Chapter VII

Proposed Method of Financing and Feasibility

VII. Proposed Method of Financing and Feasibility

[CHANGES TO JANUARY 2005 REPORT IN HIGHLIGHTED BOLD ITALICS.]

A. Introduction

Chapter VII describes the public and private financing for the Transbay Redevelopment Project. It estimates total funding requirements, identifies potential resources and methods of financing available to the Agency, projects tax increment and other revenues, and assesses the general financial feasibility of the Transbay Redevelopment Project. The analysis in this chapter supports the conclusion that tax increment financing is a necessary component of the Redevelopment Plan to eliminate blighting conditions in the Project Area and achieve the goals outlined in the Redevelopment Program, including a new, multi-modal transit terminal.

Significant capital investment will be required to alleviate the blighting conditions and stimulate private investment in the Project Area. While the Agency will pursue all potential funding sources, no single funding source or combination of sources is anticipated to be sufficient to accomplish the redevelopment activities necessary to alleviate the blighting conditions and stimulate private investment in the Project Area. Together with other public and private revenue sources, tax increment financing will be the critical funding component in helping the Agency meet the costs required to redevelop the Project Area.

The following sections demonstrate why tax increment financing made possible through the Redevelopment Plan is a necessary part of the overall financing program to eliminate blighting conditions in the Project Area. As described in Chapters IV and V, the blighting conditions in the Project Area are substantial, and a significant amount of capital investment will be required to alleviate them. While the Agency will pursue all potential funding sources, these will not be sufficient to finance all of the activities critical to alleviating the blighting conditions identified in the Project Area without the use of tax increment. Improvements needed in the Project Area cannot be funded without the establishment of the Transbay Redevelopment Project.

As required by Section 33352(d) of the Community Redevelopment Law (CRL), the Report on the Redevelopment Plan demonstrates that without the use of tax increment financing, the elimination of blight cannot be achieved.[1] The Agency has concluded that redevelopment financing based on the tax increment generated by the Project Area is needed to fill the funding gap in the Transbay Redevelopment Project.

[1] Refer to Chapter XVI of this Report on the Redevelopment Plan for analysis of the inadequacy of private enterprise or governmental action, or both taking action together, to reverse or alleviate blighting conditions without redevelopment assistance.

1. Stimulation of Private Investment

A major goal of the Transbay Redevelopment Project is to stimulate private investment within the Project Area. Public investment in the form of tax increment financing will be used to leverage private investment in the Project Area. Private investment is anticipated to include new construction of residential and commercial buildings on underutilized and vacant land and the rehabilitation of existing buildings. Over time, private investment will be significant. However, private investment in the Project Area will depend upon the improvement of public facilities and infrastructure, the elimination of blighting conditions, and the establishment of a positive climate for private participation. Given the extent of blighting conditions and the need for improved public facilities, effective implementation of the proposed Redevelopment Program provides the most reasonable opportunity for stimulating private investment in the Project Area.

2. Estimated Agency Funding Requirements for the Redevelopment Program

Implementation of the Transbay Redevelopment Project will require substantial funding. The estimated net costs to the Agency in constant FY 2004/05 dollars to complete the Redevelopment Program are summarized in Table VII-1.[2] The estimated redevelopment tax increment covenanted to the Transbay Terminal and Caltrain Extension Project is $178.2 million in constant FY 2004/05 dollars. The cost of the other non-housing components of the Redevelopment Program is ***$94.3 million*** in constant FY 2004/05 dollars.[3] The cost of the Agency's Affordable Housing Program is ***$125.8 million*** in FY 2004/05 dollars.[4] These estimates are drawn from the analysis in this chapter and Chapter VI and include items to be funded by the proposed Redevelopment Program after subtracting other funding sources. The estimates of these offsetting funds are based on the analysis in Section B of this chapter and Table VI-2 in Chapter VI.

The Agency will also contribute a significant amount of the tax increment revenue generated by the Project Area to affordable housing activities. As further described in Sections C, D and E of this chapter, the Agency will set aside 20 percent of gross tax increment generated from both the State Owned Parcels and the Non-State Owned Parcels for the rehabilitation or construction of housing affordable to very low, low and moderate income households, as required by the CRL.[5]

Although the Agency will play a major role in planning and guiding the redevelopment process, successful revitalization of the Project Area will require a concerted effort by both the public and private sectors. Due to the substantial investment required, the private sector is unable to support the cost of these activities on its own, and tax increment financing is necessary.

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[2] The term constant FY 2004/05 dollars is used to indicate the present value of nominal (future value) dollars value discounted back to FY 2004/05. Refer to discussion on present value assumptions in section D.2 of this chapter.

[3] Estimate does not include $31.4 million in Agency costs related to the administration of the Non-Housing Redevelopment Program.

[4] Includes costs related to administration of the Agency's Affordable Housing Program.

