OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0142025-002

Agenda Item **Nos. 5(b) and 5(c)**
Meeting of April 15, 2025

INFORMATIONAL MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Approving the budgets and levies of special taxes for July 1, 2025 through June 30, 2026 for Community Facility Districts administered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco

Establishing for Fiscal Year 2025-26 the Annual Appropriations Limits for each of the Community Facility Districts administered by the Successor Agency to the Redevelopment Agency

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EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure or "OCII," as the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, administers seven Mello-Roos Community Facilities Districts ("CFDs"), across specific areas in the Mission Bay North and South, Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas, as well as in the former Rincon Point South Beach Redevelopment Project Area. When the Redevelopment Agency or OCII established these CFDs, resolutions of formation specified the public facilities and services that a particular CFD would fund. The facilities and services eligible for funding must be consistent with the Mello-Roos Community Facilities Act of 1982 ("Mello Roos Act"), Cal. Govt § 53311 et seq. and with the resolutions of formation for the particular district. Moreover, as required under the Mello-Roos Act, qualified voters in each CFD approved, by a two-thirds vote, the imposition of special taxes to fund the specified facilities and services. Once approved, the legislative body, i.e. the Successor Agency Commission ("Commission"), levies the tax, which cannot exceed the rate authorization in the resolutions of formation. Separately, California law requires a CFD to establish an

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appropriation limit (also known as the Gann Limit) to limit the growth in appropriations of a special district, subject to adjustments for cost of living and population changes ("Appropriations Limit").

The CFD budgets for the costs to be expended must be established and appropriated annually. The proposed Fiscal Year 2025-26 CFD Budgets ("FY 2025-26 CFD Budgets") includes an estimate of the annual special tax levy, which will be finalized in August 2025.[1] The FY 2025-26 CFD Budgets detail the projected expenditures of this revenue, including 2026 debt service amounts and are within the annual Appropriations Limit, as adjusted under law. Resolution No. 05-2025 provides for the approval of the FY 2025-26 CFD Budgets. Resolution No. 06-2025 establishes the Appropriation Limits for each of the CFDs. The budgets narrative attached as Attachment A provides more detail, including background on CFDs and the CFD budgets process as well as a budget and workplan for each CFD.

Staff recommends approval of Resolution No. 05-2025 approving the proposed budgets and special taxes for the period of July 1, 2025 through June 30, 2026, and approval of Resolution No. 06-2025 establishing the Annual Appropriations Limit for the Community Facilities Districts administered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco.

DISCUSSION

The Mello-Roos Act provides an alternative method of financing certain public capital facilities and services and allows local agencies to create CFDs to fill some funding gaps created after the passage of Prop 13 (June 1978). CFDs have the power to levy and collect a special tax, finance specified public facilities, provide maintenance type services, and borrow money (i.e., issue bonds or incur debt) to finance these public facilities. A CFD is a voter-approved district that levies a special tax based on the unique Rate and Method of Apportionment ("RMA") tax formula approved by the Commission at formation. CFDs help to amortize the costs of infrastructure, parks, and other public facilities over a longer time period to reduce the upfront cost burden of these improvements. Repayment of CFD debt is secured by a special tax included on property bills. To form a CFD, the landowners must petition for formation and obtain two/thirds approval with property owners within the district boundaries.

CFDs may fund particular public facilities or services, or both. But the CFD formation documents must specify the purpose for imposing the special tax and implementation of the CFD must be consistent with the formation documents and the Mello-Roos Act. Table 1 lists the CFDs that OCII administers.

[1] The CFD budget year runs from July 1 to June 30. All of the service CFDs escalate by the change in consumer price index ("CPI") for either April (CFD No. 1) or June (all other CFDs). The current budget uses the most recent CPI (December) as a placeholder. For CFD's that are not fully developed, the maximum special taxes are based on the current status of construction for the FY 24-25 special tax levy. Development cut-offs for each particular CFD occur either June 1st or June 30th. Once these past, building permit data is shared that may impact maximum special tax numbers.

