



COMMUNITY INVESTMENT  
and INFRASTRUCTURE

107-0202018-002

Agenda Item **Nos. 5 (i through n)**  
Meeting of April 17, 2018

**MEMORANDUM**

**TO:** Community Investment and Infrastructure Commissioners

**FROM:** Nadia Sesay, Executive Director

**SUBJECT:** Public Hearings to Hear All Persons interested in (a) The establishments of a Community Facilities District, Improvement Area No. 1 and a Future Annexation Area and (b) The incurrence of bonded indebtedness and other debt for the Community Facilities District No.9 and Improvement Area No. 1

Forming Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services), Improvement Area No. 1 and a Future Annexation Area, and Determining Other Matters in Connection Therewith

Determining the Necessity to Incur Bonded Indebtedness and Other Debt in an Amount Not to Exceed \$6,000,000,000 for the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) and Determining Other Matters in Connection Therewith

Calling a Special Election in Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) and Determining Other Matters in Connection Therewith

Declaring the Results of Special Election and Directing Recording of Notice of Special Tax Lien for Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) and Determining Other Matters in Connection Therewith

Introducing an Ordinance Levying Special Taxes within the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services)

Authorizing the Issuance and Sale of Special Tax Bonds and Other Debt for Improvement Area No. 1 of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) in an Aggregate Principal Amount Not to Exceed \$202,200,000 and Determining Other Matters in Connection Therewith

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## EXECUTIVE SUMMARY

Consistent with the Disposition and Development Agreement for Candlestick Point and Phase 2 of the Hunters Point Shipyard (DDA) between the Office of Community Investment and Infrastructure (OCII) and CP Development Co., LLC (Developer), the Developer has requested that OCII form a community facilities district (CFD) to finance and maintain certain public improvements within the Project (as defined in the DDA). In September 2017, OCII entered into contracts with members of the CFD financing team. In February 2018, the OCII Commission passed Resolutions 01-2018 and 02-2018. Under Resolution 01-2018, the Commission (i) declared OCII's intent to form a CFD called "Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9" (HPS2/CP CFD), an improvement area within the HPS2/CP CFD (Improvement Area No. 1) and a future annexation area for the HPS2/CP CFD (Future Annexation Area), (ii) preliminarily approved the boundaries of the proposed HPS2/CP CFD, (iii) described the facilities and services proposed to be financed by the HPS2/CP CFD, and (iv) detailed the proposed rate and method of the special tax levy for Improvement Area No. 1 (RMA). Under Resolution 02-2018, the Commission declared OCII's intent to incur bonded indebtedness and other debt in amounts not-to-exceed \$202,200,000 in Improvement Area No. 1 and \$5,797,800,000 for areas that annex into the CFD from the Future Annexation Area, for a total debt limit of \$6,000,000,000.

The next step in the CFD formation process is for the Commission to hold public hearings on the proposed formation of HPS2/CP CFD, Improvement Area No. 1, and the Future Annexation Area, the levy of special taxes under the RMA and the incurring of bonded indebtedness and other debt. These hearings will occur at the April 17, 2018 meeting.

Following the hearing, at the same meeting, the Commission will consider three resolutions: i) a Resolution of Formation of Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services), Improvement Area No. 1 and a Future Annexation Area, and Determining Other Matters in Connection Therewith (Resolution of Formation of HPS2/CP CFD), ii) a Resolution Determining Necessity to Incur Bonded Indebtedness and Other Debt in an Amount Not to exceed \$6,000,000,000 for the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) and Determining Other Matters in Connection Therewith (Resolution Declaring Necessity to Incur Bonded Indebtedness), and iii) a Resolution Calling Special Election in Improvement Area No. 1 of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) and Determining Other Matters in Connection Therewith (Resolution Calling Special Election in HPS2/CP CFD).

If the Commission adopts these resolutions, OCII will hold a special mail ballot election to consider the levy of a special tax within Improvement Area No. 1, establishment of an appropriations limit for Improvement Area No. 1, and the incurring of bonded indebtedness and other debt for Improvement Area No. 1. At the election, the Commission Secretary will count and record the votes of the qualified electors, who are the landowners in Improvement Area 1. If more than two-thirds of the votes cast at the special election are cast in the affirmative, the special taxes, bonded indebtedness and other debt, and appropriations limit for Improvement Area No. 1 will have been approved by the qualified electors.

