



CDIAC

CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION

# CURRENT TOPICS AND PRACTICES IN LAND-SECURED FINANCING

## SESSION SIX: Creative Applications of Land Secured Districts

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Riverside, California

# San Francisco Transbay

## □ **Multi-modal transit center in heart of San Francisco downtown**

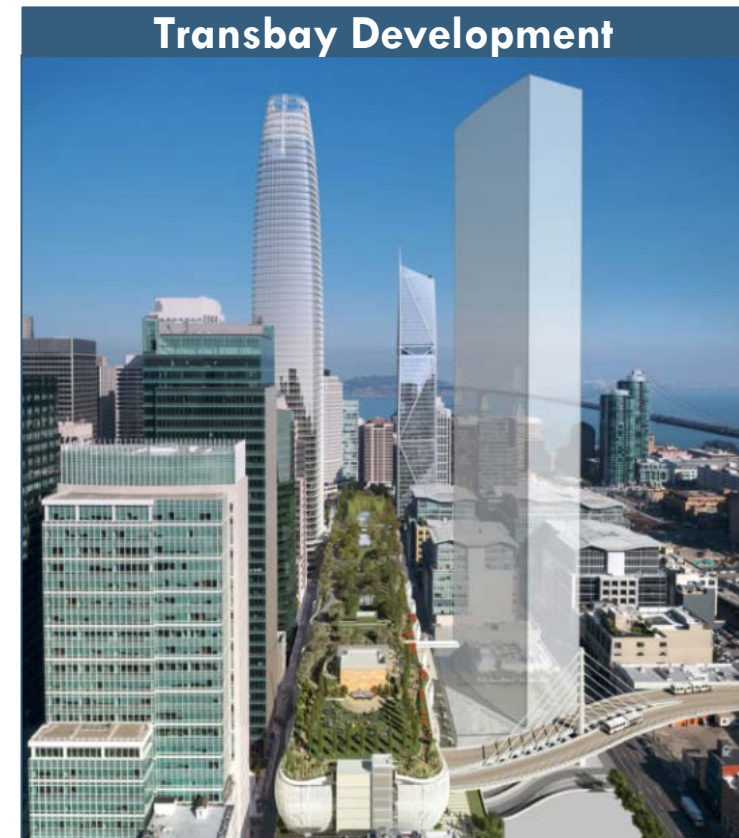
- ▣ Replaces former bus terminal
- ▣ Planned terminus for CalTrain extension and future high speed rail
- ▣ 5.4 acre “living roof”

## □ **Multiple funding sources**

- ▣ Land sales of former state parcels
- ▣ Grants, toll revenues, impact fees
- ▣ Tax increment – TIFIA loan
- ▣ Special taxes -- CFD Bonds

## □ **Transit Center District Plan**

- ▣ Eliminated density caps and increased certain height limits
- ▣ Projects using bonuses must annex into CFD



# Salesforce Transbay Transit Center



# San Francisco CFD No. 2014-1

- City formed the CFD No. 2014-1 (Transbay Transit Center)
  - Total bond authorization of \$1.4 billion





# Transbay Inaugural Bond Sale

## □ Concentrated tax base

- Special tax only levied on buildings with a Certificate of Occupancy
- Leveraged taxes from 3 completed buildings
- 15+ buildings in pipeline in future annexation area
- Salesforce Tower responsible for **82%** of the special tax levy at issuance
  - With more buildings completed, share of levy drops to **45%** in 2019



# Transbay Green Bonds



## □ **\$207.5 million 2017 Special Tax Bonds, Series A&B**

- Use of proceeds qualified as “Green Bonds”
- Climate Bonds Initiative certified
  - Low Carbon Transit Criteria and Living Roof
- Fitch rated AA+ due to inclusion on Teeter Plan

## □ **Extensive marketing effort**

- Drone video with internet roadshow
- +\$840 million of orders
- Domestic and international “green” investors