The former Redevelopment Agency established six community facilities districts: Community Facilities District No.1 (South Beach) by Agency Resolution No. 186-88 (Aug. 30, 1988); Community Facilities District No. 4 (Mission Bay North Public Improvements) by Agency Resolution No. 213-99 (Dec. 21, 1999)[2]; Community Facilities District No. 5 (Mission Bay Maintenance District) by Agency Resolution No. 217-99 (Dec. 21, 1999); Community Facilities District No. 6 (Mission Bay South Public Improvements) by Agency Resolution No. 45-2000 (March 28 2000); Community Facilities District No. 7 (Hunters Point Shipyard Phase One Improvements) by Agency Resolution No. 36-2005 (April 5, 2005); Community Facilities District No. 8 (Hunters Point Shipyard Phase One Maintenance) by Agency Resolution No. 94-2009 (Sep. 2, 2008).

On February 1, 2012, the State of California dissolved all redevelopment agencies including the former Redevelopment Agency under California Health and Safety Code Section 34170 et seq. ("Redevelopment Dissolution Law") and established, by operation of state law, successor agencies to wind down and complete redevelopment activities. Under the Redevelopment Dissolution Law and San Francisco Ordinance No. 215-12 (October 4, 2012) (establishing the Commission and delegating to it state authority under Redevelopment Dissolution Law), the Successor Agency is administering the enforceable obligations of the Former Agency, including those obligations relating to community facilities districts, such as the funding of services from special taxes. In administering community facilities districts, the Successor Agency acts under the Mello-Roos Act and not under the Community Redevelopment Law, as amended by the Redevelopment Dissolution Law.

In furtherance of the Former Agency's obligations under the Disposition and Development Agreement for Candlestick Point and Phase 2 of the Hunters Point Shipyard, the Successor Agency established, by Resolution No. 17-2018 (April 17, 2018), Community Facilities District No. 9 (HPS2/CP Public Facilities and Services).

All of the CFDs described above (the "Agency CFDs") provide for, among other things, the levy of special taxes, a list of public improvements and/or services eligible for funding with the special taxes, and an Appropriations Limit, as required by applicable law, including the Mello-Roos Act, and by Local Goals and Policies for Community Facilities District (Agency Resolution No 79-2008, July 15, 2008).

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[2] CFD 4 is currently not levying a special tax and outstanding debt was paid off in FY 22-23.

Table 1: Background on OCII's CFDs

CFD	Title	Formation Year	Infrastructure/ Maintenance	Term	Outstanding Debt (Millions)	Available Bond Capacity (Millions)	Annual Appropriations Limits (Millions)
CFD 1	South Beach Improvements and Maintenance	1988	Infrastructure / Maintenance	Facilities – Ended; Services – No Sunset	$0.0	$0.0	$88.8
CFD 4	Mission Bay North Public Improvements	1999	Infrastructure	n/a	$0.0	$0.0	$0.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance of Parks	FY 2043-44	N/A	N/A	$56.9
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	$114.4	$56.1	$142.2
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	$27.2	$30.5	$120.9
CFD 8	Hunters Point Shipyard Phase One Maintenance	2008	Maintenance	No sunset	N/A	N/A	$46.5
CFD 9	Hunters Point Shipyard Phase 2 / Candlestick Point Public Facilities and Services	2018	Infrastructure / Maintenance	Facilities - 75 years; Services - No Sunset	$0.0	$202.0 (Project Area 1)	$272.7

Outstanding debt as of August 2024

FY 2025-26 CFD Budgets

In FY 2025-26, OCII will expend a total of $53.2 million on six CFDs. Each CFD is a discrete and separate entity, and funds cannot move between CFDs. Table 2 below shows the summary of each CFD by expenditure type.

