Francisco Municipal Transportation Agency (SFMTA). This analysis assumes a parking vacancy rate of 7.5 percent. All parking spaces are assumed to have an average monthly rate of $400 based on comparable parking facilities. Total annual parking tax received by the City's General Fund and SFMTA is summarized in Appendix Table 7.

5. Business Taxes

Business tax revenue is comprised of payroll tax, gross receipts tax, new taxes from two recently adopted voter initiatives in 2018, and business license registration tax. Payroll expense is defined as compensation paid to individuals including salaries, wages, bonuses, commissions, or property issued or transferred in exchange for the performance of services (including but not limited to stock options). Until 2013, San Francisco levied a 1.5% tax on the payroll expense of larger businesses in the City.

In 2012, voters approved a shift from the payroll expense tax to one based on gross receipts. The 2012 Gross Receipts Tax (GRT) Ordinance phased-in the GRT during a five-year period from 2014 to 2018. While 2018 was to be the last year of the payroll expense tax, the City authorized the continued payment of payroll taxes in 2018 indicating that as "GRT revenue has been less than expected, the payroll expense tax will apply for future tax years as well."[12]

Payroll Expense Tax

Payroll expense taxes are levied on all businesses in the City except that small businesses with less than $320,000 in annual taxable payroll expenses are currently exempt from this tax.[13] The project is estimated to have approximately 569 employees as shown in Appendix Table 8.

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[10] Per Metropolitan Transportation Commission (https://mtc.ca.gov/our-work/invest-protect/investment-strategies-commitments/transit-21st-century/transit-operating-0).

[11] Pursuant to the OCII Major Phase Approval for Blocks 41-43, Code-required parking for the development on these Blocks (including 1450 Owens Street) will be provided in two parking garages located at 1470 and 1670 Owens Street. The Code-required 200 parking spaces for 1450 Owens Street will be accommodated in these parking garages.

[12] The shift to gross receipts tax was designed to be revenue-neutral, and the anticipated revenue raised by the gross receipts tax was to be used to retire the payroll expense tax. When this did not occur as projected, payroll tax was continued.

[13] https://sftreasurer.org/business/taxes-fees/annual-business-tax-returns-2019

Seifel estimated the average wages per employee for the types of businesses that are anticipated to occupy 1450 Owens Street based on the data from US Bureau of Labor Statistics (BLS) as shown in Appendix Table 9. Appendix Table 10 shows the projected annual payroll expense tax based on projected payroll from the project, and the 2019 payroll expense tax rate of 0.38% according to the Treasurer and Tax Collector's Office.[14] Given the size of the retail space, retail would likely be exempt from payroll tax.

Gross Receipts Tax and Tax Revenues from Proposition C

The GRT rates vary depending on the type of business and annual gross receipts from business activity in the City. For 2019, small businesses are exempt from the GRT if their combined annual taxable gross receipts in the City, computed without regard to the small business exemption in Code Section 954.1, are less than $1,170,000.[15]

To project annual GRT revenue from the project, Seifel obtained a summary of Gross Receipts based on actual tax filings for 2016 and Gross Receipts Tax rates on a fully phased-in basis from the Controller's Office. Based on the 2016 GRT revenues collected from business categories that are likely to be associated with office and R&D space at 1450 Owens Street, Seifel estimated that the Gross Receipts tax revenue per employee is approximately $1,460 in FY 2019/20 constant dollars as presented in Appendix Table 12. Seifel multiplied this average revenue by the estimated number of employees to project annual GRT, as shown in Appendix Table 11.

In June 2018, San Francisco voters approved Proposition C, the "Commercial Rent Tax for Childcare and Early Education" which is also referred to as the Universal Childcare for San Francisco Families Initiative. The Proposition authorized an additional tax on the lease of commercial property for landlords with annual gross receipts over $1 million. The measure was designed to levy a new tax in the amount of 1 percent of gross receipts for warehouse space and 3.5 percent of gross receipts for other commercial properties to fund childcare and early education programs.[16] Based on this information and the annual lease rates estimated in Appendix Table 12, Seifel projected additional annual taxes for childcare and education from gross receipts.

The following November, San Francisco voters approved a new Proposition C, "Gross Receipts Tax for Homelessness Services." The approved Proposition authorizes the City and County of San Francisco to fund housing and homelessness services by taxing certain businesses at the following rates:

- 0.175–0.69% on gross receipts for businesses with over $50 million in gross annual receipts, or
- 1.5% of payroll expenses for certain businesses with over $1 billion in gross annual receipts and administrative offices in San Francisco

The Controller's Office provided Seifel with gross receipts information on businesses with gross receipts larger than $50 million. Based on this information, Seifel estimated the gross receipts generation per employee for these businesses that would be subject to this Proposition and multiplied this average amount by the estimated number of employees in order to project potential tax revenues.