[5] ***The Agency will also utilize additional tax increment revenue for affordable housing activities, based on the Agency's 1989 Housing Policy goals.***

Public revenue sources such as Community Development Block Grant (CDBG) funds and the City's General Fund are either currently unavailable, dwindling, or insufficient to cover the cost of the projects and activities to alleviate blight and redevelop the Project Area. Thus, a funding gap or shortfall exists for which no sources of financing (other than tax increment financing) are available or sufficient. Tax increment financing is the most reliable source of long term redevelopment funding available to the Agency and is the only source of financing that will generate sufficient revenue to meet the funding gap.

B. Potential Funding Sources Other Than Tax Increment Financing

Section B describes a range of alternative funding sources that might be available to assist in financing the redevelopment projects and activities for the Project Area. Each potential source includes a brief description and evaluates whether it is a viable funding source. It does not include sources for the Transbay Terminal and Caltrain Extension Project, since the TJPA is responsible for financing and implementation of that project. A summary of the funding sources for the Transbay Terminal and Caltrain Extension Project is listed in Appendix D.

This section provides an overview of the proposed public and private funding mechanisms intended for use on the Agency's Redevelopment Program, (excluding the Transbay Terminal and Caltrain Extension Project). It includes federal, state and local funding sources, funds generated by the private sector, and interest income on tax increment revenue. The funding sources are grouped by primary and secondary sources of funding. Funding sources considered to be unavailable or infeasible are also described.

The Agency and the City and County of San Francisco will pursue all available options to secure public and private financing, in addition to tax increment financing, to accomplish public improvements in the Project Area. However, tax increment financing is the most reliable source of long term funding available to the Agency. It is the only source that will generate substantial revenue to meet the projected funding gap of the Agency.

1. Primary Funding Sources Other Than Tax Increment

a. Mello-Roos Community Facilities District (CFD)

The Agency is considering mechanisms to finance general infrastructure improvements in the Project Area, including street improvements, storm drainage, sidewalks, and other public amenities. These mechanisms include exactions such as Mello-Roos special taxes. Two principal means exist by which new revenues can be derived from property: assessments and taxes. State law effectively limits a government's power to impose assessments; only projects that have a direct and special benefit to the individual property can be financed through assessments. A special tax does not have to meet such a standard of benefit, and property owners can be taxed for improvements that provide a general, areawide benefit. Given the nature of the projects to be financed in the proposed Project Area, a special tax provides the additional flexibility to meet redevelopment goals.[6]

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[6] Kelling, Northcross & Nobriga Memo to San Francisco Redevelopment Agency, August 26, 2003.

Table VII-1
Estimated Net Cost to Agency of Redevelopment Program
in Constant FY 2004/05 Dollars
Transbay Redevelopment Project

Redevelopment Program	Net Cost to Agency[a]
Tax Increment Obligation to Transbay Terminal and Caltrain Extension	$178,200,000
Agency Non-Housing Redevelopment Program	
Planning	***$700,000***
Site Preparation and Development	***$2,000,000***
Public Facilities, Infrastructure and Utilities	***$58,000,000***
Circulation	***$18,100,000***
Building Rehabilitation, Façade Improvement and Historic Preservation	***$12,300,000***
Economic Development	$3,200,000
Agency Non-Housing Subtotal	***$94,300,000***
Agency Administration (Non-Housing)[b]	***$31,400,000***
Affordable Housing[c]	***$125,800,000***
Total Redevelopment Program Costs	$429,700,000
Agency Redevelopment Program Costs Net of Tax Increment Obligation to Transbay Terminal and Caltrain Extension	$251,500,000

a. Based on estimate provided by Agency staff. Figures may not precisely add or subtract due to rounding.

b. The Agency Administration Cost figure was revised to $31.4 million from $35.7 million by the Agency in April 2005. The tax increment projections listed in Appendix E were not updated and list the previous figure of $35.7 million.

c. Includes administrative costs related to affordable housing.

Source: San Francisco Redevelopement Agency

The most promising source of potential funding other than tax increment is the creation of a Mello-Roos special tax district consisting of properties currently owned by Caltrans and the Agency, with special tax revenues leveraged through a bond issue.[7] The formation of such a CFD would require approval by the Board of Supervisors, and an affirmative vote of two thirds of the property owners (weighted vote based on acres owned). One of the key innovations of the Mello-Roos statute is that it allows for property owners to approve a parcel tax if there are less than 12 registered voters. This has made Mello-Roos a powerful vehicle for using special taxes to finance infrastructure as part of new development. A CFD does not have to consist of contiguous properties. The Agency could form a district consisting of the Caltrans and Agency owned properties prior to their being offered to private developers. Subsequent purchasers of the property would then acquire the properties with the liens already in place.[8]

Mello-Roos and other parcel taxes are levied on real property and collected on the county property tax bills. The taxes are calculated pursuant to a formula that is established during the formation proceedings and is effectively part of the voter approval. Unlike benefit assessments, there does not have to be a nexus between benefit and the manner in which the taxes are spread. The State of California Constitution prohibits levying such taxes based on the value of property. Mello-Roos taxes are commonly based on the size of a property or the improvements on the property. A local tax district may finance the acquisition, construction or improvement of any real or tangible property with an estimated useful life of five or more years. The financed facilities do not need to be located in the district, which allows a parcel tax to finance regional facilities. Most often, parcel taxes are used to service bonds, the proceeds of which finance the improvements.[9]

Either the City or the Agency can issue Mello-Roos bonds to finance public infrastructure. These types of bonds are secured by the special taxes on privately owned land and improvements, and such payments are a lien on the property second only to property taxes. Defaulted payments can cause a foreclosure of the property, which is why landowner consent is required to issue these bonds.

