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DATE:	**February 3, 2011**
TO:	**Honorable Members of the Planning Commission**
FROM:	**John Rahaim, Director of Planning**
RE:	**Governor Brown's Proposed Elimination of Redevelopment Agencies**

On January 10, Governor Jerry Brown proposed the statewide elimination of the funding mechanism for Redevelopment Agencies.

The specifics of the Governor's proposal are still undefined and will presumably be detailed in forthcoming legislation. Upon introducing his proposal to eliminate Tax Increment Financing (TIF), the Governor remarked that "all that's happened [with] redevelopment is that the state has [had] to backfill and pay to make up for the property taxes that are taken by redevelopment." In a later statement, the Governor said that "this will return billions in property tax revenues to schools, cities and counties and help pay for public safety, education and other services." The Governor's proposal calls for redevelopment agencies to be "disestablished" as of July 1, 2011, with new "successor local agencies" formed to "retire RDA debts and contractual obligations..."

In San Francisco, the abolition of TIF would severely impact and may eliminate the city's redevelopment agencies including the San Francisco Redevelopment Agency and the Treasure Island Development Authority. This could severely affect the City's ability to undertake and execute (1) neighborhood revitalization efforts such as those in the Bayview, Visitacion Valley and the South of Market and (2) large-scale development projects which rely on TIF for infrastructure and public improvements. These could include Mission Bay, the Hunters Point Shipyard, Treasure Island and the Transbay District. Since TIF is also used to fund affordable housing developments in redevelopment areas, those projects would also be severely impacted.

Only projects for which legally binding commitments had been executed before July 1 are likely to be able to proceed. "New" projects seeking approvals and commitments after that time would presumably be made impossible. As such, the significant infrastructure needs of our large-scale projects could remain unmet and the ability to move forward with development in these areas would be questionable for the foreseeable future. For example, without the proposed seismic stabilization of Treasure Island, meaningful development there is not possible.

Direct impacts on the Planning Department would be less profound and, because of the ambiguous nature of the proposal, much remains unclear. For example, it is unknown whether the potential elimination of the Redevelopment Agency would lead to the termination of the land use controls in the various Redevelopment Plans and reversion to the underlying zoning controls. While the land use controls contained in most current Plans are generally consistent with underlying zoning controls, notable regulatory differences exist. Moreover, it is conceivable that there could be a transition period or that the Plans may continue in some fashion. This will presumably be addressed in whatever legislation the Governor proposes. The most straightforward impact of the governor's proposal is that the Planning Department would no longer perform services or receive payments for work associated with any Redevelopment Plan. At present, the Department receives work-orders valued at approximately $500,000 annually to assist with design, policy, implementation and cartographic needs on various redevelopment efforts.

Attached to this memorandum is a detailed analysis of the Governor's proposal prepared by the Redevelopment Agency. While no public hearing on this matter has been scheduled at this time, should you wish to discuss these issues either directly or at an upcoming hearing Department and/or Agency Staff would be happy to accommodate that request.

San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (SFRA) was founded in 1948, and has been integral to the growth and economic development of San Francisco over the past 62 years. Successful completed redevelopment projects include the Embarcadero Center and Golden Gateway complex, Hunters Point Hill, Yerba Buena Center, the Giants AT&T Ballpark, and the development of over 10,000 units of affordable housing. Current efforts include large-scale master-planned developments in Mission Bay and Hunters Point Shipyard, neighborhood revitalization in the Bayview and South of Market, funding for the reconstruction of the Transbay Terminal, and the rebuilding of some of the City's most dilapidated public housing projects.

What's at stake right now if redevelopment agencies are abolished on July 1, 2011?

- <u>Jobs</u>—In 2010, SFRA projects created 3,079 construction jobs (over $21.7 million in gross earnings), and development projects that were active during 2010 generated a total of over $293 million in construction activity. In 2011, SFRA expects its projects to create an additional 3,000 construction jobs.
- <u>Affordable Housing</u>—Over 1,400 units in 11 projects that are currently in pre-development—with substantial investment of public funds in planning and design—will be unable to move forward without future redevelopment funding. In addition, over 6,000 more affordable housing units are planned in the Mission Bay, Transbay, Treasure Island, and Hunters Point Shipyard Redevelopment Project Areas, all of which are reliant on the Agency's ability to bond tax increment funds generated by new private development in those areas.
- <u>Infrastructure Investment</u>—Tax increment funded infrastructure investments of more than $50 million are planned for 2011, creating direct construction jobs and opportunities for future housing and commercial development. These targeted investments in roadways, parks and other public improvements attract private investment and greatly enhance the quality of life for local residents.

Major development projects will be jeopardized by the "disestablishment" of SFRA and the abolition of redevelopment tax increment funding.

Large-scale development projects, which rely on tax increment financing as a major source of funding for infrastructure and public improvements:

- ***Mission Bay:*** The redevelopment of this former railyard has already created over 3,100 new homes (674 affordable) and 1.7 million square feet of office and biotechnology space centered around a new UCSF research campus. SFRA's investment of $110 million in public redevelopment financing for infrastructure to date has leveraged over $2.0 billion in private development and created over 10,000 permanent new jobs. Without continued redevelopment financing of infrastructure, the remaining 2,900 units of housing, (including more than 1,100 additional affordable units to be financed with tax increment), 2.7 million square feet of commercial development, and completed infrastructure for the UCSF medical center will be jeopardized, along with 20,000 additional permanent jobs.

- ***Hunters Point Shipyard-Candlestick Point:*** The redevelopment of this 500 acre former naval base and superfund site will create over 12,000 new homes of which 32% will be affordable, 2-3 million square feet of commercial technology space, hundreds of acres of public open space, and 10,000 new permanent jobs as well as hundreds of construction jobs. This project, critical to creating economic opportunity in San Francisco's impoverished southeast neighborhoods, is dependent on redevelopment powers and tax increment financing to move forward.