[14] In FY 2019/20, the City levies the payroll expense tax on all persons engaging in business within the city whose annual payroll expense exceeds $320,000. https://sftreasurer.org/business/taxes-fees/payroll-expense-tax-py

[15] https://sftreasurer.org/business/taxes-fees/annual-business-tax-returns-2019

[16] Per the City of San Francisco and Ballotpedia (https://ballotpedia.org/San_Francisco,_California,_Proposition_C,_Commercial_Rent_Tax_for_Childcare_and_Early_Education_(June_2018)).

Business Registration Tax

In addition to payroll expense tax and GRT, the City and County of San Francisco annually collects a tax on the business registration. The Controller's Office provided a summary of business registration tax revenues based on actual tax filings for 2017. Based on this information, Seifel estimated business registration tax per employee and multiplied it by estimated number of employees to project annual business registration tax revenue generated from 1450 Owens Street. (See Appendix Table 12.)

6. Utility Users Tax

Utility User Taxes (UUT) are taxes imposed on the consumption of certain utility services. This analysis assumes annual utility billing for gas, electric and water to be $9.00 per square foot based on recent utility billings for two similar life science properties in Mission Bay. Total annual Utility Users tax received by the City's General Fund is summarized in Appendix Table 13.

7. Mission Bay Open Space Maintenance

ARE has agreed to pay $50,000 per year for maintenance of the Mission Bay open space.

8. MUNI Fare

According to Adavant Consulting, the project is estimated to increase average weekday trip generation by 85 round trips. Table 3 in Section B3 summarizes the key transportation revenues that would be generated by the project based on potential sales revenue from the MUNI "M" pass, which is currently sold for $81 per month, as well as parking tax revenues to SFMTA, sales tax revenues to the County Transportation Authority and BART, and TDA sales tax revenue. (Refer back to Sections C.3 and C.4 for further information.)

D. Upfront and One-Time Revenues

The proposed project is projected to generate upfront and one-time revenues of approximately $14.8 million to the City and SFUSD, as summarized in Table 4.[17] These key one-time revenues include development impact fee revenues and sales tax revenues, payroll tax revenues and gross receipts tax from construction.

Table 4
Projected Upfront and One-Time Revenues
1450 Owens Street
(In Constant FY 2019/20 Dollars)

	Annual Revenues
City and County of San Francisco	
Development Impact Fees	
Child Care Fee	$351,900
Jobs-Housing Linkage Program Fee	$6,522,000
Transportation Sustainability Fee (TSF)	$4,346,000
Mission Bay Artwork Fee	$982,500
Subtotal	**$12,202,400**
One-Time Tax Revenues to City	
Sales Taxes During Construction	**$27,000**
Gross Receipts Tax During Construction	**$494,700**
Payroll Tax During Construction	**$137,200**
Homelessness Gross Receipts Tax From Construction	**$284,700**
Total	**$13,146,000**
San Francisco Unified School District	
School Facility Impact Fees	**$111,600**
Mission Bay School Contribution	**$1,500,000**
Total	**$1,611,600**
Grand Total	**$14,757,600**

Note: Some numbers may not precisely total or calculate due to computer rounding.

Source: City and County of San Francisco, ARE, Seifel Consulting Inc.

[17] Section E below describes development impact fees and one-time tax revenues from construction and summarizes key assumptions for revenue projections.

1. Development Impact Fees and School Contribution

The City would impose development impact fees to help pay for the increased costs of public facilities and improvements as the result of new development. According to the City's fee schedule as well as the staff input from OCII and the Planning Department, the project is subject to four development impact fees (Jobs-Housing Linkage Program Fee, Child Care Fee, Transportation Sustainability Fee, and Mission Bay Artwork Fee) to the City. The project sponsor has agreed to pay the Office Childcare Fee on the R&D component, which is assumed in this analysis.

The project sponsor would also pay school facility impact fees to SFUSD, and the project sponsor has agreed to pay $1.5 million toward an operational endowment for the elementary school in Mission Bay. Development impact fee revenues to the City and payments to SFUSD are summarized in Appendix Table 14.

2. Sales Tax from Construction

One-time sales tax revenue would be generated from building supplies and materials that are purchased in the City during construction. The construction cost is estimated to be $475 per gross square foot of building area for 1450 Owens Street and $66,000 per parking space for the parking garage, of which 50 percent is assumed to be attributable to building supplies and materials according to the project's construction team. This analysis assumes that 5 percent of these materials would be purchased and taxable in the City based on estimates from the ARE construction team. Calculations of the one-time sales tax to the City's General Fund are summarized in Appendix Table 15.