If the election is favorable, the Commission will consider two more resolutions: i) a Resolution Declaring Results of Special Election and Directing Recording of Notice of Special Tax Lien for Improvement Area No. 1 of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) and Determining Other Matters in Connection Therewith (Resolution Declaring Results of Election) and ii) a Resolution Authorizing the Issuance and Sale of Special Tax Bonds and Other Debt for Improvement Area No. 1 of the Successor Agency to the Redevelopment Agency of

the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) in an Aggregate Principal Amount Not to Exceed \$202,200,000, and Determining Other Matters in Connection Therewith (Resolution Authorizing the Issuance of Bonds and Other Debt). If these resolutions are adopted by the Commission, the proposed HPS2/CP CFD will be fully formed and OCII will be authorized to incur bonded indebtedness and other debt in amounts not-to-exceed \$202,200,000 in Improvement Area No. 1.

In addition, after a favorable election,, the Commission will introduce an Ordinance Levying Special Taxes within the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) (Ordinance). Because Government Code Section 36934 requires that ordinances not be passed within five days of their introduction, the Commission will hear the Ordinance for a second time and vote on the Ordinance on May 1, 2018. Following adoption of the Ordinance, OCII will be authorized to levy the special tax authorized in Resolution 17-2018, now being considered.

### **STAFF RECOMMENDATION**

*Staff recommends that the Commission (i) adopt a Resolution of Formation of HPS2/CP CFD, a Resolution Declaring Necessity to Incur Bonded Indebtedness, and a Resolution Calling Special Election in HPS2/CP CFD and (ii) assuming two-thirds of the votes cast are in favor of the ballot measure at the special election, adopt a Resolution Declaring Results of Election, adopt a Resolution Authorizing the Issuance of Bonds and Other Debt, and introduce the Ordinance levying special taxes.*

### **BACKGROUND**

Development of Hunters Point Shipyard Phase 2 and Candlestick Point (HPS2/CP) is governed by the DDA, which includes a Financing Plan that requires OCII to establish CFDs from time to time to finance public improvements. As anticipated in the DDA and requested by the Developer, staff now seek Commission approval for the establishment of the HPS2/CP CFD, including Improvement Area No. 1 and a Future Annexation Area for the HPS2/CP CFD.

### **Community Facilities Districts in General**

The Mello-Roos Community Facilities Act of 1982 allows OCII to establish a CFD to finance public improvements and services. The Mello-Roos Act requires that local agencies establish CFDs only after they have adopted Local Goals and Policies for Community Facilities Districts. The SFRDA Commission approved the Amended and Restated Local Goals and Policies for Community Facilities Districts on July 15, 2008, which remain in effect. These policies meet the requirements of the Mello-Roos Act.

Once a CFD is formed, a special tax is levied on both residential and non-residential taxable property in the district. Under the Mello-Roos Act, the revenue generated by the special tax can be used for two primary purposes:

- **Public Facilities:** Special taxes can be used to pay the costs of public facilities (i.e., public infrastructure) and debt service on bonds that are issued to fund such public infrastructure. These are typically called “Facilities Special Taxes.” Appendix A of the proposed Resolution of Formation of HPS2/CP CFD includes a list of the public facilities the HPS2/CP CFD is authorized to finance. In addition, OCII may issue special tax revenue bonds whose debt service is paid over time with the Special Facilities Tax.

- Public Services: Special taxes can be used to pay for public services. These are typically called "Services Special Taxes." Appendix B of the proposed Resolution of Formation of HPS2/CP CFD contains a list of the public services the HPS2/CP CFD is authorized to finance.

### **The Proposed HPS2/CP Facilities and Services CFD**

Pursuant to the DDA, the Developer has proposed the details of the HPS2/CP CFD, including the boundaries and proposed special tax rates for Improvement Area No. 1, which OCII may accept or reject. The proposed HPS2/CP CFD will levy special taxes for both public facilities (Facilities Special Tax) and public services (Services Special Tax), which are described in more detail below.

According to the Developer's proposal, the HPS2/CP CFD will consist of an initial area of taxation, referred to as Improvement Area No. 1 (covering Candlestick Point Major Phase 1, Sub-phase CP-04), and a Future Annexation Area (covering the remainder of the HPS2/CP Project). As development occurs in the Future Annexation Area, the Developer (or its successors) may ask OCII to add (annex) future development phases to the HPS2/CP CFD. When joining the HPS2/CP CFD, the landowners may ask OCII to add their parcels to Improvement Area No. 1 (in which case they would be subject to the special tax rates for Improvement Area No. 1) or they may ask OCII to add their parcels to a new improvement area, in which case the parcels would be subject to a different special tax rates, which would be defined at the time of annexation and would require Commission approval.

### **Special Tax Rates and Methods of Levy for Improvement Area No. 1**

The Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 (RMA), which was drafted by OCII's special tax consultant and is contained in Exhibit B of the proposed Resolution of Formation of HPS2/CP CFD, establishes the amount of the Facilities Special Tax, the amount of the Services Special Tax, and their method of levy. The details of the special tax rates and their method of levy are described below.