- ***Transbay Terminal:*** SFRA's Transbay Redevelopment Plan will create a new high-density residential and commercial neighborhood in the area surrounding San Francisco's new multi-modal Transbay Terminal. Under agreements with the State, the Agency will work with private partners to develop 12 publicly-owned parcels along Folsom Street, with both the sale proceeds and the future tax increment from these parcels pledged toward the construction of the Transbay Terminal. Loss of this tax increment funding and sales revenue will seriously jeopardize the Transbay Joint Powers Authority's ability to move ahead with construction of the new terminal. The planned 35% affordable housing level in this new community (1,100 of 3,000 new units) is dependent on future bonding of tax increment from private development in the area.

- ***Visitacion Valley:*** The Redevelopment Plan for this low-income southeastern community focuses on the redevelopment of the highly-contaminated Schlage Lock Site. The plan calls for development of a transit village of 1,250 residential units, 25% affordable, new parks, and much needed retail space. The feasibility of this project is dependent on the ability to access tax increment financing to defray public infrastructure costs.

- ***Treasure Island:*** The redevelopment of this 450-acre former naval base will create 8,000 new homes (2,400 affordable), the adaptive reuse of 311,000 square feet of historic structures, 140,000 square feet of new retail uses and 100,000 square feet of commercial office space. In total, $524 million in tax increment funded public improvements will leverage $421 million in Mello-Roos bond proceeds, and $549 million in private investment. Combined, this $1.5 billion public-private investment will leverage an additional estimated $5 billion in private debt and equity for the construction of new homes and businesses that will put thousands of San Franciscans and Bay Area residents to work.

Affordable housing projects, for which SFRA budgets approximately 50% of all its tax increment funding:

- ***Hunters View Public Housing*:** This is the first site to utilize the City's "HOPE SF" program to revitalize severely distressed public housing. The first phase of 107 public housing and other affordable rental units has already begun. The 20-acre site will be redeveloped over multiple phases, for a total of 350 units of both public housing and affordable family rental housing, which will serve almost 1,150 residents.

- ***Alice Griffith Public Housing*:** Also a severely distressed "HOPE SF" public housing revitalization project, the redevelopment of Alice Griffith is a critical component of the overall Hunters Point Shipyard/Candlestick Point development project. The 256-unit site is currently fully occupied and is home to 579 people today. The redevelopment plan for the site calls for the one-for-one replacement of the existing units plus the addition of another 248 new affordable family rental units; these new units would serve almost 1,550 residents.

- ***Hugo Hotel:*** Vacant for more than 20 years and acquired through eminent domain in 2009 with broad community support, the redevelopment of this site into new affordable family rental housing is a key element in the strategy to revitalize the Sixth Street corridor in the South of Market. The Agency is in the predevelopment phase to bring 56 units of affordable family rental housing to the neighborhood, which could serve almost 170 residents in its initial lease-up.

- ***Central Freeway Parcels*:** After the damage caused by the 1989 Loma Prieta Earthquake resulted in the demolition of the City's Central Freeway, the City, the community and the Agency collaborated to develop a plan to revitalize these former freeway parcels and bring much needed affordable housing to the neighborhood. The Agency purchased seven parcels, of which three remain to be developed. The Agency's ability to use Citywide Tax Increment to fund the development of these sites would mean the creation of over 130 units of affordable housing, which could serve almost 340 residents.

- ***Additional Projects:*** SFRA's housing program has additional critical affordable housing projects throughout the City of San Francisco for which the Agency provides predevelopment and construction funding. Thousands more affordable housing units are planned in the Mission Bay, Transbay, and Hunters Point Shipyard Redevelopment Project Areas, all of which are reliant on the Agency's ability to bond tax increment funds.

Neighborhood revitalization efforts, for which redevelopment funding provides critical stimulus funding:

- ***Neighborhood Commercial Corridor Revitalization:*** SFRA invests in community-based small businesses through loans and grants to business and property owners that increase services and goods available on key neighborhood commercial streets. Along the Sixth Street corridor in the South of Market neighborhood, SFRA has attracted 25 new businesses, provided sidewalk cleaning and graffiti removal services, and funded construction of a health clinic and a community center through investment of $7 million of tax increment funds to this historically blighted corridor. Similar programs are now being extended to Third Street in the Bayview-Hunters Point community as well.

- ***Neighborhood Streetscape and Infrastructure Improvements:*** SFRA uses tax increment funds to supplement typical City funding to upgrade streetscapes and infrastructure in blighted neighborhoods, and attract new residents and businesses. Efforts include new commercial corridor and alleyway improvements in South of Market, and critical pedestrian connections in Bayview Hunters Point.

- ***Mid-Market Street Redevelopment:*** SFRA, working with other City agencies, is developing plans to revitalize the long-blighted portions of Mid-Market Street from Fifth to Tenth Streets, focusing on arts and historic preservation as catalysts for private investments in residential and retail development.

Redevelopment investments within the City and County of San Francisco have huge positive fiscal impacts:

- Property values within the SFRA's various project areas have increased by more than $15 billion over the last several decades. More than $150 million in property taxes were generated in 2011 from this increase in assessed value – an amount that will directly flow to the City and County of San Francisco and other taxing entities once the SFRA pays off the debt incurred from its investments into these project areas.

- Of the $150 million in property taxes generated from the increase in assessed value in 2011, the SFRA only uses 4% ($6.0 million) for operations. The remaining amount ($144 million) goes to other taxing entities ($50 million) and to pay off previously incurred bonded indebtedness ($94 million). In addition, SFRA projects contribute millions of dollars annually in sales, payroll and other taxes to the City and State.

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