3. Business Taxes (Payroll Expense Tax and Gross Receipts Tax) from Construction

As detailed in Section C.5. of this report, businesses in the City of San Francisco are subject to business taxes such as payroll tax and Gross Receipts Tax (GRT).

Payroll Expense Tax

Total payroll for the project's construction is projected to be approximately $36 million based on estimates from the construction team. Appendix Table 16 estimates payroll tax revenue generated from 1450 Owens Street based on the 2019 payroll expense tax rate of 0.38%.

Gross Receipts Tax and Prop C Revenues

The total construction cost for 1450 Owens Street is projected to be $110 million. According to the Controller's Office, the effective tax rate for construction businesses is 0.45% in 2019. Appendix Table 17 shows the supporting calculates GRT generated from the project's construction.[18]

Given the scale of development, this analysis assumes that the general contractor who undertakes the construction of 1450 Owens Street would generate additional taxes for homelessness. This analysis conservatively assumes that the first $50,000,000 of gross receipts would be subject to a 0% tax rate while the construction cost above $50,000,000 would be subject to a 0.475% tax rate for gross receipts for homelessness according to the November 2018 Proposition C.

[18] As explained in Section C.5, small businesses are exempt from the Gross Receipts Tax for 2018 if their combined taxable gross receipts in the City are less than $1,090,000 and are exempt from payroll expense tax if payroll is less than $300,000. This analysis assumes the businesses undertaking the construction of 1450 Owens Street are not exempt from payroll expense tax and Gross Receipts tax.

E. Conclusion

The fiscal analysis presented in this report evaluates the public revenue implications from 1450 Owens Street. As detailed in this report, the proposed project is anticipated to increase ongoing annual revenues to the City's General Fund, OCII and other taxing entities by approximately $4.8 million. In addition, the proposed project is anticipated to generate approximately $14.8 million in upfront and one-time revenue to the City and SFUSD.

In conclusion, the project would have a substantial positive fiscal benefit to the City, OCII and other taxing entities, which would help to fund general operations and services, transportation, child care, housing, and homelessness initiatives as well as to substantially contribute to needed public infrastructure and facilities.

1. Limitations to this Analysis

While Seifel has made reasonable efforts to verify the accuracy of the figures, information and analysis presented in this report and presumes that the information relied upon is timely and accurate, Seifel makes no warranty or guarantee as to the accuracy of this information or to the projections that are based on this information. Although Seifel has prepared the analysis in this report based on reasonable assumptions and information, projections of current and future revenues may be lower or higher than what is shown in this report and may not reflect actual future revenue received by public entities.

The tables and analysis in this report have been prepared for the sole purpose of providing background information and analysis to assist the City, OCII and other public agencies in understanding the fiscal characteristics of the proposed project. The information presented in this report and the fiscal projections were prepared based on economic, financial and real estate data without consideration of the effects of the COVID-19 pandemic, and this report does not represent any modifications to this data that may have occurred as the result of the effects of the pandemic.

Appendix Tables

Appendix Table 1
New Development Space Value Assumptions
(All Figures in Constant FY 2019/20 Dollars)

	Office - Class A		R&D and Life Sciences		Retail	
Tenant Leasable Area (Square Feet)[a]		49,998		130,466		2,580
Vacancy Rate	*10%*		*6%*		*10%*	
Occupied Space (Square Feet)		44,998		122,638		2,322
Yearly Rent per NSF	*$70*	(NNN)	*$77*	(NNN)	*$39*	(NNN)
Yearly Rent		$3,149,874		$9,443,129		$90,558
Less: Unreimbursed Operating Expense	*6%*	($188,992)	*6%*	($566,588)	*6%*	($5,433)
Net Operating Income		**$2,960,882**		**$8,876,541**		**$85,125**
Value Estimate (Based on Capitalization Rate)	***6%***	**$49,348,026**	***6%***	**$147,942,356**	***6%***	**$1,418,742**
Market Value per Tenant Leasable Square Feet		**$990**		**$1,130**		**$550**

a. Tenant leasable area is assumed to be equal to Planning Gross Area.

Source: ARE, Newmark Cornish & Carey, Seifel Consulting Inc.

Appendix Table 2
Annual Property Tax Generation at Build-out
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

		Total
Existing (FY 2019/20) Assessed Value		
1450 Owens Street		**$5,944,135**
Estimated Assessed Value[a]		
Land Use		
Office		$49,350,000
Retail		$1,420,000
R&D and Life Sciences[c]		$147,940,000
Total		**$198,710,000**
Incremental Assessed Value		**$192,765,865**
Tax Increment to OCII	*Property Tax Rate*	
Incremental Property Tax	*1.0%*	$1,927,700
Less: Housing Set-Aside	*20.0%*	$385,500
Less: Tier 1 Pass Through Payments	*20.0%*	$385,500
Less: Tier 2 Pass Through Payments[d]	*16.8%*	$143,500
Net Tax Increment		**$1,013,200**

a. Includes land value.
b. See Appendix Table 1.
c. Value for conference space, life science lab and incubator space included in value for R&D and Life Sciences.
d. City and County of San Francisco General Fund only receives the share of Tier 1 pass through. The City's share of Tiers 2 and 3 goes to OCII. This analysis excludes Tier 3 pass through payments.