#### Facilities Special Tax

The proposed Facilities Special Tax will be levied for a term not-to-exceed 75 years, which conforms to Financing Plan requirements. The Facilities Special Tax would be available both to directly pay for public infrastructure and to fund debt service on Mello-Roos Bonds, the proceeds of which would be used to pay for public infrastructure.

*Facilities Special Tax Rates.* The Maximum Facilities Special Tax for all property types within the proposed Improvement Area No. 1 (which are shown in Table 1 of the RMA for Improvement Area No. 1) were proposed by the Developer as the maximum tax rates that could be borne while maintaining the competitiveness of each market rate unit and the affordability of each below market rate unit. These rates are consistent with the Financing Plan, which requires that the aggregate tax rate on residential units (including both the HPS2/CP CFD special taxes, the typical one percent ad valorem property tax rate, and other taxes and assessments) not exceed two percent of the estimated residential sales price, measured at the time the Commission adopted the Resolution of Intention to Establish HPS2/CP CFD. The Financing Plan contains no aggregate tax rate limitations on non-residential land uses. The proposed tax rates were established through negotiation with the Developer to ensure achievement of the HPS2/CP CFD revenue goals as well as maintain the Project area as a competitive location for commercial development. The tax rate for all land use types escalates at a rate of two percent per year. Pursuant to the RMA, at all times after the first bond issuance for Improvement Area No. 1, regardless of changes in land use, the maximum amount of Facilities Special Taxes that can be levied within Improvement Area No. 1 will be sufficient to pay bond debt service and priority Administrative Expenses (as defined in the RMA) and provide coverage as required by the bond indenture (which additional coverage is defined in the RMA for Improvement Area No. 1 as "Required Coverage"). As per the Financing Plan, the RMA provides an annual escalator of two percent per year.

*Mello-Roos Bonds.* It is anticipated that OCII will issue Mello-Roos Bonds, debt service on which will be paid by the Facilities Special Tax. The Mello-Roos Bonds would be issued in two "tranches." The Financing Plan establishes a process by which OCII would issue "first tranche bonds" in the early years of each improvement area for the purpose of reimbursing the Developer for public infrastructure costs; specifically, for the first seven years after the initial issuance of bonds for each improvement area. Under the Financing Plan, the first tranche bonds will be subject to a 3 to 1 value-to-lien requirement (i.e., the assessed or appraised value of property within the improvement area must be at least three times the principal of the Mello-Roos Bonds and other bonds (if any) paid by assessments/special taxes on the same property). After the first seven years following the initial issuance of Mello-Roos Bonds in a given improvement area, OCII has the right to issue "second tranche bonds" to pay for Additional Community Facilities (as defined in the Financing Plan) and any other public facilities authorized under the Mello-Roos Act, including physical adaptation activities necessary to protect public improvements from sea-level rise.

#### Services Special Tax

Staff, using its experience in maintaining public improvements in other Project Areas, and in cooperation with the Developer, identified an estimated overall cost for maintenance of public improvements anticipated to be reimbursed by the Services Special Tax, and using that amount determined the proposed Maximum Services Special Tax for all property types within the proposed Improvement Area No. 1 (which is set out in Table 2 of the RMA). The proposed Services Special Tax would be levied in perpetuity. The rates in the RMA are consistent with the Financing Plan, which requires that the services special tax rate on residential projects be limited to no more than 0.10 percent of the expected sale price, measured at the time of the adoption of the Resolution of Intention to Establish. As per the Financing Plan, the Services Special Tax for all land use types will increase annually by the lesser of (i) the increase in the Consumer Price Index for All Urban Consumers in the San Francisco-Oakland-San Jose Region (ii) five percent.

There are no tax rate limitations on non-residential land use types in the Financing Plan. The tax rates for non-residential land use types were set to meet the Required Maintenance Revenue, which is the revenue required to fund necessary operations and maintenance for parks and open space. As per the Financing Plan, the Services Special Tax will not fund streetscape maintenance.

#### Method of Tax Levy

The Facilities Special Tax and Services Special Tax will be levied only on private development parcels and not levied on agency housing units and public parcels. This exemption supports development of affordable housing and public amenities.

#### **Administration**

If formed, the Commission will act as the legislative body for HPS2/CP CFD. A consultant will act as the Administrator (as defined in the RMA), calculating and levying the taxes based on the applicable rate and method of apportionment. On September 19, 2017, the Commission approved a contract with Goodwin Consulting Group to service as the Administrator for a three-year term ending September 30, 2020. To the extent consistent with the Mello-Roos Act then in effect, OCII expects to transfer the HPS2/CP CFD to the City and County of San Francisco (City) upon its dissolution, and the Board of Supervisors of the City will become the legislative body for the HPS2/CP CFD.

