

Item 7
File 12-1044

Departments:
Port of San Francisco; Office of Economic and
Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objective

Proposed resolution finding that a project proposed by GSW Arena LLC, (GSW) an affiliate of the Golden State Warriors basketball team ownership group, to (1) rehabilitate Port property at Pier 30-32; (2) develop on the piers (a) a multi-purpose venue for public assembly uses and other events, such as conventions, Warriors home games, cultural events, family shows and performing arts, and for various other purposes, and (b) public open space, maritime use, visitor serving retail, and related parking facilities; and (3) develop on Seawall Lot 330 residential, hotel, and/or retail uses and accessory parking, is fiscally feasible and responsible under Chapter 29 of the City's Administrative Code. The proposed resolution further urges the City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

Key Points

- Chapter 29 of the City's Administrative Code specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a proposed project, including the (1) direct and indirect financial benefits to the City, (2) construction cost, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review.
- In 2010, the Golden State Warriors basketball franchise, which played its home games in San Francisco from 1962 to 1971, was sold for \$450 million to former Boston Celtics minority partner Mr. Joe Lacob and Mandalay Entertainment CEO Mr. Peter Guber. In the spring of 2012, the Warriors' ownership expressed interest in developing a new arena at San Francisco Pier 30-32 in time for the 2017-18 National Basketball Association (NBA) season, which corresponds with the conclusion of the team's lease of the Oracle Arena, located in Oakland.
- The 12.5 acre Pier 30-32 and 2.8 acre Seawall Lot 330 are located along the Embarcadero, between the Bay Bridge and AT&T Park. Pier 30-32 is currently used for surface parking, including parking for events at AT&T Park, and has an expected remaining useful life of 10 years without rehabilitation. A 0.5 acre portion of Seawall Lot 330 was previously sold for the Watermark condominium project, and the remaining 2.3 acres is currently used for surface parking.
- On June 12, 2012, the Board of Supervisors approved a resolution (File 12-0625) related to the development of Pier 30-32 and Seawall Lot 330, including an athletic arena for the Golden State Warriors. Under that resolution, the Board of Supervisors authorized the City to commence environmental review of the project under the California Environmental Quality Act (CEQA) if and when the Board of Supervisors makes the required findings of

fiscal feasibility and responsibility under Administrative Code Chapter 29, which is the subject of the proposed resolution.

Project Description

GSW Arena LLC (GSW), an affiliate of the Golden State Warriors basketball team ownership group, has proposed developing a multi-use development at Pier 30-32 and Seawall Lot 330. The proposed development project includes (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home basketball games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 of residential, hotel, retail uses, and accessory parking. The Conceptual Framework¹ for the proposed development was completed on October 23, 2012, based on negotiations between OEWD, the Port, and GSW.

Project Funding

Under the Conceptual Framework, GSW would lease Pier 30-32 from the Port for 66 years, and GSW would purchase the remaining 2.3 acres of Seawall Lot 330 from the Port outright. GSW would be responsible to pay all financing and constructions costs, including CEQA-related costs. Under the Conceptual Framework, up to \$120,000,000 in construction costs for the rehabilitation of Pier 30-32 would be considered reimbursable by the Port to GSW. The agreement would limit this reimbursement to three sources:

1. Rent credits from the fair market lease of Pier 30-32, totaling an estimated \$1,970,000 per year, plus annual consumer price index (CPI) and/or other market adjustments, to be negotiated;
2. Fair market sale revenues from Seawall Lot 330, totaling an estimated \$30,400,000; and
3. Bond proceeds from a proposed Infrastructure Financing District (IFD) to be established on Pier 30-32 and Seawall Lot 330, subject to future Board of Supervisors approval, totaling an estimated \$60,000,000.

Fiscal Feasibility

The proposed development at Pier 30-32 and Seawall Lot 330, including (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, retail uses, and accessory parking, would provide the following estimated fiscal impacts:

- (1) One-time financial benefits to the City of up to \$53,835,000;
- (2) Direct ongoing annual financial benefits of between \$9,783,000 and \$19,003,000;
- (3) Undetermined indirect financial benefits from gross receipt tax revenue;
- (4) Up to \$120,000,000 in private construction expenditures for the rehabilitation of Pier 30-32;

¹ The Conceptual Framework is a nonbinding document between the City and GSW, which outlines certain basic business terms of the Proposed Project.

(5) Reimbursement by the Port to GSW of those private construction expenditures through the use of (a) up to 66 years of annual rent credits for Pier 30-32, valued at \$1,970,000 per year, (b) the transfer of Seawall Lot 330 from the Port to GSW, valued at \$30,400,000, and (c) 30 years of foregone General Fund property tax revenue which would be used to repay a \$60 million IFD bond;

(5) No new ongoing maintenance costs for the Port; and

(6) Undetermined new street and sidewalk maintenance costs for DPW, for which funding options are being explored by OEWD, the Port, and GSW.

Based on these criteria, the Budget and Legislative Analyst finds the proposed development to be fiscally feasible under Chapter 29 of the City's Administrative Code.

Policy Considerations

- The Conceptual Framework assumes up to 205 events per year, including basketball games, other sporting events, concerts, family shows, and fixed-fee rentals (e.g., convention events).
- For the proposed development to proceed as described in the Conceptual Framework, the Port Commission would need to approve amendments to the City's Waterfront Plan to allow for an athletic facility at Pier 30-32, and the City's Planning Commission and Board of Supervisors would need to approve amendments to the City's Zoning Map to allow for a development taller than 40 feet.
- The finding by the Board of Supervisors that the proposed project is fiscally feasible is required prior to the City to proceed with environmental review. The proposed resolution does not authorize any transfer of property or development agreement. If the subject resolution is approved, OEWD would proceed with the drafting of a development term sheet, based on the Conceptual Framework, and the term sheet would be subject to Board of Supervisors endorsement. CEQA findings and possible zoning changes would also be subject to future Board of Supervisors review and approval.