The standard for the Mello-Roos bond market requires a value-to-lien ratio of at least 3:1 for these typically unrated bonds to be acceptable to potential buyers, which means that the appraised value of the properties must be at least three times the par value of the bonds to be issued. The strongest and most credible lien would be on property that is fully owned by private parties. This financing technique may not be advantageous if land were to remain in public ownership, such as ownership by the TJPA or the Agency. Mello-Roos bonds would be sold when a sufficient amount of property had been sold or leased to a private party.

2. Secondary Funding Sources

This section describes alternative funding sources that might be available to assist in financing the Redevelopment Program for the Project Area. Each potential source is described and evaluated below to determine the likelihood it could generate actual revenues for use in the Project Area. The Agency will use every effort to obtain alternative funding sources as a means to accelerate the implementation of the Redevelopment Program and to minimize the use of tax increment revenue.

[7] Ibid.
[8] Ibid.
[9] Ibid.

a. Gas Tax

The State of California imposes a tax on gasoline, aircraft jet fuel and diesel fuel sales. An interstate user tax and use fuel tax is also collected by the state. Approximately one-third of the gasoline, diesel fuel and use fuel tax revenues are distributed to local jurisdictions on a formula based on population and other factors. These revenues may be used for street maintenance and construction activities. The City's revenue estimates for FY 2004/05 include approximately $26.5 million in gas tax revenues, which are distributed between the Department of Public Works (DPW) and the Municipal Transportation Agency (MTA).[10] Gas tax funds are a potential source of funding for circulation improvements in the Project Area.

b. Transportation Development Act (TDA) Funds

Transportation Development Act (TDA) funds are generated statewide through a one-quarter cent tax on retail sales in each county. TDA funds may be used for transit projects, special transit projects for disabled persons, and bicycle and pedestrian purposes. The City and County of San Francisco may not use TDA funds for street and road construction and maintenance (due to statutory restrictions on counties with populations greater than 500,000). The City of San Francisco receives an annual TDA apportionment, and the Metropolitan Transportation Commission determines the ways in which the funds are spent. Activities funded by TDA generally include regional and municipal transit programs, bikeway improvements and other programs designed to reduce automobile usage. In FY 2001/02, the City's apportionment totaled $29.7 million. TDA funds are a potential source of funds for improvements designed to reduce automobile usage, such as pedestrian and bicycle networks.[11]

c. Brownfield Economic Development Initiative (BEDI)

The Brownfield Economic Development Initiative (BEDI) is a federal grant designed to help local governments redevelop brownfields. Brownfields are defined as abandoned, idled, or underutilized properties, including industrial and commercial facilities, where expansion or redevelopment is complicated by the possible presence of environmental contamination. A BEDI grant award from the Department of Housing and Urban Development (HUD) must be linked with a new Section 108 guaranteed loan commitment. Both Section 108 loan guarantee proceeds and BEDI grant funds are initially made available by HUD to local government agencies eligible for assistance under HUD's Community Development Block Grant (CDBG) program. A local government may re-loan the Section 108 loan proceeds and provide BEDI funds to a business or other public entity eligible to carry out a specific approved brownfields economic development project, or the public entity may carry out the eligible project itself. In either case, BEDI grant funds and the Section 108 proceeds must be used to support the same eligible BEDI project. This funding could assist in the remediation of sites, making them economically viable to develop.

d. Development Impact Fees

The City charges development impact fees on new private development within San Francisco to mitigate specific consequences of new growth. Impact fees are used to increase levels of service for future residents and businesses that are needed as a result of new or increased demand on existing services and facilities. The City currently imposes the following fees on new development: Citywide Affordable Housing, Downtown Park, Child Care, Transit, School and Artwork Fees. Different requirements exist for each fee, and some are only applicable to certain areas of San Francisco.

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[10] City and County of San Francisco Consolidated Budget and Annual Appropriation Ordinance, Fiscal Year Ending June 30, 2005, File No. 040725. Ordinance 197-04.

[11] An additional two cent local sales tax is collected by the state and distributed to the City and other local agencies such as Muni and the County Transportation Authority. It is not anticipated that funding will be available from this source.