## PROPOSED COMMISSION ACTION

On February 20, 2018, the Commission passed Resolutions 01-2018 and 02-2018, which initiated the HPS2/CP CFD formation process. Resolution 01-2018, directed the Executive Director to commission a CFD Report that includes a description of the Facilities and Services, the Proposed Boundaries of the CFD, and a Cost Estimate of the proposed CFD. The required CFD Report is Attachment 1 of this memorandum. The information in the report is consistent with the proposed Commission action described below.

As required by Resolution 02-2018, on April 17, 2018 the Commission will hold a hearing on the proposed formation of the HPS2/CP CFD and the accompanying issuance of up to \$6.0 billion in special tax bonds for the HPS2/CP CFD. The purpose of the hearing is to take public comment on the proposed formation of the HPS2/CP CFD and OCII's proposition to incur bonded indebtedness and other debt.

Following the hearing, the Commission will consider three resolutions 17-2018, 18-2018, and 19-2018, summarized below.

- Resolution 17-2018 – On February 20, 2018, the Commission passed Resolution 01-2018, which declared OCII's intent to form the HPS2/CP CFD, proposed the boundaries of the HPS2/CP CFD, identified the facilities and services proposed to be financed by the CFD, and proposed the rate and method of the special tax levy within Improvement Area 1. Pending the outcome of a special election in which the landowners in the proposed HPS2/CP CFD consider the levy of special taxes in Improvement Area No. 1, an appropriations limit for Improvement Area No. 1 and the incurring of public indebtedness and other debt, Resolution 17-2018, approves the boundaries, facilities and services, and rate and method of the special tax levy approved by the Commission in Resolution 01-2018.
- Resolution 18-2018 - On February 20, 2018, the Commission passed Resolution 02-2018, which declared OCII's intent to incur bonded indebtedness and other debt in amounts not-to-exceed \$202,200,000 in Improvement Area No. 1 and \$5,797,800,000 for areas that annex into the HPS2/CP CFD from the Future Annexation Area, for a total debt limit of \$6,000,000,000. Pending the outcome of a special election in which the landowners in the proposed Improvement Area No. 1 consider the incurring of bonded and other indebtedness with respect to Improvement Area No. 1, Resolution 18-2018 determines the necessity to incur the bonded and other indebtedness described in Resolution 02-2018.
- Resolution 19-2018 – Resolution 19-2018 calls a special election in Improvement Area No. 1 to consider the levy of the special tax, the establishment of an appropriations limit, and the incurring of bonded and other indebtedness, such election to take place on April 17, 2018.

Pending the passage of Resolutions 17-2018, 18-2018, and 19-2018, described above, OCII will hold a special mail ballot election. In this election, which will take place at the Commission meeting, the qualified electors in Improvement Area No. 1 will consider the levy of the special tax in Improvement Area No. 1, as described in the rate and method of tax levy approved by the Commission in Resolution 17-2018, an annual appropriation limit for Improvement Area No. 1 of \$200,000,000, and bonded indebtedness of \$202,200,000 in Improvement Area 1, as approved by the Commission in Resolution 18-2018. As required by Resolution 20-2018, the mail ballots must be submitted by 1 p.m. on April 17, 2018. At the election, the Commission Secretary will count and record the ballots.

The Mello-Roos Act permits an election of the landowners within the proposed Improvement Area No. 1 and requires that each landowner have a vote for each acre or portion thereof that the landowner owns in the proposed Improvement Area No. 1. As the proposed Improvement Area No. 1 contains four parcels, each of which is owned by a different landowner and is composed of more than 1 acre but less than 2 acres, four qualified electors will cast two votes each, for a total of eight votes. Under the Mello-Roos Act, if two-thirds of the ballots cast in the special election are in the affirmative, the landowners voting in that election have approved the levy of special taxes in Improvement Area No. 1, the issuance of bonds and other debt with respect to Improvement Area No. 1, and an appropriations limit for Improvement Area No. 1.

If the election is successful, the Commission will consider Resolutions 20-2018 and 21-2018, summarized below.