Recommendation

Based on the review of the Conceptual Framework for the proposed development at Pier 30-32 and Seawall Lot 330, and the supporting fiscal and economic analysis provided by the Port and OEWD, the Budget and Legislative Analyst finds that the proposed development is fiscally feasible. As noted above, in accordance with Administrative Code Chapter 29, the finding of "fiscal feasibility" means only that the project merits further evaluation and environmental review. If the proposed resolution is approved by the Board of Supervisors, the City will be authorized to commence environmental review of the project under CEQA.

MANDATE STATEMENT

Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility² prior to submitting the project to the Planning Department for environmental review if (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA), (b) total project costs are estimated to exceed \$25,000,000, and (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including the (1) direct and indirect financial benefits to the City, (2) construction costs, (3) available funding, (4) long term operating and maintenance costs, and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review:

"A determination by the Board that the plan for implementing and undertaking the project is fiscally feasible and responsible shall not include a determination as to whether the Project Sponsor or other unit of the government of the City and County should approve the project and it is the intent of the Board of Supervisors in requiring the determination to decide only whether the proposed project merits further evaluation and environmental review."

BACKGROUND

Golden State Warriors

The Golden State Warriors is a team in the National Basketball Association (NBA). The team was established as the Philadelphia Warriors in 1945, and became the San Francisco Warriors in 1962 when the team moved to San Francisco. The team primarily played at the Cow Palace and the Bill Graham Civic Auditorium until they moved to Oakland in the 1971-72 season, at which time they were renamed the Golden State Warriors. The team plays its home games at Oakland's Oracle Arena.

In 2010, the Golden State Warriors basketball franchise was sold for a record \$450 million to Boston Celtics minority partner Mr. Joe Lacob and Mandalay Entertainment CEO Mr. Peter Guber. The amount was the largest ever paid for a basketball franchise. In the spring of 2012, the Warriors' owners expressed interest in developing a new arena at San Francisco Pier 30-32 in time for the beginning 2017-18 NBA season, which corresponds with the conclusion of the team's lease of the Oracle Arena.

² Chapter 29 excludes various types of projects from the fiscal feasibility requirement, including (a) any utilities improvement project by the Public Utilities Commission, (b) projects with more than 75 percent of funding from the San Francisco Transportation Authority, and (c) projects approved by the voters of San Francisco.

The Golden State Warriors’ attendance has averaged more than 18,000 per game each year since the 2005-06 NBA season, peaking at an average attendance of 19,630 for the 2007-08 NBA season, when the team ranked sixth for attendance out of 30 teams. Figures 1 and 2, below, illustrate the team’s per-game attendance and NBA rank in the league for attendance for the past 10 seasons.

Figure 1. Warriors Average Per-Game Attendance at Oracle Arena

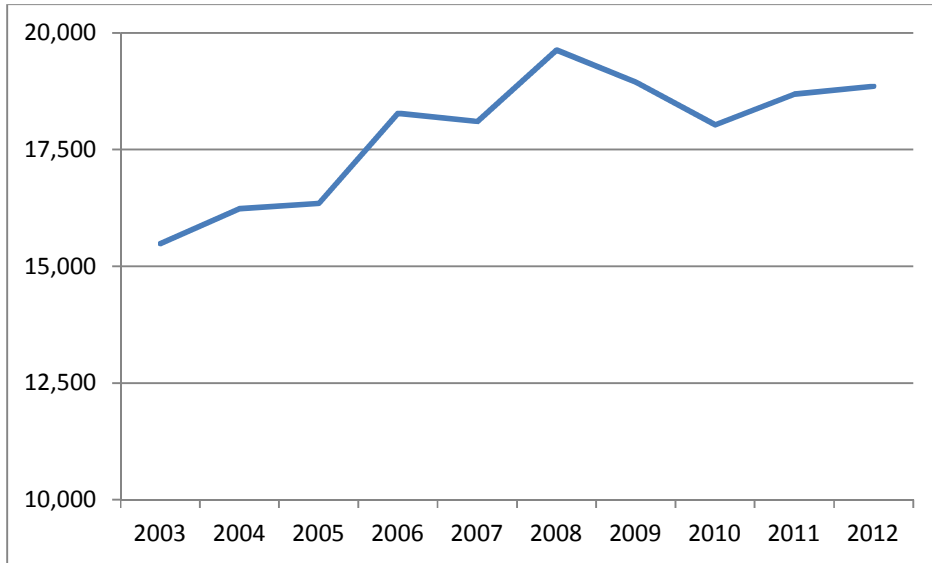
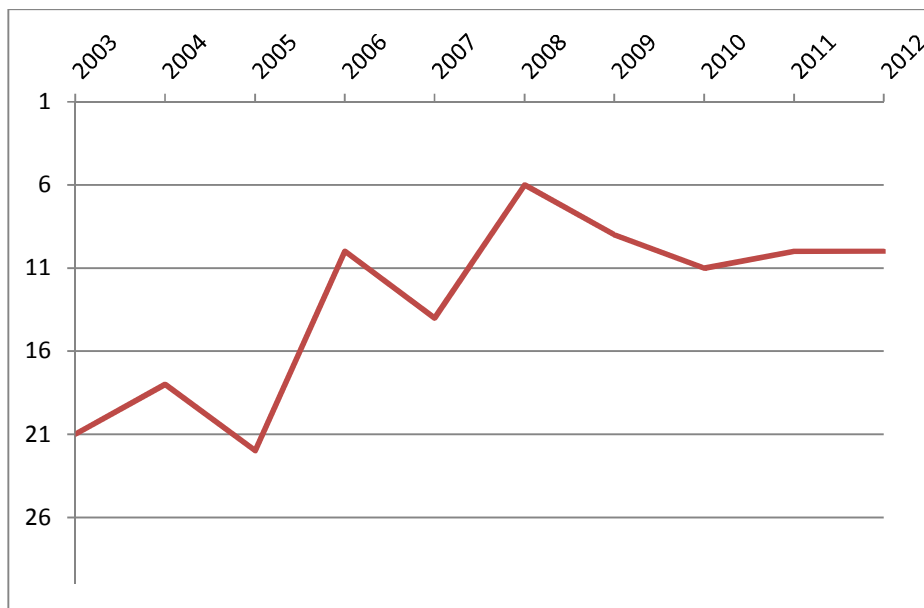