Source: City and County of San Francisco, ARE, Urban Analytics, Seifel Consulting Inc.

Appendix Table 3
Annual Pass Through Payments to Taxing Entities at Build-out
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Taxing Entity	Property Tax Share[a]	Tier 1 Pass Through Payments	Tier 2 Pass Through Payments	Total Pass Through Payments[b]
San Francisco General Fund[c]	55.69%	$214,700	$0	**$214,700**
San Francisco Special Funds[d]	9.00%	$34,700	$29,100	**$63,800**
San Francisco Unified School District	7.70%	$29,700	$24,900	**$54,600**
San Francisco Community College District	1.44%	$5,600	$4,700	**$10,300**
Educational Revenue Augmentation Fund[e]	25.33%	$97,600	$82,000	**$179,600**
Other Taxing Entities[f]	0.84%	$3,200	$2,700	**$5,900**
Total	100.00%	$385,500	$143,400	**$528,900**

a. Post ERAF property tax shares. Property tax shares of City General Fund and Special Fund reflect San Francisco votor approved Proposition C on November 4, 2015, which shifted property tax allocation from General Fund to Children's Fund by 1% in FY 2018/19.
b. This analysis excludes Tier 3 pass through payments.
c. City General Fund only receives the share of Tier 1 pass through. The City's share of Tiers 2 and 3 goes to OCII.
d Special funds include property tax set aside for Library, Open Space, and Children's Fund.
e. Educational Revenue Augmentation Fund (ERAF) is a mechanism, enacted in July of 1992 by the State Legislature to shift local property tax revenues from cities, counties, and special districts to an Educational Revenue Augmentation Fund. Property tax to ERAF in San Francisco is allocated to school entities, primarily to San Francisco Unified School District to help meet minimum funding requirements.
f. Includes Bay Area Air Quality Management District and Bay Area Rapid Transit District.

Source: City and County of San Francisco, ARE, Urban Analytics, Seifel Consulting Inc.

Appendix Table 4
FY 2019/20 Community Facilities District (CFD) Revenues
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

	Est. FY 2019/20 Special Tax Rates	CFD Revenues[a]
Parcel Size		*1.137 acres*
Community Facilities District No. 5	$21,878.52 per acre	$24,900
Community Facilities District No. 6	$159,627.52 per acre	$181,500
Total		$206,400

a. The CFD revenues are calculated based on the special tax rate for each CFD. The maximum special tax rates are set forth in Section C of the Rate and Method of Apportionment of Special Tax (RMA). Pursuant to the RMA, on each July 1, maximum special tax rates shall increase by the lesser of (i) the percentage increase, if any, in the Consumer Price Index (CPI) for the San Francisco Region (all urban consumers) since the prior July 1, or (ii) 5.5% over the rates in effect during the previous fiscal year.

Source: ARE, OCII, Goodwin Consulting Group.

Appendix Table 5
Annual Property Tax In-Lieu of Vehicle License Fee (VLF) Revenue
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Total Assessed Value (AV) in City of San Francisco in FY 2019/20[a]	$281,073,306,581
Annual Property Tax In-Lieu of VLF Revenue in FY 2019/20[b]	$293,010,000
Net Increase in AV due to 1450 Owens Street	$198,710,000
Percent Increase in Total City AV	0.0707%
Growth in Potential Annual Property Tax In-Lieu of VLF Revenue[c]	**$207,100**

a. Total AV in City of San Francisco is net of homeowner exemptions as indicated in the FY 2019/20 Certificate of Assessed Valuation by the Controller's Office.
b. FY 2019-2020 adopted budget per SF Open Book, City and County of San Francisco.
c. Calculated by multiplying percent increase in total citywide assessed value times the current In-Lieu of VLF payment.

Source: City and County of San Francisco, Seifel Consulting Inc.