- Resolution 20-2018 - Resolution 20-2018 declares the results of the election and, pursuant to voter approval, declares that (i) Improvement Area No. 1 is fully-formed, (ii) the Commission has the authority to levy the special taxes in Improvement Area No. 1, (iii) the Commission has the authority to incur bonded indebtedness and other debt with respect to Improvement Area No. 1, and (iv) the Improvement Area No. 1 has the appropriations limit identified in Resolution 17-2018. If passed, Improvement Area 1 of HPS2/CP CFD will be fully formed.
- Resolution 21-2018 – Resolution 21-2018 authorizes the issuance and sale of special tax bonds and other debt in an aggregate principal amount not-to-exceed \$202,200,000 on behalf of Improvement Area No. 1. If passed, OCII will be authorized to issue special tax bonds in separate series, in an aggregate principal amount of \$202,200,000. Staff will seek Commission approval for the issuance of each proposed series of bonds at the time of issuance.

In addition, following a favorable election, the Commission will introduce Ordinance 01-2018, which authorizes the levy of a special tax within Improvement Area No. 1 at the rate and in accordance with the formula set forth in Resolution 17-2018. The Ordinance also authorizes the levy of special taxes on parcels in the Future Annexation Area that are annexed into the CFD at the rates approved in the Unanimous Approval and the Annexation Approval Procedures described in the proposed Resolution of Formation of HPS2/CP CFD. Following introduction of the proposed Ordinance, OCII will publish the Ordinance in a newspaper of general circulation in the City, as required by law. Following the publication of the Ordinance, the Commission will hear for a second time and consider adoption of the Ordinance.

## **ENVIRONMENTAL REVIEW**

The Commission finds and determines that the actions taken by this resolution are consistent with the Project as analyzed in the HPS2/CP Development Plan Project ("Project") Final Environmental Impact Report (FEIR) and require no additional environmental review beyond the FEIR pursuant to CEQA Section 21166 and the CEQA Guidelines Sections 15180, 15162, 15163, and 15164 because there are no substantial changes to the Project analyzed in the FEIR, no change in circumstances under which the Project is being undertaken, and no new information of substantial importance indicating that new significant impacts would occur, that the impacts identified in the FEIR as significant impacts would be substantially more severe, or that mitigation or alternatives previously found infeasible are now feasible.

**NEXT STEPS**

Government Code Section 36934 requires that there be two readings of the Ordinance before it is finally passed. Therefore, the Commission will hear Ordinance 01-2018 for a second time, and consider its adoption, on May 1, 2018. Pending passage of Ordinance 01-2018, OCII will be authorized to levy taxes in Improvement Area No. 1, as per the RMA contained in the proposed Resolution of Formation of HPS2/CP CFD.

*(Originated by Bree Mawhorter, Deputy Director of Finance and Administration)*



Nadia Sesay  
Executive Director

Attachment 1: Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services), Improvement Area No. 1 CFD Report

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO  
Community Facilities District No. 9  
(HPS2/CP Public Facilities and Services)  
  
COMMUNITY FACILITIES DISTRICT REPORT**

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- C. Cost Estimate

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EXHIBIT A - Description of Facilities and Services to be Financed by the CFD and Each Improvement Area Therein

EXHIBIT B - Cost Estimate

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO  
Community Facilities District No. 9  
(HPS2/CP Public Facilities and Services)**

**INTRODUCTION**

The Commission (the "Commission") of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") did, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (the "Mello-Roos Act"), on February 20, 2018, adopt a resolution entitled "Resolution of Intention to Establish Successor Agency of the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services), Improvement Area No. 1 and a Future Annexation Area, and Determining Other Matters in Connection Therewith" (the "Resolution of Intention").

In the Resolution of Intention, the Commission expressly ordered the preparation of a written Community Facilities District Report (the "Report"), for the proposed (i) "Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services)" (the "CFD"), (ii) "Improvement Area No. 1 of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services)" ("Improvement Area No. 1") and (iii) "Successor Agency to the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 9 (HPS2/CP Public Facilities and Services) (Future Annexation Area)" (the "Future Annexation Area").

The Resolution of Intention ordering the Report directed that the Report generally contain the following:

(a) A description of the public facilities (the "Facilities") and the public services (the "Services") by type which will be required to adequately meet the needs of the CFD, Improvement Area No. 1 and the Future Annexation Area.

(b) An estimate of the fair and reasonable cost of the Facilities including the cost of acquisition of lands, rights-of-way and easements, any physical facilities required in conjunction therewith and incidental expenses in connection therewith, including the costs of the proposed bond financing and all other related costs as provided in Section 53345.3 of the Mello-Roos Act.

(c) An estimate of the fair and reasonable cost of the Services and incidental expenses in connection therewith, and all other related costs.

For particulars, reference is made to the Resolution of Intention for the CFD, as previously approved and adopted by the Board of Supervisors.