Figure 2. Warriors’ Rank in NBA for Home Game Attendance

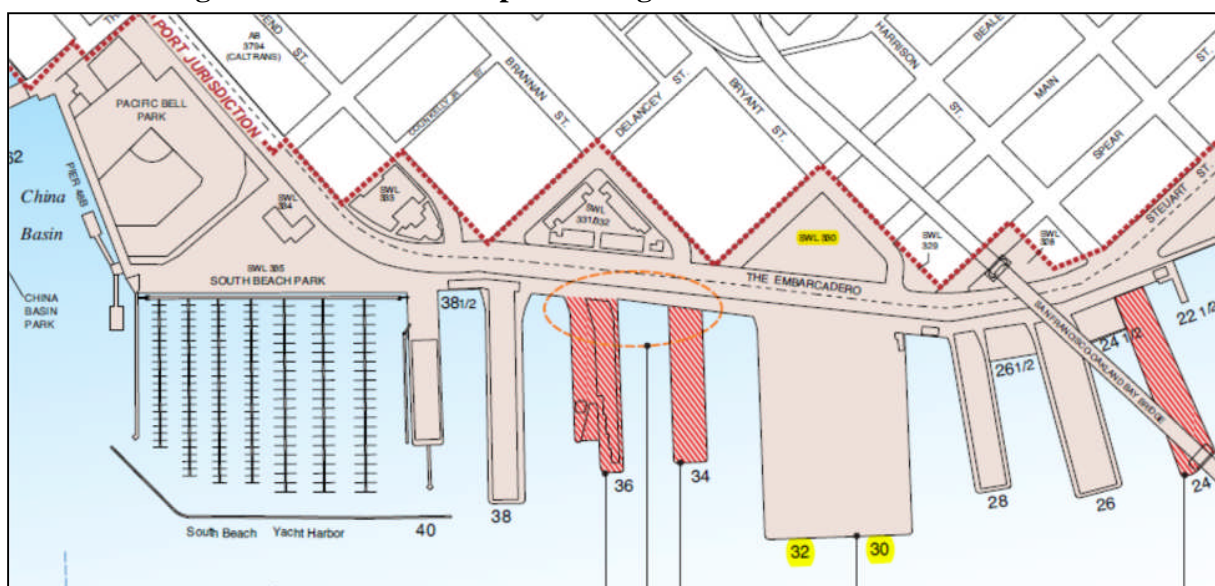


Pier 30-32 and Seawall Lot 330

Pier 30-32 is 900 feet long and measures approximately 12.5 acres. The pier is currently used for surface parking, including parking for events at AT&T Park. According to published reports, Pier 30-32 currently has an expected remaining useful life of 10 years. After the 10 year life is expired, the Port would have to either (a) include removal of the piers in a development project at a separate pier which would require increasing the size of such other pier; (b) identify a developer to renovate the pier; or, (c) remove the pier (with the costs of such removal possibly eligible for State or federal grants).

Seawall Lot 330 is a 2.8 acre lot across the Embarcadero from Pier 30-32, of which 0.5 acres were previously sold for the Watermark condominium project, which resulted in the construction of a 137 unit condominium development. The remaining 2.3 acres is currently used for surface parking. Seawall Lot 330 requires little to no infrastructure investment for development, and under certain public trust conditions, the Port may sell Seawall Lot 330 to a private entity. Figure 3, below, shows the location of Pier 30-32 and Seawall Lot 330.

Figure 3. Waterfront Map Including Pier 30-32 and Seawall Lot 330



Note: China Basin and AT&T Park (formerly Pacific Bell Park) are shown to the left of the map, with the Bay Bridge is shown to the right. Pier 30-32 and Seawall Lot 330 (SWL 330) are highlighted, right of center.
 Source: San Francisco Bay Conservation and Development Commission.

Development of Pier 30-32 is subject to state and federal public trust restrictions, including prohibition of the sale of Pier 30-32 by the City. As outlined in the Port’s Final Waterfront Plan, adopted by the Port Commission in 1997, acceptable uses of Pier 30-32 include assembly and entertainment, recreational enterprises, museums, restaurants and other retail establishments, as well as certain types of warehousing and limited office uses. A professional sports facility is not considered an acceptable use of Pier 30-32 under the Final Waterfront Plan. However the Plan does consider AT&T Park, which had not been developed as of the finalizing of the 1997 report,

to be acceptable for the waterfront. Acceptable uses under the Waterfront Plan and necessary modifications are discussed further in the Policy Considerations section below.

Pier 30-32 and Seawall Lot 330 have been subject to several development proposals in the past 20 years, most recently with the America's Cup Event Authority. According to a study produced for the Port by the consulting firm Bay Area Economics (BAE), a 66-year lease of an improved Pier 30-32, with an event Facility, had a value of \$44,715,817, and the fair market value for selling Seawall Lot 330 outright was \$33,050,413.