Appendix Table 6
Projected Annual Sales Tax Revenues
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Development Program	NSF	Sales per Sq.Ft.	Estimated Sales	Assumed % Taxable	Estimated Taxable Sales	Sales Tax Rate	Estimated Sales Tax Revenue[a]
Retail	2,580	$400	$1,032,000	90%	$928,800		
Sales Tax Revenues to City and County of San Francisco							
State Sales Tax to the City General Fund						1.00%	**$9,300**
State Sales Tax for Public Safety						0.50%	**$4,600**
Transportation Related Sales Tax Revenues							
San Francisco County Transportation Authority (Prop K)						0.50%	**$4,600**
State Sales Tax (AB 1107)[a]						0.50%	**$4,600**
TDA Sales Tax to SFMTA						0.25%	**$2,300**

a. State sales tax (AB 1107) is a one-half cent sales tax, which allocates 25% to MTC and 75% to BART.

Source: City and County of San Francisco, Seifel Consulting Inc.

Appendix Table 7
Parking Tax Revenue
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Development Program	Business and Tax Regulation Code	Parking Spaces[a]	Parking Rate Incl. Parking Tax	Vacancy Rate	Annual Gross Parking Revenue	Total Parking Tax[b] *25%*	Parking Tax to General Fund[c] *20%*	Parking Tax to SFMTA[b] *80%*
Parking	SEC. 953.1	177	$400 /month	7.5%	$786,000	$157,200	$31,400	$125,800

a. This analysis excludes on-street parking revenues as street parking is limited around 1450 Owens Street.

b. Assumes the City's parking tax rate is 25% of the pre-tax parking charge.

c. 20% of the parking tax proceeds are assumed to be allocated to the General Fund, while the remaining 80% are allocated to the San Francisco Municipal Transportation Agency (SFMTA).

Source: City and County of San Francisco, Port of San Francisco Parking Survey, Seifel Consulting Inc.

Appendix Table 8
Tenant and Gross Receipts Tax Assumptions
1450 Owens Street

Development Program	Gross Square Feet (GSF)	GSF Per Employee	Number of Employee
Office			
Tenants	34,998	276	127
ARE	15,000	276	54
Office Subtotal	49,998		181
Retail	2,580	350	7
R&D and Life Sciences	154,273	405	381
Total	206,851		569

a. Tenant business sector per San Francisco Business and Tax Regulation Code.

Source: ARE, ESA.

Appendix Table 9
Estimated Wages Per Employee

Land Use	Business Code Section[a]	NAICS Code Associated with SF Business Code Section[a]	Description[a]	2017 Number of Establishments[b]	2017 Annual Average Employment[b]	2017 Total Annual Wages[b]	2017 Annual Wages Per Employee	FY 2019/20 Wages Per Employee[c]
Office	§953.6	5210-5239	Financial Services	1,633	31,832	$9,625,065,879	$302,371	$321,625
Office	§953.6	5240-5249	Insurance	447	7,756	$1,155,449,208	$148,975	$158,461
Office	§953.7	5300-5399	Real Estate and Rental and Leasing Services	1,974	14,624	$1,693,203,673	$115,783	$123,155
Office	§953.4	5600-5699	Administrative and Support Services	1,492	42,133	$2,939,913,987	$69,777	$74,220
R&D[d]	§953.4[d]	621511-621512[d]	Medical laboratories and Diagnostic Imaging Centers	45	810	$115,258,044	$142,294	$151,355
Office/R&D[e]	§953.2	5100-5199	Information	1,451	40,926	$7,578,179,759	$185,168	$196,959
Office/R&D[e]	§953.6	5400-5499	Professional, Scientific, and Technical Services	7,408	126,122	$20,796,729,582	$164,894	$175,394
Office/R&D[e]	N/A	5500-5599	Management of companies and enterprises	204	22,774	$4,310,038,564	$189,253	$201,304
Retail	§953.1	4400-4599	Retail Trade	3,109	46,734	$2,433,929,976	$52,080	$55,397
Retail	§953.2	7220-7229	Food Services	3,737	65,272	$2,010,470,968	$30,801	$32,763
Subtotals by Land Use								
Office				*10,078*	*191,256*	*$31,756,106,700*	***$166,000***	***$177,000***
R&D	*(Includes NAICS# 621511-621512 and excludes the rest of NAICS# 61 and 62.)*			*4,577*	*95,721*	*$16,457,731,997*	***$172,000***	***$183,000***
Retail				*6,846*	*112,006*	*$4,444,400,944*	***$40,000***	***$42,000***
Total				*21,500*	*398,983*	*$52,658,239,640*	***$132,000***	***$140,000***

a. Business codes and descriptions per City and County of San Francisco Treasurer's Office.
b. Private employment per US Bureau of Labor Statistics (BLS).
c. Wages are projected to increase by 2.5% annually from 2017 to FY 2019/20 based on the recent annual growth in wages and San Francisco Area Consumer Price Index for all urban consumers.
d. Per the City and County of San Francisco, NAICS# 6100-6299 is listed under Business Code Section 953.4, some of these businesses may also file under alternative business codes.
e. Assumes 50% of businesses under these NAICS codes to be office and the remainder to be R&D.