**NOW, THEREFORE, I**, the Executive Director of the Successor Agency, do hereby submit the following data:

**A. DESCRIPTION OF FACILITIES AND SERVICES.** A general description of the proposed Facilities and Services is as shown in Exhibit "A" attached hereto and hereby made a part hereof. The CFD, Improvement Area No. 1, and each improvement area created in

connection with the annexation of territory in the Future Annexation Area to the CFD (each a "Future Improvement Area") are authorized to finance the Facilities and Services without limitation.

In general, the financing plan for the CFD, Improvement Area No. 1 and the Future Improvement Areas contemplates the following, although the plan is subject to change in the discretion of the Successor Agency (subject to any written agreements on the subject that the Successor Agency may enter from time to time):

The Hunters Point Shipyard and Candlestick Point are part of Bayview Hunters Point ("BVHP"). Together they make up the largest area of under-used land in the City. CP Development Co., LP (now, CP Development Co., LLC; including its successors and assigns, the "Developer"), as the master developer of Hunters Point Shipyard and Candlestick Point, and the Redevelopment Agency of the City and County of San Francisco (the "Former Redevelopment Agency") entered into a Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated as of June 3, 2010 (as amended, the "DDA"), including a Financing Plan (Candlestick Point and Phase 2 of the Hunters Point Shipyard) ("Financing Plan"), which governs the disposition and development of Candlestick Point and Phase 2 of Hunters Point Shipyard. The Financing Plan provides for the establishment of community facilities district(s) for the purpose of financing Qualified Project Costs and Additional Community Facilities and paying for Ongoing Park Maintenance (each as defined in the Financing Plan).

In general, the Facilities to be funded are those described in the Financing Plan that are eligible to be funded under the Mello-Roos Act. In addition, the Successor Agency anticipates that future improvements will be necessary to ensure that the shoreline, public facilities, and public access improvements will be protected should sea level rise at the perimeter of the Project Site (as defined in the DDA). The Successor Agency desires to provide a mechanism to issue or incur bonds and/or other debt to pay for such improvements, to pay directly for such improvements and/or establish a capital reserve fund to finance such improvements. These improvements and costs are also included as Facilities to be financed by the CFD.

The Services to be financed by the CFD generally consist of the costs of operating and maintaining improvements constructed pursuant to the Parks and Open Space Plan (as defined in the DDA) within the Project Site, as well as any open space surface improvements on the Yosemite Slough Bridge.

#### **B. PROPOSED BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT.**

The proposed boundaries of the CFD and Improvement Area No. 1 are those properties and parcels in which special taxes may be levied to pay for the costs and expenses of the Facilities. The proposed boundaries of the CFD and Improvement Area No. 1 are described on the map of the CFD on file with the Secretary of the Commission, to which reference is hereby made.

Parcels within the Future Annexation Area shall be annexed to the CFD only with the unanimous approval of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, and in accordance with the annexation approval procedures set forth in the Resolution of Intention. The proposed boundaries of the Future Annexation Area are also described on the map of the CFD on file with the Secretary of the Commission, to which reference is hereby made.

C. **COST ESTIMATE.** The cost estimate for the Facilities and the Services and incidental expenses for the CFD is set forth in Exhibit "B" attached hereto and hereby made a part hereof.

Dated as of April 17, 2018

By: \_\_\_\_\_  
Executive Director  
of the Successor Agency to the  
Redevelopment Agency of the  
City and County of San Francisco

## EXHIBIT A

Successor Agency to the Redevelopment Agency  
of the City and County of San Francisco  
Community Facilities District No. 9  
(HPS2/CP Public Facilities and Services)

### DESCRIPTION OF FACILITIES AND SERVICES TO BE FINANCED BY THE CFD AND EACH IMPROVEMENT AREA THEREIN

#### FACILITIES

The CFD, Improvement Area No. 1 and each Future Improvement Area may finance all or any portion of the acquisition, construction, and improvement of facilities and costs permitted under the Mello-Roos Act and that are required as conditions of developing, or are otherwise constructed in connection with the development of, the property within the CFD, the Future Annexation Area, and any other property annexed to the CFD (collectively, the "Facilities"), including, but not limited to, all eligible Hard Costs and Soft Costs (as such terms are defined in the Disposition and Development Agreement for the project dated as of June 3, 2010, as amended from time to time; herein, the "DDA") of such Facilities. The Facilities shall include, but not be limited to, the following facilities and costs:

