



# Piers 30-32 Project: *Fiscal Feasibility & Conceptual Framework*

**Budget Committee Hearing**

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# Fiscal Feasibility: *Background*

## **Purpose:**

- Board of Supervisors determines whether the proposed project is fiscally feasible before substantial predevelopment costs are incurred

## **Gate Keeping Measure:**

- Ensures that City staff time and costs are not incurred on infeasible projects
- Does not grant proposed project approvals or entitlements



# Fiscal Feasibility: *Background*

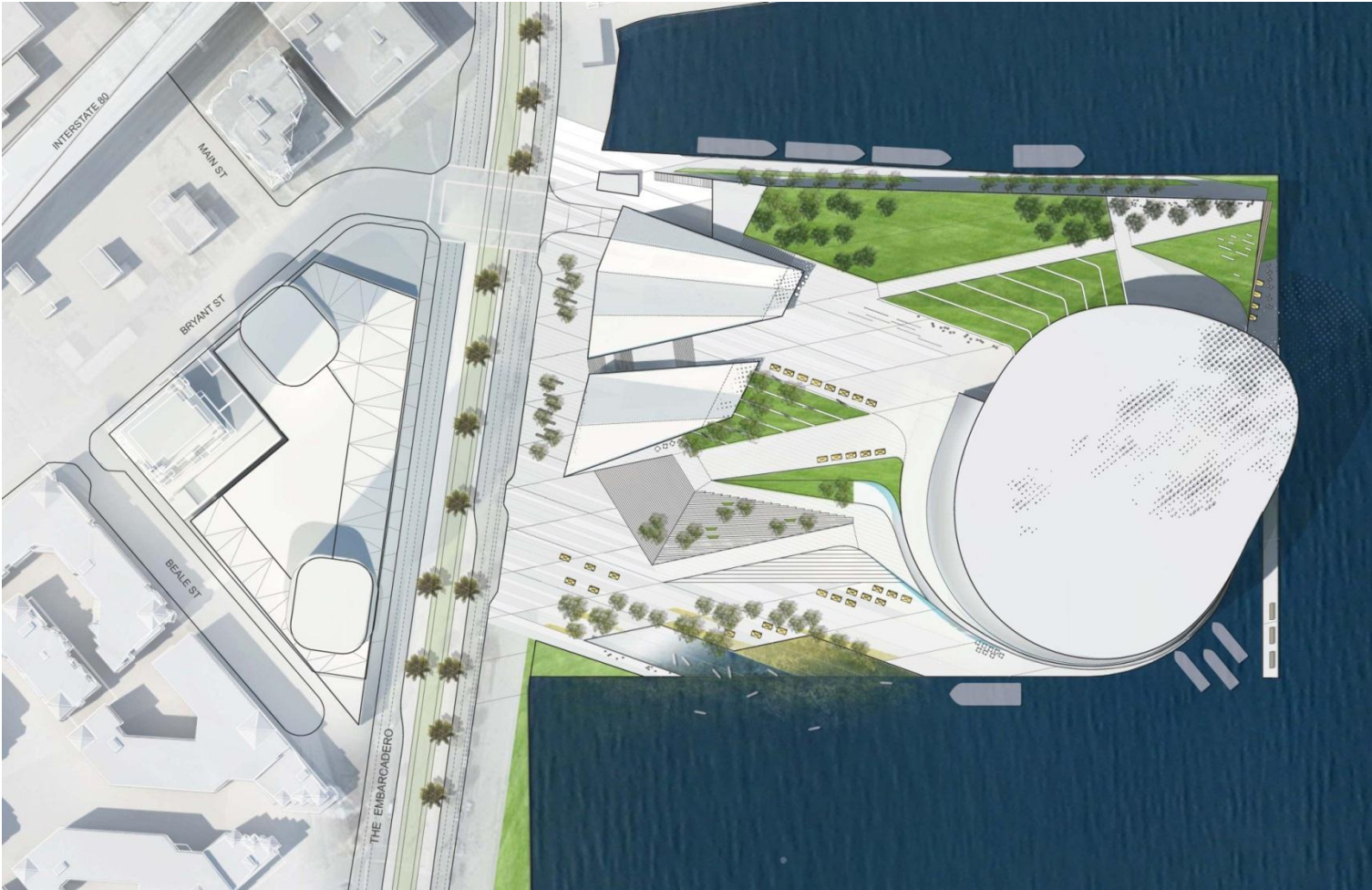
- **Required by local law when a proposed project:**
  - Is on City owned property;
  - Has construction costs over \$25 million; and
  - Predevelopment costs, including Environmental Review, are over \$1 million
- **Determination must be completed before environmental review can commence**
- **Prior Fiscal Feasibility reports were written for:**
  - Exploratorium (Piers 15/17)
  - America's Cup
  - SF Wholesale Produce Market