Prior Board of Supervisors Approval

On June 12, 2012, the Board of Supervisors approved a resolution (File 12-0625) related to the development of Pier 30-32 and Seawall Lot 330, including an athletic arena for the Golden State Warriors. Specifically, the resolution:

- 1) Exempted the potential real estate transaction involving Port property at Pier 30-32 and Seawall Lot 330 with GSW Arena LLC (GSW), an affiliate of the Golden State Warriors, for development of an arena and other facilities from the City's competitive bidding policy;
- 2) Endorsed sole source negotiations with GSW for the purpose of the Development;
- 3) Endorsed the Port Commission's designation of the Office of Economic and Workforce Development (OEWD) as the lead negotiator of the proposed transaction, in coordination with Port staff and subject to the Port Commission's direction;
- 4) Required OEWD and the Port to engage in outreach to affected and interested neighbors, community members, and other stakeholders to ensure that the proposed project is designed with maximum public input;
- 5) Urged OEWD and the Port to work closely with State agencies having jurisdiction over any of the site, including the State Lands Commission and the Bay Conservation and Development Commission, to develop the project description;
- 6) Urged the OEWD Director, the Port Director, and other City officials to make evaluation of the proposed project among their highest priorities and take all appropriate steps to negotiate an exclusive negotiation agreement with GSW; and
- 7) Acknowledged that the City may commence environmental review of the proposed project under the California Environmental Quality Act (CEQA) if and when the Board of Supervisors makes the required findings of fiscal feasibility and responsibility under Administrative Code Chapter 29.

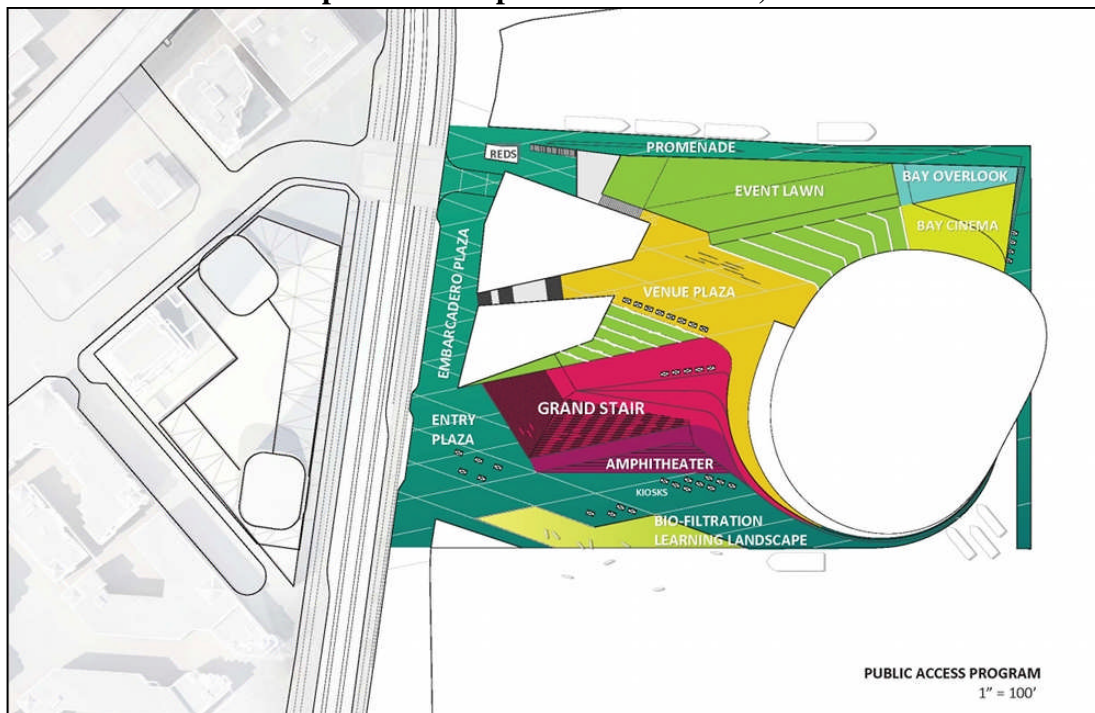
The proposed resolution (File 12-1044), described below, addresses point 7, above, asking the Board of Supervisors to find that the proposed project is fiscally feasible as required under Administrative Code Chapter 29.

DETAILS OF PROPOSED DEVELOPMENT

GSW Arena LLC (GSW), an affiliate of the Golden State Warriors basketball team ownership group, has proposed a multi-use development for Pier 30-32 and Seawall Lot 330. The proposed development includes (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, or retail uses and accessory parking. Figure 4, below, is an illustration of the proposed development on Pier 30-32. GSW has not yet released a rendering of the development on Seawall Lot 330.

The Conceptual Framework³ for the development was completed on October 23, 2012, based on negotiations between the City (OEWD and the Port and GSW). While the Conceptual Framework is not itself subject to Board of Supervisors approval, it will serve as the basis for the Term Sheet, which would be subject to future Board of Supervisors endorsement. Under the Conceptual Framework, the entire development, which is estimated to cost \$1 billion, would be financed and completed by GSW. Costs related to the rehabilitation of Pier 30-32 would be reimbursed to GSW by the Port, up to \$120,000,000, described in greater detail below. No new General Fund expenditures are being proposed.

Figure 4. Illustration of Proposed Development of Pier 30-32, with Seawall Lot 330 Outline



Source: Sjøhøtta & AECOM

³ The Conceptual Framework is a nonbinding document between the City and GSW, which outlines certain basic business terms of the Proposed Project

Under the Conceptual Framework, the multi-purpose arena would serve as a venue for Golden State Warriors basketball games, concerts, other sporting events (e.g., college sports tournaments), family- and child-oriented events, and fixed-fee rentals (e.g., convention events). The arena would be designed to accommodate between 17,000 and 19,000 patrons, with up to 17,500 patrons for Warriors games, and would be contracted for events with smaller attendance. GSW also plans to build a team practice facility, community room, and event management and team operations space.