1. Acquisition includes acquisition of land for public improvements or relocation of existing uses for public housing.
2. Abatement - includes abatement of hazardous building materials, and disposal of waste in excess of U.S. Navy obligations.
3. Demolition - removal of below-grade, at-grade, and above-grade facilities, and recycling or disposal of waste.
4. Auxiliary Water Supply System – including, but not limited to, main pipe, laterals, valves, fire hydrants, cathodic protection, and tie-ins for onsite and offsite high pressure water supply network that is unique to San Francisco intended for fire suppression. This also includes other facilities to support the Auxiliary Water Supply System as required by the San Francisco Fire Department.
5. Low Pressure Water – including, but not limited to, main pipe, laterals, water meters, water meter boxes, back flow preventers, gate valves, air valves, blowoffs, fire hydrants, cathodic protection, and tie-ins for onsite and offsite low pressure water supply network intended for domestic use.
6. Reclaimed Water – including, but not limited to, trenching, backfill, and installation of main pipe, laterals, water meters, water meter boxes, back flow preventers, gate valves, air valves, blowoffs, cathodic protection, and tie-ins for recycled water supply network intended to provide treated wastewater for use in irrigation of parks and landscaping as well as graywater uses within buildings
7. Storm Drainage System – including, but not limited to, trenching, backfill, and installation of main pipe, laterals, manholes, catch basins, air vents, stormwater treatment facilities, connections to existing systems, headwalls, outfalls, and lift stations for a network intended to convey separated storm water.
8. Separated Sanitary Sewer – including, but not limited to, trenching, backfill, and installation of main pipe, laterals, manholes, traps, air vents, connections to existing systems, force main pipe and associated valves, and pump and lift stations for a network intended to convey separated sanitary sewage.
9. Combined Sanitary Sewer – including, but not limited to, retrofit of existing

combined sewer facilities, trenching, backfill, and installation of new main pipe, laterals, manholes, catch basins, traps, air vents, combined sewer outfalls, and connections to existing systems for a sewer network intended to convey a combination of storm water and sanitary sewage.

10. Joint Trench – including, but not limited to, trenching, backfill, and installation of primary and secondary conduits, overhead poles, pull boxes, vaults, subsurface enclosures, gas main, and anodes for dry utilities including but not limited to electrical, gas, telephone, cable, internet, and information systems.

11. Earthwork – including, but not limited to, importation of clean fill materials, clearing and grubbing, slope stabilization, ground improvement, installation of geogrid, surcharging, wick drains, excavation, rock fragmentation, placement of fill, compaction, grading, erosion control, and post-construction stabilization such as hydroseeding.

12. Retaining Walls – including, but not limited to, excavation, foundations, construction of retaining walls, subdrainage, and backfilling.

13. Roadways, Curb, and Gutter – including, but not limited to, road subgrade preparation, concrete roadway base, asphalt wearing surface, concrete curb, concrete gutter, medians, asphalt and concrete, speed bumps, sawcutting, grinding, conform paving, resurfacing, for onsite and offsite roadways.

14. Traffic and Transit – including, but not limited to, transit stops, Bus Rapid Transit facilities, bridge structures, permanent pavement marking and striping, traffic control signage, traffic light signals, Transit Center, relocation of MUNI facilities, if necessary, MUNI restrooms, and contributions for offsite traffic improvements.

15. Streetscape – including, but not limited to, subgrade preparation, aggregate base, sidewalks, pavers, ADA curb ramps with detectable tiles, streetlights, light pole foundations, trees, landscaping, irrigation, flow through planters, street furniture, waste receptacles, newspaper stands, and public art.

16. Parks & Open Space – including, but not limited to (a) parks and open space described in the Parks and Open Space Plan for the project (as amended from time to time) and (b) tree protection, earthwork, storm drainage, sanitary sewer, low pressure water, park lighting/electrical, various hardscaping, irrigation, landscaping, bioretention ponds, various concrete structures, site furnishings, sports facilities, play structures, associated buildings (maintenance and special buildings), and any other associated work in public open spaces.

17. Shoreline Improvements – including, but not limited to, demolition, excavation, installation of revetment, and structural repair for replacement or retrofit of shoreline structures.

18. Sea Level Rise Adaptations – including, but not limited to, demolition, excavation, and installation of revetment; structural improvements of shoreline and revetment; construction, improvement or relocation of shoreline structures, seawalls, stormwater pump stations and outfalls; earthwork, grading, landscaping and development of wetlands; and the initial Adaptive Management Plan.

19. Hazardous Soil Removal – removal and disposal of contaminated soil.

20. Additional Facilities - Any other amounts specifically identified in the DDA or specified in an infrastructure plan for the project approved by the Successor Agency Commission or the Board of Supervisors of the City, as amended from time to time, as a Project Cost or Additional Community Facilities.

Any Facility authorized to be financed by the CFD, Improvement Area No. 1 and each Future Improvement Area may be financed through the construction and acquisition of the Facility or through the payment or reimbursement of fees for such Facility.

The Facilities authorized to be financed may be located within or outside the boundaries of the CFD, Improvement Area No. 1 and each Future Improvement Area.