# Current Proposal: *Piers 30-32 & SWL 330*



# Current Proposal: *Piers 30-32 & SWL 330*



# Conceptual Framework

## Central Terms:

- A. Warriors will privately finance all development**
- B. City/Port will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure**
  - Warriors expenditures for improvements capped at \$120,000,000
- A. Funds for reimbursing costs limited to 3 sources**



# Conceptual Framework

## A. Warriors will privately finance all development

- **All Buildings and improvements, including multi-purpose entertainment venue**
  - Estimated cost: \$ 1 billion cost
- **Rehabilitation of Piers 30-32**
  - Estimated cost: \$120,000,000
- **Public open space and maritime amenities and other public facilities**
  - At least 50% of site will be public, open space
  - Public small-craft boat launch for kayaks
  - Ferries and/or water taxis



# Conceptual Framework

**B. City will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure, capped at \$120,000,000 with a 13% Cost of Capital**

- **Cost to rehabilitate Piers 30-32, estimated to be \$120,000,000**
- **If, through cost-savings, rehabilitation of Piers 30-32 is less than \$120,000,000**
  - City and Warriors may negotiate reimbursement for other public improvements up to the cap
  - Public improvements include open space & maritime amenities





# Conceptual Framework

## Context: Cost of Capital

Development Type	Rate of Return
Hunters Point Shipyard	20.0%
Treasure Island	18.5%
Office, Residential & Hospitality (Generally)	12.0-18.0%
Lend Lease Piers 30-32 Project	12.5%
Sprint Center (Kansas City)	12-16%
Barclays Center (Brooklyn)	11%
<b>Warriors Piers 30-32 Project</b>	<b>13%</b>



# Conceptual Framework

## C. Funds for reimbursing costs limited to 3 sources:

- 1) **Rent credits** from the Piers 30-32 lease: \$1,970,000/year
- 2) **Sale price** of SWL 330: \$30,400,000
- 3) **New property tax revenue** generated by the GSW development on Piers 30-32 and SWL 330 through the creation of an Infrastructure Finance District (IFD): \$5.8 million/year

***Note:** rent credits and sale price determined by appraisal commissioned by Department of Real Estate with instructions provided by City and Port*

# Conceptual Framework

## Other Key Provisions:

- **Public Improvements:** Parties may agree on other improvements which would be built and financed by the Warriors and reimbursed by the City through other mechanisms
  - *Examples:* Fire Station & Fire Boats
- **Warriors will pay all development impact fees**
- **Transfer Fee:** Port receives 1% of proceeds on sales of SWL 330 condos, after the first sale
- **Neighborhood Services:** Create ongoing funding to pay for neighborhood quality of life services
  - *Examples:* street cleaning, traffic & parking patrols

# Fiscal Feasibility

## Requirements:

- 1) Direct & indirect economic benefits of the project
- 2) Proposed construction costs
- 3) Proposed project funding
- 4) Operations & maintenance costs of the project
- 5) Any proposal to use public debt

***Note:*** *Fiscal Feasibility purposefully made conservative assumptions*



# 1. Economic Benefits

## Annual General Fund Revenue

Item	Annual Total
Property Tax	\$ 5,061,274
Property Tax in Lieu of Vehicle License Fee	\$ 1,016,258
Property Transfer	\$ 59,000
Sales Tax	\$ 724,568
Gross Receipts Tax	\$ 637,200
Parking Tax	\$ 271,633
Hotel Tax	\$ 1,478,864
Stadium Admissions Tax	\$ 2,823,791
<b>Annual General Fund Revenue</b>	<b>\$ 12,072,588</b>



# 1. Economic Benefits

## Annual Dedicated or Restricted Revenue

Item	Annual Total
Special Fund Property Taxes	\$715,501
Port Transfer Fee	\$87,500
Public Safety Sales Tax	\$362,284
Transportation Authority Sales Tax	\$362,284
MTA Parking Tax	\$1,086,531
Hotel Tax – Cultural Programs	\$ 1,285,367
Stadium Admissions (Recreation & Parks)	\$1,334,959
<b>Annual Restricted Revenue</b>	<b>\$ 5,234,426</b>



# 1. Economic Benefits

## One-Time City Revenue

Item	Annual Total
Development Impact Fees	\$ 46,131,000
Sales Tax During Construction	\$ 4,062,000
Gross Receipts Tax During Construction	\$ 3,100,000
Property Transfer Tax	\$ 575,000
<b>One Time Revenue</b>	<b>\$ 53,868,000</b>



# 1. Economic Benefits

## Permanent Employment

Direct Jobs: 1,712  
Indirect Jobs: 608  
Induced Jobs: 523  
**Total Jobs: 2,842**

## Construction Employment

Direct Jobs: 2,623  
Indirect Jobs: 1,110  
Induced Jobs: 1,278  
**Total Jobs: 5,011**