Table 2: FY 2025-26 CFD Budgets Summary

Expenditure Type	CFD 1	CFD 5	CFD 6	CFD 7	CFD 8	CFD 9
Debt Service			$8,391,713	$1,859,988		
Capital Repair	$182,554					
Maintenance and Operations	$116,000	$3,911,376			$2,023,242	
Infrastructure			$24,938,741	$10,680,086		
Administrative Expenses	$33,944	$120,386	$179,066	$133,370	$184,798	$24,223
Contingency						$434,224
Total	**$332,498**	**$4,031,762**	**$33,509,520**	**$12,673,443**	**$2,208,040**	**$458,447**
Annual Appropriations Limit	**$88,834,402**	**$56,884,471**	**$142,211,176**	**$120,908,502**	**$46,503,270**	**$272,727,976**

The proposed FY 2025-26 CFD Budgets are attached to this memo as Attachment A and provide greater detail for each of the CFD budgets.

Annual Appropriation Limit

In 1979, state voters approved Article XIIIB of the Constitution of the State of California to limit the growth in appropriations of local government to changes in the cost of living and population. Total annual appropriations of a local government entity may not exceed the appropriations limit of that entity for the prior year. The Agency's CFDs are subject to this requirement and the FY 2025-26 Appropriations Limit is consistent with the Gann Limit and implementing state law. The proposed budgets for the Agency's CFDs do not exceed the Appropriations Limits.

Section 7910 of the California Government Code provides that each year the governing body of each local government entity shall, at a regularly scheduled meeting or noticed special meeting, establish by resolution its appropriations limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution. Section 7901 defines changes in the per capita personal income and in population that may provide for an adjustment of the annual Appropriations Limit of a community facilities district. Section 7910 (a) further provides that the documentation used in the determination of the appropriations limit shall be available to the public fifteen days prior to the meeting. On March 31, 2025, OCII provided information on its website notifying the public of the proposed Commission action and availability of documentation regarding the Appropriation Limits.

OCII has retained, by Resolution No. 16-2024 (June 18, 2024), Goodwin Consulting Group ("Goodwin"), for special tax consulting services related to CFD requirements. With guidance from the California State Department of Finance ("DOF"), Goodwin prepared a report to update the Appropriations Limits for cost of living and changes in population. Goodwin used information from DOF regarding the change in population and income factors for each year since the formation of our earliest CFD in 1988. DOF publishes an annual letter named "Price Factor and Population Information" every spring which includes the annual percent change in population and annual percent change in cost of living, or price factor, for each local government in California by calendar year and gives instruction on the calculation. The annual percent change in population is multiplied by the annual percent change in price factor to get the appropriations limit adjustment factor. This appropriations limit adjustment factor is then multiplied by the base year to get the subsequent year's annual appropriations limit. This calculation is done from the CFD formation year to the current year of 2025. See Attachment 1 to Resolution No. 06-2025 for the calculation of the annual appropriation limits since the establishment of each CFD.

The proposed annual Appropriations Limits for FY 2025-26 are presented below. Note that the final calculations for FY 2025-26 are not available until May 2025. The limits listed below reflect the calculations for the total county population change factor and California per capita personal income factor for FY 2024-25. Table 1 also shows the approved budget amounts along with the proposed annual Appropriations Limits for Fiscal Year 2025-26 ("FY 2025-26") and illustrates that the actual appropriations for each of the CFDs limits are far below the Appropriation Limits.

Table 3: OCII's CFD Appropriations Limits at Formation and in FY 2025-26, and FY 2025-26 Budget

CFD	Formation Year	Appropriations Limits at Formation Year	Appropriations Limits in FY 2025-26	FY 2025-26 Budget
CFD 1	1988	$20,879,670	$88,834,402	$332,498
CFD 5	1999	$21,102,516	$56,884,471	$4,031,762
CFD 6	2000	$52,756,291	$142,211,176	$33,509,520
CFD 7	2005	$68,812,106	$120,908,502	$12,673,443
CFD 8	2008	$26,466,195	$46,503,270	$2,208,040
CFD 9	2018	$209,619,704	$272,727,976	$458,447

(Originated by Mina Yu, Senior Budget & Project Finance Manager)

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Attachment A: FY 2025-26 Budgets for Community Facilities Districts