### SERVICES

The CFD, Improvement Area No. 1 and each Future Improvement Area may finance, in whole or in part, the costs incurred by the City, Successor Agency or third parties to operate and maintain:

1. Improvements constructed pursuant to the Parks and Open Space Plan (not including in the CP State Recreation Area, except for overland stormwater infrastructure maintained by the City or the Agency in the CP State Recreation Area) within the Project Site; and
2. any open space surface improvements on the Yosemite Slough Bridge.

Authorized costs include, but are not limited to, costs incurred in connection with operating and maintaining, as applicable: lighting systems; hardscape, softscape and landscaping; irrigation systems; and water features, bathrooms, signage, trash receptacles, park benches, planting containers, picnic tables, and other equipment or fixtures.

Authorized costs also include, but are not limited to, costs related to: insurance; security; engineering; property management; electricity; graffiti removal; establishment and funding of reasonable reserves; and City, Successor Agency and third-party personnel, administrative, and overhead costs.

Capitalized terms used in this Exhibit A but not defined herein have the meaning given them in the DDA.

“Maintenance” shall include replacement, repair and the creation and funding of a reserve fund to pay for maintenance.

Authorized costs do not include costs to provide recreation programs or special events.

### OTHER

The CFD, Improvement Area No. 1, and each Future Improvement Area may also finance any of the following:

1. Bond related expenses, including underwriters discount, reserve fund, capitalized interest, letter of credit fees and expenses, bond and disclosure counsel fees and expenses, bond remarketing costs, and all other incidental expenses.

2. Administrative fees of the Successor Agency and the bond trustee or fiscal agent related to the CFD, Improvement Area No. 1, and each Future Improvement Area and the Bonds.

3. Reimbursement of costs related to the formation of the CFD, Improvement Area No. 1, and each Future Improvement Area advanced by the City, the landowner(s) in the CFD, Improvement Area No. 1, and each Future Improvement Area, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the City, the landowner(s) in the CFD, Improvement Area No. 1, and each Future Improvement Area or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the CFD, Improvement Area No. 1, and each Future Improvement Area.

4. Funding a capital reserve fund to finance the Facilities described in this Exhibit A.

## EXHIBIT B

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY AND COUNTY OF SAN FRANCISCO  
Community Facilities District No. 9  
(HPS2/CP Public Facilities and Services)

### COST ESTIMATE

#### FACILITIES

The following is a summary of the total estimated costs of acquisition and construction of the Facilities, including related incidental expenses.

| Type of Facility         | Estimated Cost         |
|--------------------------|------------------------|
| Abatement                | \$ 71,116,041          |
| Acquisition              | 127,400,000            |
| Auxiliary Water Systems  | 85,821,163             |
| Combined Sanitary Sewer  | 38,243,205             |
| Demolition               | 117,847,306            |
| Earthwork                | 346,501,750            |
| Hazardous Soil Removal   | 30,776,323             |
| Joint Trench             | 96,843,507             |
| Low Water Pressure       | 68,543,217             |
| Other Hard Costs         | 203,046,853            |
| Parks & Open Space       | 550,350,169            |
| Reclaimed Water          | 51,878,440             |
| Retaining Walls          | 12,285,274             |
| Roadways, Curb & Gutter  | 346,034,246            |
| Separated Sanitary Sewer | 20,824,114             |
| Shoreline Improvements   | 290,366,723            |
| Storm Drainage System    | 218,554,894            |
| Streetscape              | 137,100,753            |
| Traffic                  | 389,717,462            |
| <b>Total</b>             | <b>\$3,203,251,442</b> |

#### SERVICES

It is estimated that the cost of providing the Services (not including the cost of operating and maintaining any open space surface improvements on the Yosemite Slough Bridge) to the territory in the CFD, including Improvement Area No. 1 and assuming that the territory in the Future Annexation Area annexes into the CFD, will be approximately \$42 million per year at full build-out of the proposed development within the boundaries of the CFD, assuming build-out in 2034 and annual cost inflation of 3.4%.

### OTHER

In addition to the acquisition and construction costs of the Facilities and the cost of providing the Services, the Successor Agency will finance bond or other debt-issuance costs, capitalized interest, a debt service reserve fund and other costs associated with the sale of bonds or other debt and annual administration of the CFD.

The estimated bond or other debt issuance costs are approximately 5% of the principal amount of the bond or other debt.

The estimated costs of determining the amount of taxes, collecting special taxes, allocating special taxes, and other costs incurred in order to carry out the authorized purposes of the CFD is approximately \$65,000 for the first year, with annual escalation thereafter.

The estimated costs of forming the CFD are approximately \$405,000.