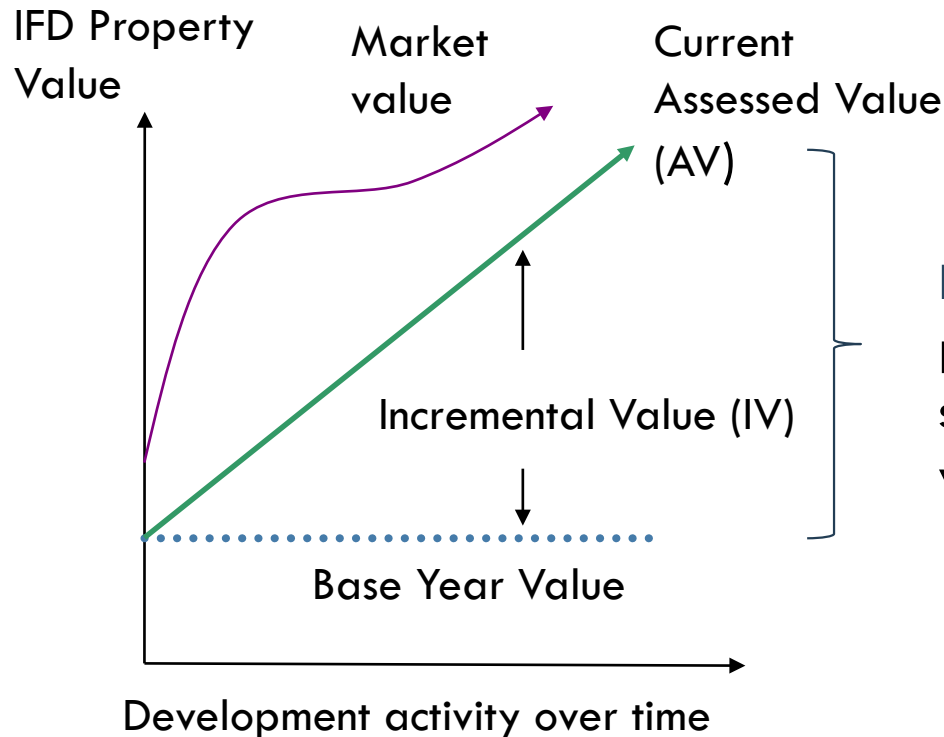
## □ **Pricing results**

- True interest cost of 4.06% for *taxable* financing
- Green bond pricing benefit of 3 - 5 basis points



# Infrastructure Financing Districts (IFDs)

- **Conceptually similar to redevelopment project areas**
  - ▣ Captures a portion of the property value growth above “base year” values
  - ▣ Participating city, county or special district share of 1% property tax revenue



**Potential revenues =**  
participating taxing entities' %  
share of 1% of incremental  
value (IV)

# IFD Limitations

- **Limited revenue stream**
  - ▣ City, county or special district has to ***opt in*** to IFD
  - ▣ Schools are excluded
  - ▣ No revenue until growth occurs
  
- **Likely limited, concentrated geographic area**
  - ▣ Voter requirements *effectively* limit size
  - ▣ Concentrated tax base
  
- **Most likely applicability**
  - ▣ In combination with other tools, like a CFD
  - ▣ By issuers with a large share of 1% property tax
    - i.e. West Sacramento, San Francisco
  - ▣ Where city, county and special districts collaborate



# Primary IFD Statutory Alternatives

	Infrastructure and Revitalization Financing District (IRFD)	Enhanced Infrastructure Financing Districts (EIFD)
<b>Governance</b>	Legislative Body	3 from legislative body, 2 from public
<b>Boundaries</b>	Flexible. Sub-project areas. May annex territory at any time	Flexible
<b>Formation</b>	<ul style="list-style-type: none"> <li>Legislative body adopts ROI</li> <li>Infrastructure Finance Plan</li> <li>Public hearing and election like a CFD</li> </ul>	<ul style="list-style-type: none"> <li>Legislative body adopts ROI and establishes Authority</li> <li>Infrastructure Finance Plan</li> <li>Public hearing requirement</li> </ul>
<b>Election</b>	2/3rds approval	None
<b>Bond Issuance</b>	2/3rds approval	55% voter approval (in the EIFD)
<b>Revenue Collection</b>	<ul style="list-style-type: none"> <li><u>40 years</u> from the date of adoption or a later specified date</li> <li>Can set threshold to start clock and create separate thresholds for sub-areas</li> </ul>	<ul style="list-style-type: none"> <li><u>45 years</u> from the date of bond issuance approval</li> </ul>
<b>Other</b>		Motor vehicle in-lieu revenues corresponding to incremental value