## Annual Economic Impacts

Warriors: \$120M  
Venue: \$ 75M  
Project Site: \$ 33M  
Off-Site: \$ 53M  
**Total: \$282M**





## 2. Proposed Construction Costs

Development	Cost of Construction
<b>Hard Costs</b> (Pier Rehabilitation, Pier Improvements, SWL 330 Improvements)	\$700,000,000 – \$750,000,000
<b>Soft Costs</b> (Architecture, Engineering, Insurance, etc.)	\$175,000,000 - \$225,000,000
<b>Total</b>	<b>\$ 875,000,000 - \$975,000,000</b>



# 3. Proposed Project Funding

1. **Warriors will privately finance all development**
2. **City will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure**
  - Capped at \$120,000,000
  - 13% Cost-of-Capital
3. **Funds for reimbursing costs restricted to 3 sources:**
  - 1) Rent credits from the Piers 30-32 lease - \$1,970,000/year
  - 2) Sale price of SWL 330 - \$30,400,000
  - 3) Infrastructure Finance District (IFD) - \$5.8 million/year

# 4. Proposed Operations & Maintenance

Service	Cost of Providing Service to Development:
<b>Police</b>	<b>Cost Estimate T.B.D.</b> <ul style="list-style-type: none"><li>• Calls for service during events and non-events</li><li>• Response to illegal vendors</li></ul>
<b>Fire</b>	<b>No fiscal impact from Project.</b> <ul style="list-style-type: none"><li>• Number of staff and hours worked will not change</li><li>• SFFD may contract with GSW to provide EMS service at events</li></ul>
<b>Parks</b>	<b>No fiscal impact from Project.</b> <ul style="list-style-type: none"><li>• GSW will pay to maintain open space</li></ul>
<b>DPW</b>	<b>Cost Estimate T.B.D.</b> <ul style="list-style-type: none"><li>• Additional street cleaning after games &amp; other events</li></ul>
<b>MTA</b>	<b>Cost Estimate T.B.D.</b> <ul style="list-style-type: none"><li>• Parking &amp; Traffic Control Officers for events</li><li>• Additional transportation service for events</li></ul>



# 5. Proposal to Use Public Debt

## City may bond against new property tax revenue to reimburse GSW for improvements to public infrastructure (IFD bonds)

- IFD's are a means by which a portion of a project's property tax revenue is captured for a fixed amount of time and used to fund public infrastructure improvements

### Benefits:

- Can bond against the annual property tax revenue from the Project itself
- Proposed debt, if issued, does not obligate either:
  - City's General Fund
  - Port's Harbor Fund



# Business Terms

## Conceptual Framework

- Outline of financial terms for Mayor, BoS, & Port Commission review
- Informs the Fiscal Feasibility Report

**Complete**

## Term Sheet

- Develops and refines financial and other deal terms
- Requires endorsement by the Port Commission & BoS

**Feb. – April  
2013**

## Transaction Documents

- Finalized terms paired with project approvals
- Requires approval by Planning & Port Commissions & BoS

**Early 2014**



# Upcoming Hearings & Community Meetings

Date	Hearing
<b>Nov. 15 – 11:30am</b> (Port, Pier 1)	<b>Maritime Commerce Advisory Committee Hearing</b>
<b>Nov. 19 – 1pm</b> (City Hall, Rm. 250)	<b>Land Use Committee Hearing</b> – Informational Hearing on Project Design & Transportation Impacts
<b>Nov. 20 – 2pm</b> (City Hall, Rm. 250)	<b>Board of Supervisors Hearing</b> – Fiscal Feasibility
<b>Nov. 20 – 6pm</b> (Port, Pier 1)	<b>Design Workshop</b> – Seawall Lot 330
<b>Dec. 4 – 6pm</b> (Port, Pier 1)	<b>Transportation Workshop</b>
<b>Dec. 11 – 6pm</b> (Port, Pier 1)	<b>Community Advisory Committee Meeting</b>
<b>Dec. 13 – TBD</b> (TBD)	<b>Environmental Impact Report</b> – Scoping Meeting #1
<b>Jan. 8 or 9 – TBD</b> (TBD)	<b>Environmental Impact Report</b> – Scoping Meeting #2

# Project Milestones

Date	Milestone
<b>November 20, 2012</b>	Fiscal Feasibility Findings
<b>November 2012</b>	Start Environmental Review Process
<b>February – April 2013</b>	Proposed Term Sheet Endorsements
<b>May – June 2013</b>	Draft Environmental Impact Report Published
<b>Early 2014</b>	Final EIR Certification (Planning Commission) Proposed Approval of Final Transaction Documents
<b>Spring 2014</b>	Proposed Public Trust Consistency Approvals
<b>Summer 2014</b>	Proposed Start of Construction