Source: City and County of San Francisco, United States Department of Labor Bureau of Labor Statistics, ARE, Seifel Consulting Inc.

Appendix Table 10
Annual Payroll Expense Tax Revenues
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Development Program	Number of Employees[a]	Average Annual Payroll per Employee[b]	Estimated Payroll Expenses	Effective Payroll Tax Rate[c]	Estimated Payroll Tax Revenue[d]
Office	181	$177,000	$32,037,000	0.38%	$121,700
Retail	7	$42,000	$294,000	0.38%	$0
R&D and Life Sciences	381	$183,000	$69,723,000	0.38%	$264,900
Total	569		$102,054,000		**$386,600**

a. See Appendix Table 7.
b. See Appendix Table 8.
c. Based on the Treasurer and Tax Collector's Office: https://sftreasurer.org/business/taxes-fees/payroll-expense-tax-py
d. Small businesses exemption limit for the Payroll Expense Tax is $320,000 per the above website.

Source: City and County of San Francisco, United States Department of Labor Bureau of Labor Statistics, ARE, ESA, Seifel Consulting Inc.

Appendix Table 11
Proposed Methodology for Gross Receipts Tax Projections

Land Use	Business Code Section[a]	NAICS Code Associated with SF Business Code Section[a]	Description[a]	2017 Annual Average Employment[b]	2016 Total San Francisco Gross Receipts[c]	Average Gross Receipts Tax Rate[c]	2016 Calculated Gross Receipts Tax Revenues[c]	FY 2019/20 Gross Receipts Tax Revenues[d]	FY 2019/20 Tax Revenues Per Employee
Office	§953.6	5210-5239	Financial Services	31,832	$12,213,168,095	0.531331217%	$64,892,375	$90,587,000	$2,850
Office	§953.6	5240-5249	Insurance	7,756	$966,189,293	0.526402770%	$5,086,047	$7,100,000	$920
Office	§953.7	5300-5399	Real Estate and Rental and Leasing Services	14,624	$8,282,815,483	0.287373153%	$23,802,588	$33,228,000	$2,270
Office	§953.4	5600-5699	Administrative and Support Services	42,133	$1,930,695,125	0.600404701%	$11,591,984	$16,182,000	$380
R&D	§953.2	N/A	Biotechnology (Defined by Section 906.1 of Article 12-A)[e]	N/A	$715,677,189	0.433724369%	$3,104,066	$4,333,000	N/A
R&D	§953.2	N/A	Clean Technology (Defined by Section 906.2 of Article 12-A)[e]	N/A	$199,858,959	0.387993240%	$775,439	$1,082,000	N/A
Office/R&D[f]	§953.2	5100-5199	Information	40,926	$15,912,857,286	0.432444771%	$68,814,319	$96,062,000	$2,350
Office/R&D[f]	§953.6	5400-5499	Professional, Scientific, and Technical Services	126,122	$20,332,602,055	0.509683431%	$103,631,904	$144,666,000	$1,150
Office/R&D[f]	N/A	5500-5599	Management of companies and enterprises	22,774	$2,957,206,216	0.584689687%	$17,290,480	$24,137,000	$1,060
Office/R&D				286,167	$63,511,069,700	0.470767071%	$298,989,203	$417,378,000	**$1,460**

a. Business codes and descriptions per City and County of San Francisco.
b. Private employment per US Bureau of Labor Statistics (BLS).
c. The Controller's Office provided a summary of Gross Receipts and gross receipts taxes based on actual tax filings for 2016. The average gross receipts tax rate takes into account the fact that some businesses are fully or partially exempt from gross receipts tax payments. This 2016 estimate reflects business tax codes that are likely associated with office and R&D space.
d. Gross receipts are projected to increase by 10% annually from 2016 to FY 2019/20 according to the Controller's Office, and this increase takes into account potential growth in employment.
e. Employment and wages related to biotechnology and clean technology are assumed to be primarily included within other business categories such as Professional, Scientific, and Technical Services.
f. Assumes 50% of businesses under these NAICS codes to be office and the remainder to be R&D.

Source: City and County of San Francisco, United States Department of Labor Bureau of Labor Statistics, ARE, Seifel Consulting Inc.