Under applicable state laws regarding the imposition of development impact fees, such fees can be imposed on a new private development only to the extent that a direct nexus or relationship exists between the need for public facilities caused by such new development and the level of fees imposed. Since many public improvements are needed to serve an existing population as well as to serve the new development, it is often the case that development impact fees will cover only a portion of the cost of needed public improvements. In the specific case of San Francisco, the City's development impact fees have been calibrated to meet the applicable state law "nexus" requirements and limitations. Consequently, development impact fees collectable by the City will pay a portion, but not all, of the costs of public improvements and facilities identified in Chapter VI that are necessary to alleviate blighting conditions and adequately serve the Project Area.

All of the fees potentially apply to the Project Area and may be a source of funding for the Redevelopment Program activities, such as parks, childcare, infrastructure and public facilities. However, according to the 2001 Office of the Controller Report on San Francisco's development impact fees, federal, state and Redevelopment Agency owned property is exempt from the fees. Therefore, only publicly owned properties that are ultimately sold to the private sector may be subject to impact fees.

e. Developer and Property Owner Participation

In addition to development impact fees, developer and property owner participation has been used as a means for funding redevelopment activities in many communities. For example, funds may be advanced to a city or agency in the form of a negotiated fee or grant, or a loan for public improvements that is repaid during the course of project implementation from tax increment revenues. Some agencies have development agreements with developers, by which developers contribute funding for specific improvements, such as infrastructure and street improvements. Property owners provide repayment on low interest loans or are required to provide private funds to match agency rehabilitation grants. Although the Agency is interested in pursuing such funding opportunities, such participation is speculative and cannot be relied on entirely. It would not be prudent for the Agency to base a long-term project on the ability of prospective developers to advance funds for redevelopment activities.

f. Mills Act

Authorized by the State in 1976, the Mills Act allows an owner of an eligible historic property to enter into a ten-year contract with a participating city to rehabilitate the building in exchange for a reduction in local property taxes. Owner occupied single family residences or income producing commercial properties may qualify for the Mills Act program. However, eligible properties must be listed on the National Register of Historic Places, be located in a National Register or local historic district, or be listed on a state, county or city official register. Adopted by the City of San Francisco in 1996, the Mills Act could be an applicable source of funds for historic preservation projects in the Project Area.

g. Private Donations

Private donations by individuals, civic booster organizations, or corporate sponsors could make a small, but recognizable contribution to the implementation of the Redevelopment Program. Donations could be used to fund all or part of minor streetscape improvements such as benches, entrance signage, directional signs, bicycle racks, historic signage or landscaping. However, in terms of the total funding needs of the Redevelopment Program, donations may be expected to provide only a small part of the needed implementation funding.

h. Interest Income

Some income will accrue to the Agency from the investment of tax increment revenues and tax increment bond proceeds. Income from this source could be made available for a variety of redevelopment activities. However, much, if not all, of the interest income will likely be offset by the need for the Agency to pay interest on indebtedness, including Agency issued bonds. Actual income from this source would also be influenced by the amount of money available for investment, term of the investment, and achievable interest rates.

3. Funding Sources Considered to be Infeasible

As permitted by law, the Agency can utilize local, state, and/or federal government funds, and also funds from private sector sources. A variety of other sources to fund projects in the Project Area were considered. However, to a large extent existing resources for improvement projects have been maximized. Other sources have been found to be clearly infeasible or to have little potential of generating measurable revenues. Public utility districts, special assessment districts, and special taxing districts other than the Mello-Roos CFD are also considered unlikely for the Transbay Redevelopment Project. Tax increment is the primary source, and often the only source, of revenue in the Agency's Redevelopment Projects.

a. City of San Francisco General Fund

The general fiscal condition of the City makes any ongoing direct financial support of redevelopment activities problematic. State and federal governments have continued to reduce funding and shifted costs and new programs to cities and counties. Cities have a limited ability to raise revenues, which might offset new costs or replace lost revenue. In addition to funding essential functions such as police and fire services, the City anticipates major capital expenditures to address the demands on, and needs of, city facilities. The City closed a deficit of $347 million in its FY 2003/04 budget and a $307 million deficit in its FY 2004/05 budget. Also, further cuts in state funding to the City are anticipated and will place further pressure on the City budget. As a result, no reliance can be made on the City General Fund as a major source of redevelopment funding.

b. Assessment Districts

Assessment Districts enable a city to levy additional taxes on property within designated areas in order to finance improvements directly benefiting those areas. Bonds are issued to finance local improvements such as streets, sidewalks, and parking facilities. Typically, an assessment district is formed to undertake a particular public improvement, and bonds are issued under one of two major assessment acts: the Improvement Act of 1911 and the Improvement Bond Act of 1915. Upon the issuance of bonds, the district has the power to assess all property owners included in the district in order to repay the borrowed funds. An assessment district can be established as its own jurisdiction, or it can be included under a city's taxing system, assuming that the improvement is located entirely within a city's jurisdiction. Assessment districts are not limited by Proposition 13 and Proposition 4, and have the additional advantage of placing the costs of public facilities directly on the benefited property owners. However, Proposition 218, a 1996 state constitutional amendment, enacted more restrictive requirements for adopting an assessment district and limited the improvements and activities that can be financed through an assessment district. These requirements reduce the likelihood that an assessment district would be a viable financing option. As discussed above, the Agency considers a Mello-Roos special taxing district to be a better financing option than an assessment district for the Transbay Redevelopment Project.

c. Federal and State Funding Sources

While federal and state loan and grant programs could provide funding for some of the projects and activities proposed for the Project Area, funding levels are limited for most of these programs.

