

LAND-SECURED FINANCING CURRENT TOPICS AND PRACTICES



CDIAC

**CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION**

SESSION SIX:

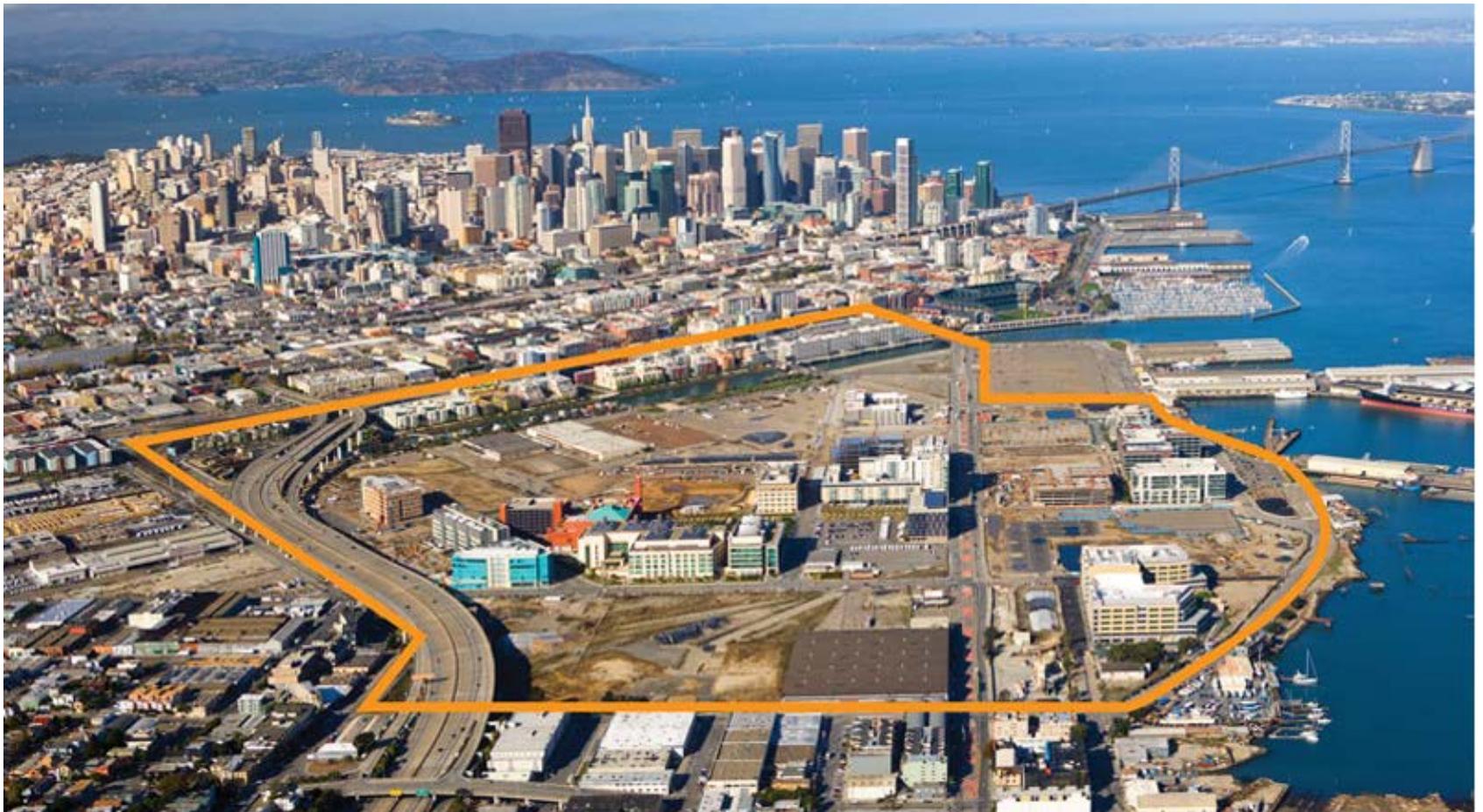
CREATIVE APPLICATIONS OF LAND-SECURED DISTRICTS

MAY 1, 2015

CONCORD, CA

San Francisco Mission Bay - Overview

Transformation of industrial Mission Bay area into an urban mixed-use community, anchored by a new UCSF medical research campus