Appendix Table 12
Other Business Tax Revenues
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Annual Gross Receipts Tax From Building Tenants Gross Receipts

2016 Gross Receipts Tax Revenues (Office/R&D)[a]	Citywide Office/ R&D Employees[b]	Gross Receipts Tax Revenues (Office/R&D) Per Employee[c]		Projected Office/ R&D Employees	Estimated Gross Receipts Tax Revenue
		2016	Est. FY 2019/20		
$298,989,203	286,167	$1,045	$1,460	562	**$820,500**

Annual Business Registration Tax

2017 Business Registration Tax Revenues[d]	Est. FY 2019/20 Business Registration Tax Revenues[e]	Citywide Private Employees[f]	BusinessRegistration Tax Revenue Per Employee	Project Employees	Estimated Business Registration Tax Revenue
$30,600,000	$38,833,000	617,246	$60	569	**$34,100**

Annual Early Care and Education Rents Tax (Prop C June 2018)

Development Program	Tenant Leasable Area[g] (Square Feet)	Annual Lease Rate (NNN)	Vacancy Rate	Est. Total Annual Lease Revenue	SF Gross Receipts as % of Total	Estimated SF Gross Receipts Base	Effective Gross Tax Rate	Est. Gross Receipts Tax Revenue
Office[h]	49,998	$70 /square foot	10%	$3,150,000	100%	$3,150,000		
Retail	2,580	$39 /square foot	10%	$91,000	100%	$91,000		
R&D and Life Sciences	130,466	$77 /square foot	6%	$9,443,000	100%	$9,443,000		
Total Leasable Area	183,044			$12,684,000		$12,684,000	3.50%	**$443,900**

Homelessness Gross Receipts Tax (Prop C November 2018)

2016 Gross Receipts From Businesses with Gross Receipts Larger Than $50M[a]	Est. FY 2019/20 Gross Receipts From Businesses with Gross Receipts Larger Than $50M[b]	Citywide Private Employees[f]	Gross Receipts Tax Revenue Per Employee From Businesses Receipts Larger Than $50M[d]	Project Employees	Estimated SF Gross Receipts Base Attributable to Project	Effective Gross Tax Rate	Estimated Gross Receipts Tax Revenue
$41,384,017,934	$57,770,623,000	617,246	$93,590	569	$53,253,000	0.50%	**$266,300**

a. The Controller's Office provided a summary of Gross Receipts based on actual tax filings for 2016 and Gross Receipts Tax rates on a fully phased-in basis. This 2016 estimate reflects business tax codes that are likely associated with office and R&D space.
b. Citywide number of office and R&D employees estimated based on the 2017 data from U.S. Department of Labor, Bureau of Labor Statistics.
c. Gross receipts are projected to increase by 10% annually from 2016 to FY 2019/20 based on information from the Controller's Office.
d. The Controller's Office provided a summary of Business Registration Tax revenues based on actual tax filings for 2017.
e. Business Registration Tax revenues are projected to annually increase by 10% from 2017 to FY 2019/20 according to the Controller's Office.
f. Citywide private employee number of employees estimated based on the 2017 data from U.S. Department of Labor, Bureau of Labor Statistics.
g. Tenant leasable area is assumed to be equal to Planning Gross Area.
h. Includes space occupied by ARE headquarters office as ARE headquarters office is assumed to pay market rate rent.

Source: City and County of San Francisco, United States Department of Labor Bureau of Labor Statistics, ARE, Seifel Consulting Inc.

Appendix Table 13
Projected Annual Utility User Tax Revenue
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Development Program	Annual Utility Billing		Utility User Tax
	Assumption[a]	Annual Billing	*7.50%*
1450 Owens Street	$9.00 /GSF	$1,861,659	$139,600

a. Annual utility billing is assumed to be $9.00/GSF based on recent utility billings for two similar life science properties in Mission Bay.

Source: City and County of San Francisco, ARE, Seifel Consulting Inc.

Appendix Table 14
Projected One-Time Fees and School Contribution
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Land Use	Office	Retail	R&D and Life Sciences	Total
Planning Gross Area (GSF)	*49,998 GSF*	*2,580 GSF*	*130,466 GSF*	*183,044 GSF*
Jobs-Housing Linkage Program Fee				
Fee Schedule	*$46.98 /GSF*	*$28.13 /GSF*	*$31.43 /GSF*	
Estimated Fee Amount	$2,348,900	$72,600	$4,100,500	$6,522,000
Child Care Fee				
Fee Schedule	*$1.95 /GSF*	*$0.00 /GSF*	*$1.95 /GSF*	
Estimated Fee Amount	$97,500	$0	$254,400	$351,900
Transportation Sustainability Fee (TSF)				
Fee Schedule (First 99,999 GSF)				*$22.40 /GSF*
Fee Schedule (Greater than 99,999 GSF)				*$25.36 /GSF*
Estimated Fee Amount				$4,346,000
Mission Bay Artwork Fee[a]				
1% of construction cost				
Estimated Fee Amount				$982,500
Total City Development Fees				**$12,202,400**
School Facilities Impact Fee				
Fee Schedule	*$0.610 /GSF*	*$0.596 /GSF*	*$0.610 /GSF*	
Estimated Fee Amount	$30,500	$1,500	$79,600	**$111,600**
Mission Bay School Contribution[b]				
School Contribution Amount				**$1,500,000**
Total School Fees and Contribution				**$1,611,600**

a. Mission Bay Artwork Fee may be waived if artwork is incorporated into the building.
b. ARE will make an upfront contribution to provide an operational endowment for the Mission Bay elementary school.