The Conceptual Framework assumes up to 205 events per year, including basketball games, other sporting events, concerts, family shows, and fixed-fee rentals (e.g., convention events). Event count, parking, and attendance assumptions are discussed in greater length below.

In addition to the arena, the proposed development would include other improvements and attractions to Pier 30-32, including:

- Waterfront access improvements, including open space;
- Parking facilities (630 parking spaces);
- Retail and restaurants, up to three stories, (105,000 square feet); and
- Maritime access, including:
 - Water taxi, ferry, and tour boat access;
 - Kayaks and other person-powered watercraft access;
 - A new San Francisco Fire Department fire boat storage and fire station; and
 - A back-up deep water berth for large ships.

In total, public access and open space would amount to at least 50% of the improved Pier 30-32 development. Figure 5, below, is an artist's rendering of the arena and Pier 30-32 development.

Development of Seawall Lot 330 under the Conceptual Framework would include retail (33,000 to 34,000 square feet), parking (200 to 300 spaces), residential units (100 to 130 units), and a hotel (200 to 250 rooms) on Seawall Lot 330. While the exact size is to be determined in the term sheet, the current analysis estimates the project at 34,000 square feet of retail, 200 parking spaces, 125 residential units, and a 200-room hotel. The range of uses will be further evaluated in future analysis, as required under the California Environmental Quality Act.

As noted above, GSW envisions completing the development in time for the 2017-18 NBA season.

Figure 5. Artist's Rendering of Proposed Development of Pier 30-32



Source: Snøhetta & AECOM

FISCAL IMPACT

Under the Conceptual Framework, GSW would lease Pier 30-32 from the Port for 66 years, and GSW would purchase Seawall 30-32 from the Port outright. The Port and the Real Estate Division commissioned an appraisal of the properties by Carneghi-Blum & Partners, Inc. Once improved, the appraised annual fair market rent for a ground lease of Pier 30-32 is estimated to be \$1,970,000, and the fair market sale value of Seawall Lot 330 is estimated to be \$30,400,000.⁴

GSW would be responsible to pay all financing and constructions costs, including costs related to environmental planning processes (CEQA), as well as the costs of any environmental mitigations required under CEQA except those involved in the actual rehabilitation of Pier 30-32. Under the Conceptual Framework, up to \$120,000,000 in construction costs for the rehabilitation of Pier 30-32 would be considered reimbursable by the Port to GSW. The agreement would limit this reimbursement to three sources:

1. Rent credits from the fair market lease of Pier 30-32, totaling an estimated \$1,970,000 per year, plus annual consumer price index (CPI) and/or other market adjustments, to be negotiated;⁵
2. Fair market sale revenues from Seawall Lot 330, totaling an estimated \$30,400,000; and
3. Bond proceeds from an Infrastructure Financing District (IFD) on Pier 30-32 and Seawall Lot 330, totaling an estimated \$60,000,000.

Under the Conceptual Framework, GSW will be entitled to a 13% annual return on the reimbursable constructions costs, or 13%, per year, on up to \$120,000,000. According to Ms. Jennifer Matz, Director of Waterfront Development at OEWD, the Port would attempt to pay as much of the principal construction costs up front as possible, so as to minimize the reimbursable construction costs subject to the 13% annual return (or interest rate). By applying the estimated sales cost of Seawall Lot 330 and IFD bond proceeds, the total outstanding reimbursable construction costs could be reduced by \$90,400,000, to \$29,600,000, to be reimbursed by rent credits from the 66-year Pier 30-32 ground lease. However, because the 13% annual return on \$29,600,000 of \$3,848,000 exceeds the estimated annual fair market rent of \$1,970,000 for the Pier 30-32 ground lease, the value of rent credits over the 66-year lease term are projected to be less than the amount to be reimbursed by the Port to GSW. Under the Conceptual Framework, the Port would not be responsible for reimbursing GSW for construction costs that exceed rent credits for Pier 30-32.

⁴ Carneghi-Blum & Partners, Inc. completed the appraisal for Seawall Lot 330 for this proposed development, as well as the proposed development agreement with the America's Cup Authority. The assessed value of \$30,400,000 is actually a reduction in assessed value from the \$33,050,413 assessment conducted for the America's Cup Authority negotiations.

⁵ Under the Conceptual Framework, after 20 years the rent will be re-set to market, based on appraisal, to an amount not less than the initial rent.

According to Ms. Matz, OEWD is considering alternative paydown approaches within the parameters of the Conceptual Framework that would potentially reduce the impact of the proposed 13% annual return.

Possible Additional Reimbursements

The Conceptual Framework allows for limited additional construction costs that would be reimbursable by the Port. If the actual estimated cost of the Pier 30-32 rehabilitation is less than the \$120,000,000 Maximum Reimbursable Amount, the City and Port could authorize, under the Term Sheet, additional public benefits at Pier 30-32 that would then be reimbursable by the Port to GSW under the repayment arrangement described above. Furthermore, if following negotiations between the City and Port and GSW, GSW were to construct City or Port facilities on the Pier 30-32 property, those costs would be reimbursable to GSW and the construction costs would not be applied to the \$120,000,000 Maximum Reimbursable Amount. Additionally, if the Port requests revisions to GSW's conceptual design that result in increases to the cost of the Pier 30-32 rehabilitation, the Conceptual Framework would allow for the Maximum Reimbursable Amount to be increased in connection with the increased costs.