San Francisco Mission Bay - Details

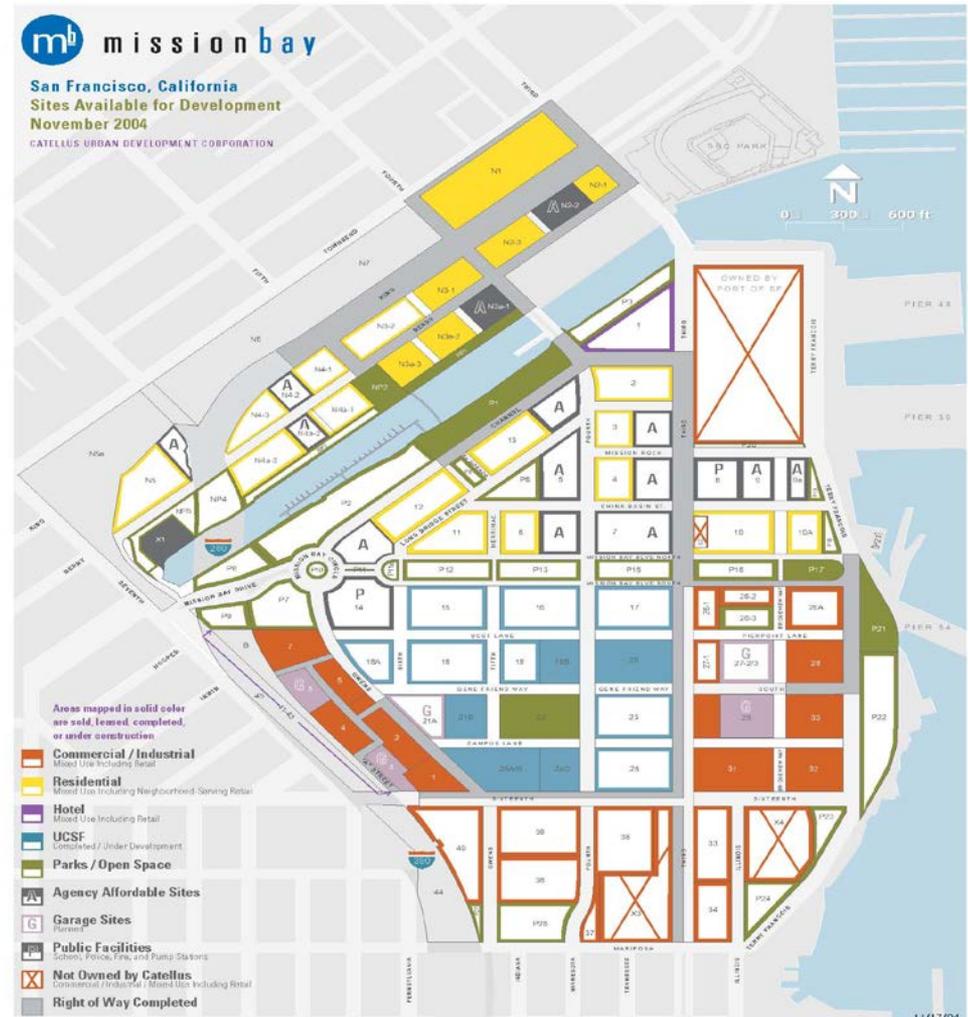
Location: Southeast San Francisco, adjacent to San Francisco Bay

Acreage: 300 acres

- Plans:**
- 5 million sq. ft. office and life sciences space surrounding 2.65 million sq. ft. UCSF campus
 - 730,000 sq. ft. retail space
 - 500 room hotel
 - 6,000 housing units rental and for-sale, including affordable units

Separate CFDs and project areas for each of North Channel and South Channel

Developer: Catellus Development Corporation (original)
ProLogis, Farallon, Alexandria (subsequent)