# CFDs Combined with Tax Increment

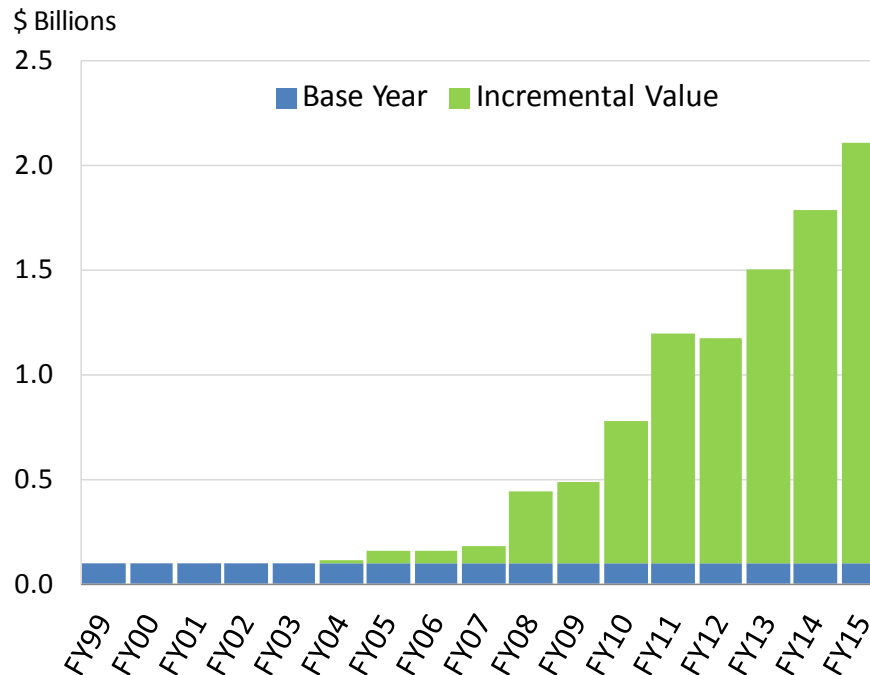
- **San Francisco Mission Bay**
  - ▣ Transformation of former industrial area into a mixed-use community
  - ▣ Project area and CFDs formed in late 1990s



# CFDs Combined with Tax Increment

- Mission Bay CFD Special Tax Bonds issuance began in **2001**
  - ▣ “Active” special tax, land values serve as ultimate collateral, levered to 3:1 VTL
- Mission Bay Tax Allocation Bonds not issued until **2009**
  - ▣ “Passive” TI lags development

## Mission Bay South Historic Assessed Value



## New Money Issuance

**2001: \$54 million CFD**

**2002: \$39 million CFD**

**2005: \$21 million CFD**

**2009: \$50 million TAB**

**2011: \$36 million TAB**

**2013: \$41 million CFD**

**2014: \$56 million TAB**

**2016: \$45 million TAB**

# CFD/IFD Combo Alternatives

- ❑ **San Francisco Treasure Island Maximizing Capital Funds**
  - ❑ Intention to leverage special taxes AND tax increment (TI)
  - ❑ CFD and IFD formed in early 2017; IFD validation completed in June 2018
  - ❑ Used Infrastructure and Revitalization Financing District (IRFD) statute for flexibility in staggering TI collection start dates across multiple sub-area phases
- ❑ **San Francisco Port Projects using TI to offset Special Tax levy**
  - ❑ Intend to return special tax levy as tax increment is generated

## Treasure Island



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