City Revenues

At OEWD's request, the consulting firm Economic & Planning Systems, Inc. (EPS) conducted an analysis on the development's fiscal responsibility and feasibility. In their report issued on October 22, 2012, EPS finds that upon completion of the Pier 30-32 and Seawall Lot 330 development, the City would receive an estimated \$19,003,000 in ongoing annual revenues, including \$13,768,000 in General Fund revenues and \$5,235,000 in dedicated and restricted revenues, shown in Table 1, below. Additionally, EPS estimates that the City would receive \$53,835,000 in one-time revenues, including \$7,704,000 for the General Fund and \$46,131,000 in Development Impact Fees, shown in Table 2, below. Having reviewed the EPS report, the Budget and Legislative Analyst finds these estimates to be reasonable.

Table 1. Estimated Annual Revenues to the City, Post Build-Out

Annual General Fund Revenue	Estimated Amount
Property Tax / Possessory Interest	\$5,061,000
Property Tax in Lieu of VLF (State Transfer)	1,016,000
Property Transfer Tax	60,000
Sales Tax	725,000
Parking Tax	272,000
Hotel/Motel Tax	1,479,000
Stadium Admission Tax (General Fund 67.9%)	2,824,000
On-site Payroll Tax*	1,382,000
Off-site Payroll Tax*	26,000
Indirect and Induced Impacts	923,000
Subtotal – General Fund Revenue	\$13,768,000
Dedicated and Restricted Revenue	
Hotel/Motel Tax (Cultural Programs)	\$1,285,000
Parking Tax (MTA 80%)	1,087,000
Stadium Admission Tax (Recreation and Parks 32.1%)	1,335,000
Special Fund Property Taxes (Children's, Library, and Open Space)	716,000
Public Safety Sales Tax	362,000
SF County Transportation Authority Sales Tax	362,000
Transfer Fees to the Port	88,000
Subtotal – Dedicated and Restricted Revenue	\$5,235,000
Total Revenue	\$19,003,000

Source:

EPS

* On November 6, 2012, the voters of San Francisco approved a gross receipts tax that will be phased-in over time as the payroll tax is phased out. Therefore, payroll and gross receipts tax estimates will be revised in the Term Sheet.

Infrastructure Financing District Proceeds

As is noted above, under the Conceptual Framework, following the completion of development, the property owners would form an IFD for the purpose of directing the new property taxes back to the project. The IFD would then issue a \$60 million IFD Bond, to be repaid with the IFD property tax revenues. Therefore, during the 30 year expected life of the IFD Bond, the \$5,061,000 in estimated new ongoing Property Tax/Possessory Interest General Fund revenues would not be available for the City, reducing the ongoing revenues from \$19,003,000 to \$13,942,000. According to Ms. Matz, this approach assumes that 100% of the new property tax revenues that would otherwise be distributed to the General Fund are earmarked to the IFD;

however, the actual allocation of General Fund revenues under the proposed IFD is subject to future Board of Supervisors approval.

Stadium Operator Admission Tax Revenues

The analysis prepared by EPS assumes Stadium Operator Admission Tax revenues of \$4,159,000, including \$2,824,000 for the General Fund and an additional \$1,335,000 for the General Fund that represents a part of the tax that historically the Board has annually appropriated to the Recreation and Park Department. However, the EPS report flagged a potential question about the extent to which the City's Stadium Operator Admission Tax applies to ticketed events at the proposed arena, based on the definition of "stadium" in Article 11 of the San Francisco Business and Tax Regulations Code. Deputy City Attorney Ms. Julie Van Nostern notes that there has been no comparable facility in San Francisco since the City adopted the Stadium Operator Admissions Tax. According to Ms. Van Nostern and Treasurer and Tax Collector Policy and Legislative Manager Mr. Greg Kato, the City considers the Stadium Operator Admission Tax applicable to the proposed arena and collectible for basketball games, concerts, and other ticketed events at the arena. However, the Budget Analyst notes that if the Stadium Operator Admission Tax were not to apply to tickets for events at the new arena, then the Stadium Operator Admission Tax annual revenue estimated by EPS from the proposed development would be reduced by \$4,159,000, from \$19,003,000 to \$14,844,000.

Combined, the IFD and Stadium Admission Tax reductions would reduce the estimated annual revenue to \$9,783,000 for 30 year period of IFD Bond repayment.

Table 2. Estimated One-time Revenues to the City

Development Impact Fees	Amount
Jobs Housing Linkage - §413	\$21,926,000
Affordable Housing-- §415	8,362,000
Child Care	244,000
Transit Impact Development - §411.3	12,808,000
Eastern Neighborhoods – Infrastructure Fee – Tier 1 (\$423.3)	2,791,000
Subtotal: Development Impact Fees	\$46,131,000
One-time General Fund Revenue	
Sales Taxes During Construction	\$4,062,000
Payroll Tax During Construction	3,047,000
Property Transfer Tax from initial residential sales	595,000
Subtotal: One-time General Fund Revenue	\$7,704,000
Total One-Time Revenues	\$53,835,000

Source: EPS

Other City Department Costs

According to Ms. Matz, while the EPS report cites preliminary cost estimates, the costs to City departments would be determined in the Term Sheet between the City and GSW. The Term Sheet would be subject to Board of Supervisors endorsement, and Ms. Matz estimates that it will be submitted to the Board of Supervisors in the first quarter of 2013. Below are the preliminary departmental cost estimates cited by EPS.

Municipal Transportation Agency (MTA) Costs

According to the EPS report, the MTA is preparing a comprehensive assessment of services and facilities that will be affected by a number of large planned development projects. Anticipated impacts of the proposed development would include increased transit service during events, possibly through temporary reallocation of existing resources, and traffic control. According to Ms. Matz, the MTA's assessment includes possible use of the E-line, which runs the MTA's historic streetcars along the Embarcadero, from Fisherman's Wharf to the Caltrain depot. The MTA has been experimenting with E-line runs during the 2012 America's Cup preliminary races.