San Francisco Mission Bay – Key Takeaways

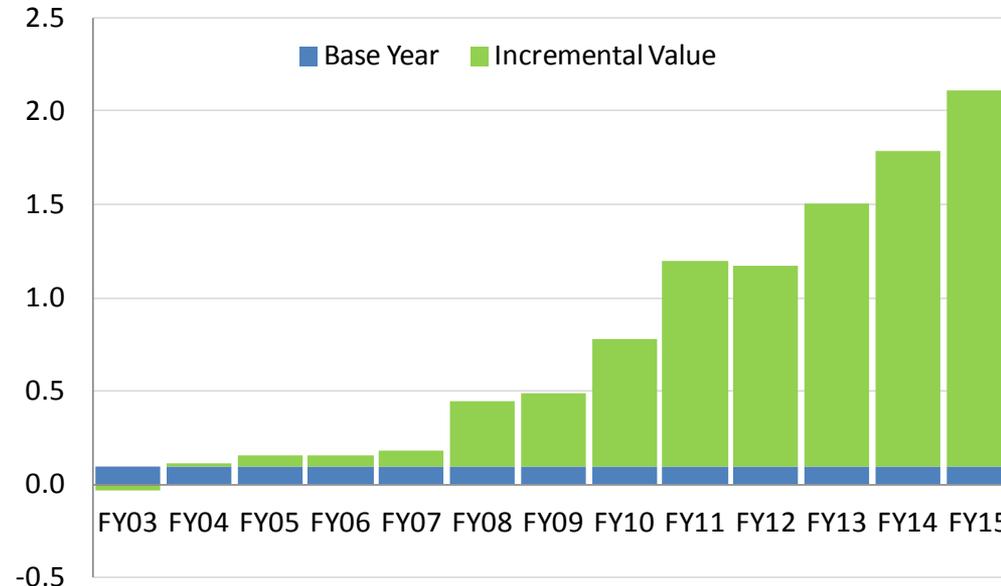
- Long life-cycle of a major development project
- Role of master developer
- Alignment of interests between public and private sector
- Layering of revenue streams
- Phasing and timing of bond issues
- Investor relations for a large-scale debt program

San Francisco Mission Bay South - Financings

□ Seven bond issues totaling \$380 million

- ▣ Early stage financings - CFD Bonds
- ▣ Later stage financings – TABs and refundings
- ▣ More than 10 site tours since 2001
- ▣ By 2013, over 20 institutions and 174 retail investors participated in the latest non-rated bond sale

\$ Billions **Mission Bay South Historic Assessed Value**



Major Milestones

1998	Project area adopted; OPA signed
1999	
2000	<i>Tech market crash</i>
2001	\$54 million CFD bonds
2002	Gap building completed \$39 million CFD bonds
2003	
2004	Property sale by Catellus
2005	\$21 million CFD bonds
2006	
2007	Third Street light rail line opens
2008	<i>Housing market crash</i>
2009	First residential project is completed \$50 million TABs
2010	SF Giants win World Series
2011	\$36 million TABs
2012	RDA Dissolution SF Giants win World Series
2013	\$123 million CFD bonds *
2014	SF Giants win World Series \$56 million TABs
2015	UC Medical Center Phase 1 opens

* includes \$82 million refunding

San Francisco Hunters Point - Overview

Redevelopment of former Military Base and Super Fund site into a new community



San Francisco Hunters Point – CFD

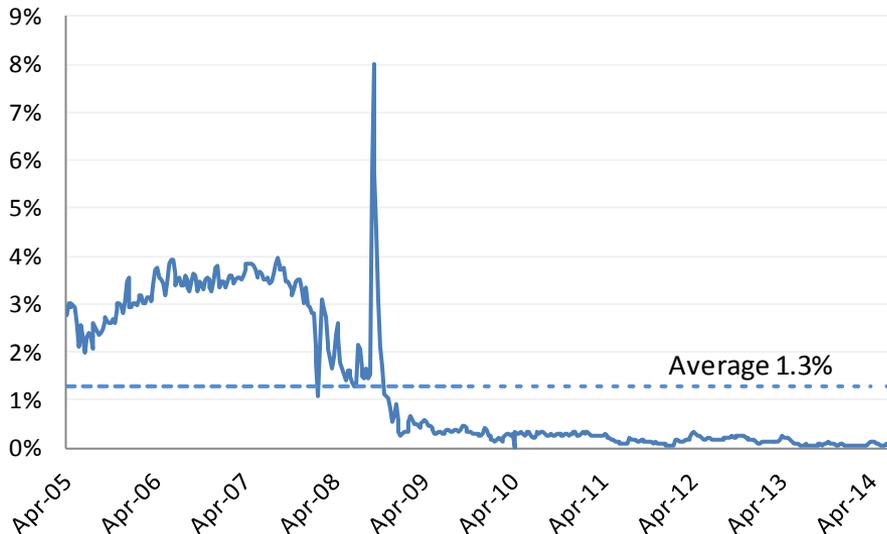
- **Initial Rate and Method of Special Tax Apportionment**
 - Max annual special tax rates of \$1.10 per sf for commercial and ranged from \$500 to \$4,606 per residential units
 - Annual 2% escalator
 - Calculation of annual tax levy with variable rate bonds:
 - Assumed a 7.5%* interest rate on variable rate bonds
 - Includes cost of credit enhancement and liquidity
 - Allow for credits from surplus funds on hand
 - Bond interest was capitalized for 18 months assuming 2.77% rate
- **Subsequent revisions**
 - Maximum tax rates were decreased
 - Residential unit mix was updated
 - Bond authorization was increased from \$40 to \$65 million* At the time,