Community Development Block Grants (CDBG)

Community Development Block Grants (CDBG) are allocated by the U.S. Department of Housing and Urban Development (HUD) to fund activities such as public works; rehabilitation loans and grants; land acquisition, demolition, and relocation for redevelopment; public services; and affordable housing, social services and projects for the elderly or handicapped. CDBG-funded projects and activities must principally benefit low- and moderate-income persons, aid in the prevention or elimination of blight or address an urgent need. CDBG funds have provided a limited source of revenue for many redevelopment activities in California. In the past, the City and Agency have used some CDBG funding for redevelopment activities, but the funds have been very limited. In recent years, most of the CDBG funds have been used to construct and rehabilitate housing, and provide needed services and facilities, such as day care, to lower-income residents. Given the competing needs in the City, very few CDBG funds are available for public improvements. Given these factors, coupled with federal budget constraints, it is unlikely that CDBG funds can be counted upon as a source of revenue for redevelopment projects and activities (other than City-sponsored affordable housing) in the Project Area.

Economic Development Administration (EDA)

The Economic Development Administration (EDA) of the federal government has typically been an important source of grants for economic development and financing infrastructure improvements. However, these funds are very limited, and funding is not guaranteed over the long term. The Agency does not anticipate receiving significant assistance from EDA to fund redevelopment projects and activities because EDA funds are competitively allocated, and because EDA typically makes awards of less than $1 million per project.

State of California Economic Development Programs

The primary economic development program of the State of California is redevelopment authorized by the CRL. The state does not have any significant source of funding other than redevelopment to fund revitalization activities in the City. While the state provides technical assistance funds, such as for the Main Street program, it does not have any source of significant capital funding for revitalization activities.

d. Lease Revenues

Broad authority exists to issue revenue bonds secured by sources other than tax increment, such as tenant leases on publicly owned facilities. Lease revenue bonds secured by lease revenues from development are not anticipated to be a source of the debt financing techniques for the components of the Agency's Redevelopment Program. As discussed in Appendix D, lease revenues will be a funding source for the Terminal and Caltrain Extension Project.

e. Conclusion for Infeasibility of Other Sources

The cost of the Redevelopment Program designed to overcome the documented blighting conditions, detailed in Chapters IV and V, exceeds the level of funding resources available from other public and private financing mechanisms by a substantial margin. Together with other public and private revenue sources, tax increment will be a critical funding component in helping the Agency meet the costs incurred by redevelopment of the Project Area.

C. Tax Increment Financing: The Primary Source of Funding

1. Overview

Tax increment revenue generated by the increase in property values within the Project Area will be the primary source of financing for the Agency's Non-Housing and Housing Program. Based on the assumptions outlined in this chapter, the tax increment revenues generated over the tax increment collection period of the Redevelopment Plan are projected to be sufficient to meet the Redevelopment Program costs for both the Agency's housing and non-housing projects and activities that cannot reasonably be financed from other sources.

The Agency is obligated to dedicate the non-housing "net tax increment revenue" generated from the State Owned Parcels in the Project Area to the TJPA to help fund the design and construction of the Transbay Terminal and Caltrain Extension Project (refer to subsection a. below for details). The non-housing tax increment generated from the Non-State Owned Parcels, and the housing set-aside revenues generated from both the State Owned and Non-State Owned Parcels are available to the Agency for its Redevelopment Program. Refer to the tables in Appendix E for detailed analysis of potential tax increment revenues for the State Owned and Non-State Owned Parcels of the proposed Project Area.

a. Funding for the Transbay Terminal and Caltrain Extension Project

Tax increment financing is a critical funding component for both the Transbay Terminal and Caltrain Extension Project and the Agency's Redevelopment Program. A portion of the tax increment revenue will be dedicated to the Transbay Terminal and Caltrain Extension Project as part of the Redevelopment Program. However, separate funding requirements and funding sources exist for the Transbay Terminal and Caltrain Extension Project. The funding plan for the Transbay Terminal and Caltrain Extension Project includes a combination of federal, state and local funding sources. Appendix D includes a summary of the funding plan for the Transbay Terminal and Caltrain Extension Project. The funding requirements and potential funding sources for the components of the Agency's Redevelopment Program are discussed in this chapter.