Although specific MTA cost or revenue estimates will not be available until the Term Sheet is drafted in early 2013, for comparison purposes, the MTA estimated gross costs at \$8,292,891 and net costs of \$6,430,228, after accounting for estimated fare revenues of \$1,862,663, for 58 days of America's Cup activities. However, America's Cup attendance is estimated to far exceed the attendance at any events at the proposed development.

Police Department (SFPD)

Using San Francisco Giants games as a reference, the EPS report notes that providing an SFPD presence at basketball games and concerts, primarily, would not necessarily increase costs. At Giants games, SFPD officers are usually deployed temporarily from existing posts elsewhere in the City, returning to those posts as appropriate following the start of the game. The EPS report assumes that a private security firm will be utilized for maintaining the peace within the arena. According to the EPS report, SFPD representatives have indicated that they would like to work with GSW to ensure that the SFPD has an adequately-sized command post within the arena, and that the development meets specific design and use requirements. Specific SFPD cost estimates will not be available until the Term Sheet is drafted in the first quarter of 2013.

Department of Public Works (DPW)

The EPS report notes that additional DPW services would be required for the areas surrounding the development, including street and sidewalk sweeping after events. Under the Conceptual Framework, GSW and the Port will work to identify ongoing funding mechanisms to provide for DPW services. However, such funding mechanisms, and DPW cost estimates, will not be available until the Term Sheet is drafted in early 2013.

Other Costs

Although the proposed development for Pier 30-32 includes at least 50% public access and open space, GSW would be responsible for maintenance of the public space, excluding any possible City facilities, such as Port offices or a SFFD fire boat berth. Furthermore, Ms. Matz notes that the City is currently being reimbursed by GSW for City staff time incurred in the planning of the proposed development.

DETAILS OF PROPOSED LEGISLATION AND FISCAL FEASIBILITY ANALYSIS

The proposed resolution would (a) find that the development project proposed by GSW Arena LLC (GSW), an affiliate of the Golden State Warriors basketball team ownership group is fiscally feasible and responsible under Chapter 29 of the City's Administrative Code; and (b) urge City and Port officials to make evaluating the proposed project among its highest priorities, and to take all appropriate steps to further environmental review of the proposed project.

As discussed in the Mandate Statement Section above, Chapter 29 of the City's Administrative Code requires that certain projects be submitted to the Board of Supervisors for approval of the project's fiscal feasibility prior to submitting the project to the Planning Department for environmental review if: (a) the project is subject to environmental review under the California Environmental Quality Act (CEQA); (b) total project costs are estimated to exceed \$25,000,000; and, (c) construction costs are estimated to exceed \$1,000,000.

Chapter 29 of the City's Administrative Code specifies five areas for the Board of Supervisors to consider when reviewing the fiscal feasibility of a project, including: (1) direct and indirect financial benefits to the City; (2) construction costs; (3) available funding; (4) long term operating and maintenance costs; and (5) debt load carried by the relevant City Department. Chapter 29 also limits the definition of "fiscal feasibility" to mean only that the project merits further evaluation and environmental review.

1) Direct and Indirect Financial Benefits to the City

The proposed development at Pier 30-32 and Seawall Lot 330, including (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, or retail uses and accessory parking, would provide: (1) direct financial benefits to the City through increased tax and fee revenues; and (b) indirect financial benefits, including one-time and ongoing employment benefits for San Francisco residents and revenues for firms serving the construction industry.

Significant changes in any of these variables, such as a significant reduction in the number of events at the proposed multi-purpose arena, would affect the estimated benefits of the proposed development. Furthermore, as is discussed above, the estimated benefits of the proposed

development would be affected if the City is found to be legally unable to levy the City's Stadium Admission Tax on tickets for events at the multi-purpose arena.

Direct Benefits

As is noted in Tables 1 and 2 above, EPS estimated that the proposed development would generate \$19,003,000 in annual taxes and fees to the City and an additional \$53,835,000 in one-time taxes and fees. If the Stadium Operator Admission Tax were not to apply to tickets for events at the new arena, then the estimated annual revenue from the proposed development would be reduced by \$4,159,000 from \$19,003,000 to \$14,844,000. Additionally, IFD Bond payments would reduce the estimated annual revenue to \$9,783,000 for the estimated 30 year period of IFD Bond repayment (or to \$13,942,000 under the assumption that the City collects the full amount of the Stadium Operator Admission Tax).

Indirect Benefits

The EPS report estimates that the proposed development would generate indirect financial benefits from additional payroll tax revenue. However, due to the approval by San Francisco voters on November 6, 2012 of a new gross receipts tax to replace the existing payroll tax will necessitate new estimates of gross receipts tax revenues for the Term Sheet.

2) Construction Costs to the City

As discussed above, the total cost of rehabilitating Pier 30-32 is estimated to be \$120,000,000. The financing and construction of this rehabilitation would be undertaken by GSW, to be reimbursed by the Port up to a maximum of \$120,000,000, plus a 13% annual return on the reimbursable construction costs. All pre-construction costs, including CEQA requirements, would be the responsibility of GSW and would not be subject to reimbursement from the Port. The City would not incur any construction costs on the improved Pier 30-32 and Seawall Lot 330, unless it was determined that the City negotiated the inclusion of City facilities, such as an SFFD fire boat berth, on that development.