* Well over average historic SIFMA index at that time

San Francisco Hunters Point – Bond Issues

- **2005 \$34.5 million Special Tax Bonds (Variable)**
 - ▣ Well-capitalized developer secured letter of credit
 - Leveraged balance sheet and banking relationships
 - ▣ Variable interest rate re-set weekly
 - ▣ Rate averaged 1.3%, plus liquidity, from 2005-2014
- **2014 \$36.4 million Special Tax Refunding Bonds**
 - ▣ True interest cost of 4.73% for non-rated take-out

2005 Bonds – Variable Interest Rate History



Major Milestones	
1974	Naval Shipyard closed
1991	Shipyard selected for transfer to City/RDA
1999	Lennar selected as master developer
2004	Navy transfers first parcel to City/RDA
2005	\$34.5 million CFD bonds (<i>Variable</i>)
2006	
2007	
2008	Market crisis
2009	
2010	KBC LOC replaced by JPMorgan LOC SF Giants win World Series
2011	
2012	SF Giants win World Series
2013	Lot sales to home builders begin
2014	Home construction and sales begin SF Giants win World Series \$36.4 million CFD bonds

San Francisco Mint Plaza

Conversion of two alleys into a 20,000 square foot landscaped pedestrian plaza in downtown San Francisco with multiple, existing land owners in CFD.

Bond par: \$3,270,000

Location: Downtown San Francisco, next to Old US Mint, across from Westfield San Francisco Centre mall.

Project:

- 5 renovated historic buildings with mix of residential condominium, rental apartments, commercial space and retail uses
- Properties partially leased or sold at time of sale
- Developer responsible for 66% of initial special tax burden
- Initial tax rates range from \$1.02 to \$1.785 per square foot



Sacramento Streetcar CFD - Overview

Proposed local match funding source for a new streetcar line joining West Sacramento with downtown Sacramento

DOWNTOWN-RIVERFRONT STREETCAR PROJECT

Planners have fiddled with the streetcar route for several years, and recently published this plan that has trolleys running on what is now the light rail line on K Street and as far east as 19th Street.



Sacramento Streetcar Project – Next Steps

- **Proposed Project**
 - \$150 million total cost; \$30 million anticipated from CFD
 - West Sacramento funding expected from its sales tax measure
 - Seeking a federal TIFIA loan
- **CFD Formation**
 - Maximum annual special tax rates
 - Residential: \$36-\$60 per market rate unit
 - Commercial: \$.084 to \$0.14 per building sq. ft and \$.03 to \$.05 per land sq ft
 - Taxes vary by geographic zones
 - Affirmative property owner advisory vote
 - Election to be held in June 2015
 - More than 12 registered voters in CFD triggers vote of electorate



Buena Park Downtown

Renovation and renewal of one of the first regional shopping malls in Orange County, CA through a public-private partnership which aligned developer and city interest

Bond Total: \$7,155,000 of 2013 Special Tax Revenue Bonds, refinanced initial 2003 Bonds

Location: Buena Park , CA (25 miles southeast of Los Angeles)

Acreage: 15.6 taxable acres

Project:

- 514,000 leasable/taxable square feet
- Renovation and renewal of mall
- Construction of new entertainment center

Security:

- 100% of Tax Increment generated at mall and Sears
- 50% of Sales Tax generated by mall above 1998 level
- Special tax levy, only if needed to close gap



Riverside Galleria

Expansion of local shopping center, Galleria at Tyler Mall through public-private partnership. City used general fund as credit enhancement to garner lower borrowing costs for project.