Seifel Consulting prepared separate tax increment projections for the State Owned Parcels and Non-State Owned Parcels in the Project Area because the Agency is obligated to provide the "net tax increment revenues" generated from the State Owned Parcels to the TJPA. (Refer to Section D.4 below). These funds will contribute to financing the Transbay Terminal and Caltrain Extension Project and are a significant source of funding. In Appendix E, Appendix Tables B-1 through B-5B show the tax increment projections for the State Owned Parcels, and Appendix Tables C-1 through C-5B show them for the Non-State Owned Parcels.

b. Project Time and Fiscal Limits

The CRL imposes specific time and fiscal limits on particular redevelopment activities, which are summarized below. These time and fiscal limits will apply to the Redevelopment Plan and will affect the amount of tax increment revenue the Agency can receive:[12]

- **Time Limit to Incur Debt**
  The Agency's ability to enter into new bonded indebtedness is limited to 20 years from the adoption of the Redevelopment Plan.

[12] The time limits apply to tax increment revenues generated by both State Owned and Non-State Owned Parcels in the Project Area.

- **Time Limit to Carry out Projects**
  The Agency must complete all project activities within 30 years after adoption of the Redevelopment Plan. This is also referred to as the limit for plan effectiveness.
- **Time Limit to Receive Tax Increment and Repay Debt**
  The Agency can collect tax increment for 45 years to repay debt. Thus, the Agency has 25 years to repay bonds issued in year 20, the last year for issuance of debt. The Agency can continue to repay debt for 15 years after it has completed all project activities.
- **Limit on Amount of Outstanding Bonded Indebtedness**
  The Redevelopment Plan must include a limit on the total amount of outstanding bonded indebtedness secured by tax increment revenue. The Agency intends to limit the amount of outstanding bonded indebtedness over the life of the Redevelopment Plan to $800 million.

Tax increment will be the primary funding source for the Agency's Redevelopment Program. The Agency can accept financial or other assistance from any public or private source for purposes of redevelopment consistent with the CRL and the adopted Redevelopment Plan. However, minimal funding is currently available for only a small portion of the projects proposed in Chapter VI from private and city, state and federal sources. (Refer to Section B of this chapter for a more detailed description of other revenue sources.)

2. Using Tax Increment to Eliminate Blighting Conditions

The general purpose of redevelopment is the elimination of blighting conditions. A redevelopment plan can only be adopted in an area that has been determined to be blighted in accordance with the CRL. The completion of a redevelopment program results in a project area that is physically and economically stronger, and one that contributes to the fiscal and social health of the community.

Chapters IV and V of this Report on the Redevelopment Plan provide evidence of physical and economic blight within the boundaries of the Project Area. The Redevelopment Program described in Chapter VI is specifically designed to stimulate private investment and alleviate blighting conditions in the Project Area.

3. Stabilizing and Enhancing the Property Tax Base

As the blighted properties of the Project Area are placed into a more productive use, the resulting increase in property value has the potential to generate property tax revenue. In most redevelopment project areas, the incremental increases in tax revenue are used to fund public facilities and leverage new private investment, resulting in substantial increases in property values. This public reinvestment policy leads to the long-term ability of taxing agencies in San Francisco, such as the San Francisco Unified School District and the City and County of San Francisco, to collect property taxes they would not have otherwise realized without redevelopment.

4. Establishing a Base Year in the Project Area

The first major step in the implementation of a tax increment financing program is accomplished at the time the Board of Supervisors formally adopts the Redevelopment Plan. The County Controller determines the total value of taxable property within the boundaries of the Project Area and establishes a base year for tax increment purposes. The tax roll is formally called the base year assessment roll and more commonly referred to as the frozen base or base assessed value. The establishment of a frozen base permits a reallocation of property tax revenue within the Project Area.

The frozen base includes the total value of all taxable property in the Project Area that appears on the secured tax roll, the unsecured tax roll and the utility tax roll. The unsecured tax roll includes the value of any possessory interest tax.

Possessory interest tax is property tax paid by a lessor when the property owner is a non-profit or public entity, such as the Agency. Possessory interest taxable values are private property interests in publicly owned real property or long-term leasehold interests. A possessory interest constitutes a private right to the possession and use of publicly owned property for a period of time less than perpetuity. In appraising a possessory interest, the county assessor seeks to value the present worth of the return a property will yield to the holder of the possessory interest over the term of possession.

5. Distribution of Property Taxes During Project Implementation

If the Redevelopment Plan is adopted, all of the entities that levy taxes in the Project Area will continue to receive all property tax revenues derived from the relevant frozen base in the Project Area. Generally, the taxing entities will also receive a portion of the property tax revenues generated from the increases in assessed value over the frozen base. These additional payments are called pass-through payments.