Source: City and County of San Francisco, ARE, Seifel Consulting Inc.

Appendix Table 15
Projected One-Time Sales Tax Revenue from Construction
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Construction Cost Estimate	**Assumptions[a]**		
1450 Owens Street	$475	/Square Feet	$98,250,000
Parking Garage[b]	$66,000	/Space	$11,682,000
Total Construction Cost			$109,932,000
Supply/Materials Portion of Development Value	50%		$54,966,000
San Francisco Capture of Taxable Sales	5%		$2,748,000
Total Sales Tax Revenue to City	1.00%		**$27,000**

a. Construction cost is estimated based on recent life science construction projects and is calculated based on total building area.
b. Reflects only the share of the parking garage allocable to 1450 Owens Street.

Source: City and County of San Francisco, ARE, Truebeck Construction, Seifel Consulting Inc.

Appendix Table 16
One-Time Payroll Expense Tax Revenues from Construction
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

Busiess Category	Estimated Payroll Expenses	Effective Gross Tax Rate[a]	Estimated Payroll Tax Revenue
Construction			
1450 Owens Street[a]	$32,000,000		
Parking Garage[b]	$4,100,000		
Total	**$36,100,000**	**0.3800%**	**$137,200**

a. Payroll expenses are estimated by ARE.
a. 35% of hard construction cost and contingency is assumed to be payroll expenses.

Source: City and County of San Francisco, ARE, Truebeck Construction, Seifel Consulting Inc.

Appendix Table 17
One-Time Gross Receipts Tax Revenue Project Construction
1450 Owens Street
(All Figures in Constant FY 2019/20 Dollars)

One-Time Gross Receipts Tax From Project Construction						
Business Category	Business and Tax Regulation Code	Direct Construction Cost[a]	SF Gross Receipts as % of Total	Estimated SF Gross Receipts Base	Effective Gross Receipts Tax Rate	Estimated Gross Receipts Tax Revenue
Construction	SEC. 953.5	$109,932,000	100%	$109,932,000	0.45%	$494,700
Homelessness Gross Receipts Tax (Prop C November 2018) From Construction						
Business Category	Business and Tax Regulation Code	Direct Construction Cost[a]	SF Gross Receipts as % of Total	Estimated SF Gross Receipts Base[b]	Effective Gross Receipts Tax Rate[b]	Estimated Gross Receipts Tax Revenue
Construction	SEC. 953.5	$109,932,000	100%	$59,932,000	0.475%	$284,700

a. See Appendix Table 15.

b. This analysis conservatively assumes that the first $50,000,000 would be subject to a 0% rate and a 0.475% rate for the construction cost above $50,000,000 for the Homeless Gross Receipts Tax under November 2018 Proposition C.

Source: City and County of San Francisco, ARE, Truebeck Construction, Seifel Consulting Inc.

PROPOSED PLAN DOCUMENT AMENDMENTS
Mission Bay South Block 43, Parcel 7
1450 Owens Life Sciences Project

Redevelopment Plan for the Mission Bay South Redevelopment Project	1. Increase the Commercial Industrial area permitted in the Mission Bay South Project Area by 170,000 leasable square feet to only be located on Parcel 7 of Block 43 2. Increase the maximum allowable Floor Area Ratio (the ratio of gross building area to developable site area) from 2.9:1 to 2.95:1 if some or all of the additional leasable square allocated to Parcel 7 of Block 43 is constructed
Mission Bay South Owner Participation Agreement	1. Increase the Commercial Industrial area permitted in the Mission Bay South Project Area by 170,000 leasable square feet 2. Define an augmented child care fee and open space maintenance financial contribution
Design for Development for the Mission Bay South Project Area	1. Increase the maximum height permitted on Block 43, Parcel 7 from 39 feet (the adjacent Freeway height) to 109 feet 2. Revise the Height Zone 7 total allowable developable area to accommodate additional height 3. Remove the Tower Location limitation to include the entirety of Block 43 4. Increase the Commercial Industrial maximum allowable building plan length, above 90 feet, from 200 feet to 260 feet. 5. Increase the maximum allowable floor plate area, above 90 feet, from 20,000 square feet to 30,000 square feet 6. Revise the street wall frontage location for Block 43, Parcel 7 to account for the existing public utilities easement 7. Revise the Freeway Zone Open Space / Panorama guideline on Block 43 to allow additional height above 39 feet (the adjacent Freeway height)