3) Available Funding

As discussed above, reimbursement of the maximum \$120,000,000 in Pier 30-32 rehabilitation construction costs, plus 13% annual return, is limited to three sources:

1. Rent credits from the fair market lease of Piers 30-32, totaling an estimated \$1,970,000 per year;
2. Fair market sale revenues from Seawall Lot 330, totaling an estimated \$30,400,000; and
3. Bond proceeds from an Infrastructure Financing District (IFD) on Piers 30-32 and Seawall Lot 330, totaling an estimated \$60,000,000.

4) Ongoing Maintenance and Operating Costs

Ongoing maintenance and operating costs for the proposed development would be incurred by GSW rather than the Port or any other City agency. As noted above, new DPW costs are

expected to maintain streets and sidewalks surrounding the development, and ongoing funding options for these costs are being explored by OEWD, the Port, and GSW. In addition, the MTA and SFPD may also incur additional operations costs; however those costs have not yet been determined.

5) Debt Load

As noted above, under the Conceptual Framework, the Port would be liable to reimburse GSW for a maximum of \$120,000,000 for Pier 30-32 rehabilitation costs, plus 13% annual return. In the event that any debt remained at the end of the 66 year lease, the Port would not be required to pay any remaining debt to GSW.

Conclusion

The proposed development at Pier 30-32 and Seawall Lot 330, including (a) the rehabilitation of Port property at Pier 30-32; (b) the development on Pier 30-32 of a multi-purpose arena for Golden State Warriors home games and other types of events, public open space, maritime use, retail, and related parking; and (c) the development on Seawall Lot 330 residential, hotel, retail uses, and accessory parking, would provide the following estimated fiscal impacts: (1) One-time financial benefits to the City of up to \$53,835,000; (2) Direct ongoing annual financial benefits of between \$9,783,000 and \$19,003,000; (3) Undetermined indirect financial benefits from gross receipt tax revenue; (4) Up to \$120,000,000 in private construction expenditures for the rehabilitation of Pier 30-32; (5) Reimbursement by the Port to GSW of those private construction expenditures through the use of (a) up to 66 years of annual rent credits for Pier 30-32, valued at \$1,970,000 per year, (b) the transfer of Seawall Lot 330 from the Port to GSW, valued at \$30,400,000, and (c) 30 years of foregone General Fund property tax revenue which would be used to repay a \$60 million IFD bond; (5) No new ongoing maintenance costs for the Port; and (6) Undetermined new street and sidewalk maintenance costs for DPW, for which funding options are being explored by OEWD, the Port, and GSW.

Based on these criteria, the Budget and Legislative Analyst finds the proposed development fiscally feasible under Chapter 29 of the City's Administrative Code. As noted above, in accordance with Administrative Code Chapter 29, the finding of "fiscal feasibility" means only that the project merits further evaluation and environmental review. If the proposed resolution is approved by the Board of Supervisors, the City will be authorized to commence environmental review of the project under CEQA.

POLICY CONSIDERATIONS

GSW Assumes 205 New Events Per Year at the Proposed Multi-Use Arena, Including up to 50 Golden State Warriors Games and 155 Other Scheduled Events

For the purpose of EPS analysis of the fiscal impacts of the proposed development, GSW assumed 205 events per year at the proposed multi-use arena, with a total attendance of nearly 2,000,000 individuals annually, as shown in Table 3 below. According to Ms. Matz, the economic viability of the proposed multi-purpose arena depends on the arena hosting a variety of events in addition to Golden State Warriors games.

Table 3. 205 Annual Events, including Attendance and Parking

Event Type	Annual Events	Estimated Average Turnstile Attendance	Parking Spaces Demanded per Event
Warriors Basketball Games	50	14,875	2,975
Concerts	45	11,700	2,089
Other Sporting Events	30	6,300	1,125
Family Shows	50	5,400	675
Fixed Fee Rentals	30	8,100	2,700
Total	205	1,972,250	

Source: EPS

The impacts of this number of events on parking, traffic, and other considerations would be further explored in the completion of the project's environmental impact report.

The Proposed Development Would Require Amendments to the City's Waterfront Plan and Zoning Laws

As noted above, the Port's Final Waterfront Plan, adopted by the Port Commission in 1997, does not identify a professional athletic facility as an acceptable use of Pier 30-32, although assembly and entertainment, recreational enterprises, museums, restaurants and other retail establishments, as well as certain types of warehousing and limited office uses are acceptable uses. In addition, the City's Zoning Map limits developments on Pier 30-32 to a 40-foot height limit. According to Assistant Director of Waterfront Planning for the Port, Ms. Diane Oshima, for the proposed development to proceed as described under the Conceptual Framework, the Port Commission would need to approve amendments to the City's Waterfront Plan, and the City's Planning Commission and Board of Supervisors would need to approve amendments to the City's Zoning Map.

Environmental Impact Assessments, Transfer of Port Property, and Development Agreements Are Subject to Future Board of Supervisors Review and Approval

Approval of the proposed resolution by the Board of Supervisors, finding that the proposed project is fiscal feasible, is required for OEWD, the Port, and GSW to proceed with environmental review. The proposed resolution does not authorize any transfer of property or and does not approve a development agreement. If the subject resolution is approved, OEWD would proceed with the drafting of a development term sheet, based on the Conceptual Framework, and the term sheet would be subject to Board of Supervisors endorsement. CEQA findings and possible zoning changes would also be subject to future Board of Supervisors review and approval.

RECOMMENDATION

Based on the review of the Conceptual Framework for the proposed development at Pier 30-32 and Seawall Lot 330, and the supporting fiscal and economic analysis provided by the Port and OEWD, the Budget and Legislative Analyst finds that the proposed development is fiscally feasible. As noted above, in accordance with Administrative Code Chapter 29, the finding of “fiscal feasibility” means only that the project merits further evaluation and environmental review. If the proposed resolution is approved by the Board of Supervisors, the City will be authorized to commence environmental review of the project under CEQA.