



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

**Piers 30-32 CAC Meeting  
October 16, 2012**

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# 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



# 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



# Fiscal Feasibility: *Background*

**Law requires that Fiscal Feasibility is determined by analyzing:**

- 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



# Conceptual Framework

**In order to answer the questions posed by Fiscal Feasibility, must have an outline of the business terms that inform the proposed project**

## Conceptual Framework

- **Purpose:**
  - Broadly define the business terms between the City and Warriors for the policy makers (Mayor, BOS, Port Commissioners)
  - Informs fiscal feasibility analysis
- **Subject to further refinement:**
  - Term Sheet (early 2013)
  - Transaction Documents (early 2014)



# Conceptual Framework

## Central Terms:

- A. Warriors will privately finance all development**
- B. City will reimburse Warriors for certain agreed upon improvements to City-owned infrastructure**
  - City reimbursements capped at \$120,000,000
- C. 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**

- **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

## 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*



# Infrastructure Finance District (IFD)

**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 and use the funds to pay for public infrastructure projects
- Funds public infrastructure without using existing City resources



# 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

## City Revenue:

- **Annual: \$19.4 million**

*Includes:* Sales Tax, Business Tax, Parking Tax, Stadiums Admissions Tax, Hotel Tax, & Transfer Fees

- **One-time: \$53.8 million**

*Includes:* Development Impact Fees, Transfer Tax, & Construction related taxes (including Sales & Business Tax)

## Citywide Economic Benefits:

### Annual Visitor Spending:

- \$60 million/year

### Construction jobs:

- Direct: 2,623 FTE

### Permanent jobs:

- Direct: 1,757 FTE
- Indirect: 787 FTE



## 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
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 property tax revenue to reimburse GSW for improvements to public infrastructure (IFD bonds)**

- IFD bonds are secured by property tax paid by the project developed on Piers 30-32 and SWL 330
- Proposed debt, if issued, does not obligate either:
  - City's General Fund
  - Port's Harbor Fund



# Conclusion

- **Conceptual Framework:**
  - Outlines obligations of City & Warriors
  - Provides limits on financing public infrastructure
- **Fiscal Feasibility:**
  - Demonstrates positive fiscal and economic impacts for the City



# Next Steps

Date	Hearing
October 23, 2012	Port Commission Action Hearing – Fiscal Feasibility
October 23, 2012	Board of Supervisors Introduction – Fiscal Feasibility
October 30, 2012	Transportation Workshop
November 5, 2012	Neighborhood Quality of Life Workshop
November 7, 2012	Budget Committee Hearing – Fiscal Feasibility
November 19, 2012	Land Use Committee Informational Hearing - Design
November 20, 2012	Board of Supervisors Action Hearing – Fiscal Feasibility
January 2013/ February 2013	Port & Board of Supervisors Hearings – Term Sheet