Bond Total: \$19.9 million Lease Revenue COPs

Location: 60 miles east of Los Angeles

Project:

- Expansion of retail center in center of city from 1.1 to 1.2 million square feet
- Addition of 645 parking spaces
- Developer will build parking, City will own

Security:

- Lease payments from City general fund appropriations
- Debt paid from 50% of incremental Sales Tax and Property Taxes after renovation
- Special tax levy, only if needed to close gap



Anaheim Platinum Triangle - Overview

Ambitious program initiated by City to transform under-utilized land into mixed-use, high-density sector



Anaheim Platinum Triangle - Overview

- **Platinum Triangle**
 - 820 acres near I-5 and Highway 57
 - Surrounds Anaheim Angels stadium and Honda Center concert and sports venue
 - Planned for 19,000 residential units, 11 million sf office, 4.2 million sf commercial
 - Development conditioned on participation in CFD
- **\$28.63 million 2010 Bond sale for CFD No. 08-1**
 - 377 acres planned for 8,664 residential units and 1.3 million sf of commercial/office
 - Bonds leveraged taxes on 1,438 completed residential units and 27,412 sf commercial
- **Subsequent activity**
 - Development pace has slowed
 - No World Series titles since 2002

San Francisco Treasure Island - Plans

- **Development plan highlights**
 - Up to 8,000 homes, 140,000 sf new commercial/retail, 100,000 sf new office, 500 hotel rooms, 300 acres of parks and open space
 - Major infrastructure investment required
 - Plan to establish both CFDs and IFDs

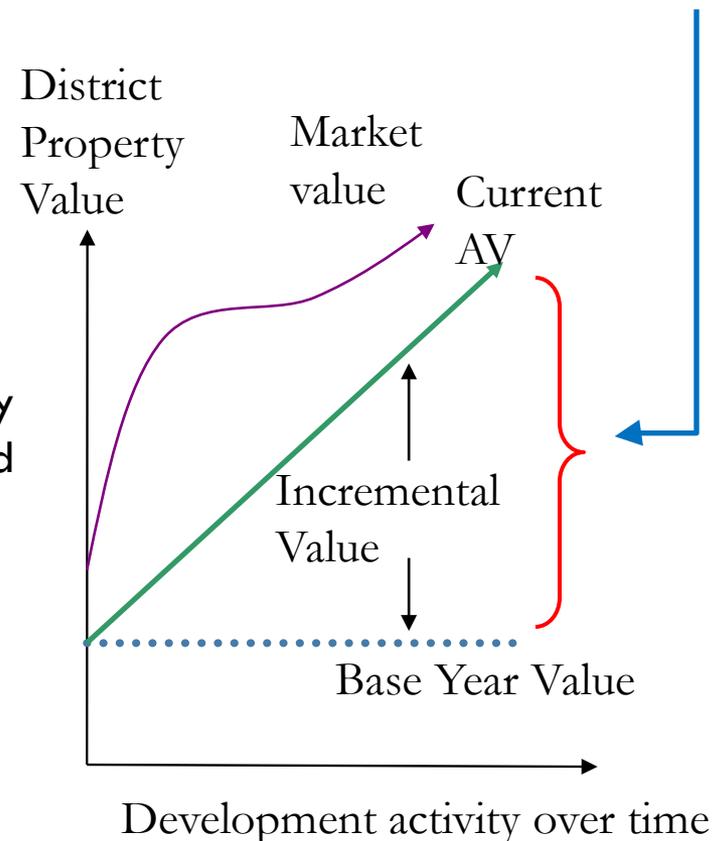


Illustrative Land Plan of Future Treasure Island/Yerba Buena Island

Infrastructure Financing Districts

- **Conceptually similar to RDAs**
 - ▣ Statutory authority since 1990
 - ▣ Recent legislation expands powers and lowers voter approval for bonds
 - SB628: “Enhanced IFD” or “EIFD” (55% approval)
 - AB229: Infrastructure and Revitalization Financing Districts (“IRFD”)
- **Limited revenue stream**
 - ▣ Share of 1% property tax revenues of city, county or special district that *opts in*, schools are excluded
 - ▣ No revenue until growth occurs
 - ▣ May be limited geographic area with concentrated tax base
- **Most likely applicability**
 - ▣ In combination with other tools, like a CFD
 - ▣ By issuers with a large share of 1% property tax

Potential revenues = participating taxing entities’ share of 1% of incremental value



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