Following adoption of the Redevelopment Plan, property tax revenues over the frozen base are designated as tax increment revenue. The Agency must meet certain statutory and other obligations with this gross tax increment before it receives the tax increment available for non-housing projects. All of the entities that levy taxes in the Project Area (City, school districts, Bart, and Bay Area Quality Management District) will receive a portion of incremental property tax revenue, also referred to as “pass-throughs.” Refer to Subsections D.4 and D.5 below for a description of the statutory pass-through payments. The affected taxing entities will receive pass-through payments generated by the State Owned Parcels and Non-State Owned Parcels for the duration of the Redevelopment Plan. In addition, 20 percent of the gross tax increment from State Owned Parcels and Non-State Owned Parcels must be set aside in a low and moderate income housing fund.

Increased property tax revenues above the frozen base are allocated to the Agency to be used to fund the costs of implementing the Redevelopment Program and to make the pass-through payments described above. The Agency may use tax increment revenues to pay costs directly, or it may borrow funds or issue bonds that are supported by future tax increment revenues. As previously mentioned, the Agency is obligated to dedicate the “net tax increment revenues” generated from the State Owned Parcels to the TJPA. This increment will contribute to the cost of the Transbay Terminal and Caltrain Extension Project. The non-housing tax increment revenue from the Non-State Owned Parcels, in addition to the housing set-aside funds from both the State Owned and Non-State Owned will fund the components of the Agency’s Redevelopment Program. The tax increment projections assume that the Agency collects tax increment for 45 years after adoption of the Redevelopment Plan.

6. Distribution of Property Taxes After Project Completion

When a redevelopment project is completed and loans or other indebtedness have been repaid, all property taxes will flow back to the affected taxing entities. These entities then benefit from increases in property tax revenues resulting from a revitalized and redeveloped project area. In many communities, such increases are substantial. In fact, over time, taxing entities can recoup sufficient revenues following project completion to compensate for the property tax revenue that was used for tax increment during the redevelopment implementation period.

This recovery would occur because the increases in assessed valuation from project area revitalization are sufficiently greater under redevelopment than the assessed valuation increases that would have occurred without redevelopment. Property tax revenues are likely to grow more rapidly and reach higher levels than if the base were to develop without the guidance of the coordinated development strategy and infusion of tax increment funds provided by the Redevelopment Plan. Thus, payments to the affected taxing entities in a redevelopment area can exceed the property taxes that the taxing entities would reasonably expect to receive from a slow-growing assessed valuation roll without redevelopment.

D. Assumptions Used in Tax Increment Projections

1. Frozen Base

The base year for the Transbay Redevelopment Project is proposed to be FY 2004/05 (assuming the Redevelopment Plan is adopted by July 20, 2005). The FY 2004/05 assessed value of the proposed Project Area is $880,853,389, according to the City and County of San Francisco Controller's office.[13]

2. Present Value Assumptions

The analysis below provides estimates of tax increment revenues in both future value dollars (nominal dollars) and present value constant FY 2004/05 dollars (constant FY 2004/05 dollars).[14] The purchasing power of nominal dollars would decline over time because of inflation and/or the cost of borrowing. Therefore, it is important to convert the annual amounts to the equivalent value in constant FY 2004/05 dollars before making a direct comparison between potential revenues and Redevelopment Program costs.

The present value in constant FY 2004/05 dollars was calculated by discounting future tax increment revenues by an annual rate of 5.5 percent.[15] This discount rate is considered equal to the average cost of funds for the City and the Agency. It accounts for the cost of inflation, as well as the cost of borrowing money (e.g., issuing tax allocation bonds), to approximate the present value of future dollars. Most tax increment will be pledged to the issuance of debt, and only a small portion of tax increment will be used on a pay as you go basis.

3. Growth Assumptions

Tax increment revenues are projected by applying the effective property tax rate, assumed at one percent, to the estimated increased assessed value over the frozen base. Tax increment revenues are generated from the growth in assessed value above the frozen base. Growth in assessed property value in the Project Area is based on the following three growth factors:

[13] The portion of the base assessed value for the State Owned Parcels is assumed to be $0 as these properties are currently exempt from property taxes.

[14] Refer to Appendix E for the assumptions and tax increment projections for the State Owned and Non State-Owned Parcels in the Project Area.

[15] As the discount rate rises the present value figure decreases. A higher discount rate would reflect a more conservative estimate of the anticipated value of future tax increments based on typical tax-exempt bond financing rates given an underlying inflation rate of three to four percent, and costs of funds between five and eight percent.

- Annual Two Percent Inflation
  The annual inflation rate is assumed to be two percent per year for properties that remain in the same ownership. Two percent is the maximum annual increase that is allowed by the California State Constitution as a result of Proposition 13 in the absence of certain events that can trigger a reassessment, such as a sale or construction of new improvement. This two percent inflation factor is applied to the assessed value of secured property.[16]
- Reassessment Adjustment
  The annual reassessment adjustment represents increases in assessed value following property reassessment, which is triggered by: (1) the transfer (sale) of real property, (2) upgrading of real property improvements due to rehabilitation or additions to existing buildings, or (3) the reassessments of new development to market value once construction is completed. The reassessment adjustment is assumed to be zero percent per year through FY 2014/2015 and one percent from FY 2015/16 through the end of the Redevelopment Plan, when it is assumed development will have accelerated.
- New Development
  An adjustment for new development is based on estimates of growth that will occur with new construction and redevelopment of both State Owned Parcels and Non-State Owned Parcels. The tax increment models use development projections through FY 2024/25 estimated by Seifel Consulting and Sedway Group, in conjunction with the Agency. The estimate of total new development is based on projections for specific sites in the Project Area and is consistent with and lower than the assumptions about total new development used in the DEIS/DEIR that evaluates the environmental impacts of the proposed Redevelopment Plan. Refer to the development tables in Appendix E for a detailed annual development schedule in the proposed Project Area that shows projected development value.

4. Agency Tax Increment Obligations

Incremental property tax revenues are projected by applying the property tax rate, assumed at one percent, to the increased assessed value over the frozen base.[17] The Agency must fulfill the following obligations:

- County Retention Fee for Property Tax Administration
  Counties can deduct fees for the administration of tax increment revenues. The projections in this report do not include this potential deduction, since the County has not opted to receive the County Property Tax Administrative Fee for the Agency's existing Redevelopment Projects.
- Housing Set-Aside for Affordable Housing
  Section 33334.2 of the CRL requires that 20 percent of the gross tax increment revenues generated be used for increasing and/or improving San Francisco's supply of affordable housing. In other words, 20 cents out of each tax increment dollar generated during the life of the Project Area must be channeled into the Housing Set-Aside Fund to finance the Agency's affordable housing program. The Agency is obligated to set aside 20 percent of all tax increment revenues generated from both State Owned and Non-State Owned Parcels in the Project Area. Administrative costs related to the implementation of the Affordable Housing Program are paid out of the Housing Set-Aside Fund.

[16] Other assumptions about annual inflation are used for unsecured property and the State Board Assessed Roll.
[17] The projections are based on one percent of assessed value, the base tax rate applied to properties statewide. For debt above the one percent base tax rate attributable to local voter indebtedness that was issued prior to January 1, 1989, the Agency may collect tax increment revenues on this override debt above the one percent base tax rate.

- Statutory Pass-Through Payments
  Each taxing entity, including the City and County of San Francisco, that derives property tax revenue from within the Project Area is guaranteed an annual payment from the Agency. These payments are termed pass-throughs, since the Agency shares this portion of tax increment revenues it receives with the taxing entities. The pass-through payments increase each year, based on standard formulas required by the CRL. Each entity receives a payment in proportion to its property tax levy within the Project Area. The pass-through payments constitute the State Legislature's determination of the amount of payments necessary to alleviate any financial burden imposed by the redevelopment program to the affected taxing entities. CRL Section 33607.5(f)(1)(B) states that the statutory pass-through payments "are the exclusive payments that are required to be made by a redevelopment agency to affected taxing entities during the term of a redevelopment plan." The Agency will contribute pass-through payments from tax increment revenue generated by both State Owned and Non-State Owned Parcels.

- Additional Payments to Basic Aid Entities[18]
  Basic aid school entities receive annual payments in addition to their standard pass-through payments. No schools in the City of San Francisco are basic aid districts at this time, and none are likely to become so in the foreseeable future.

- Obligation to Transbay Terminal and Caltrain Extension Project
  As part of the Transbay Transit Terminal Cooperative Agreement signed on July 10, 2003 by Caltrans, the City and the TJPA, the City covenanted that all "net tax increment revenues" generated from the development of State Owned Parcels must be provided to the TJPA to use for any costs associated with the Transbay Terminal and Caltrain Extension Project.[19]

- Agency Administration
  Non-reimbursable administrative costs for non-housing projects are projected at approximately 25 percent tax increment of generated from Non-State Owned Parcels and net of housing set-aside and pass-through obligations.[20] As noted above, administrative costs for affordable housing activities are paid out of the Housing Set-Aside Fund.

After the Agency satisfies the above obligations, the remaining tax increment revenue is available to fund the Non-Housing Redevelopment Program components other than the contribution to Transbay Terminal and Caltrain Extension Project.

The Agency may incur debt obligations as a result of issuing tax allocation bonds or may make tax increment available on a pay as you go basis. If the Agency issues bonds, it must make annual debt service payments on any such outstanding bonded indebtedness. Redevelopment agencies issue tax

[18] Basic Aid School Entities are school districts that receive sufficient property taxes to fund operation of the district, and receive no state subventions other than per pupil payments.

[19] As per the agreement, the City has covenanted that all "net tax increment revenues" generated from the development of State Owned Parcels shall be provided to the TJPA to use for any costs associated with the construction and design of the new Transbay Terminal and access ramps. As used in the agreement, the term "net tax increment revenues" means all property tax increment revenues attributable to the State Owned Parcels allocated to and received by the Agency, but specifically excluding: (i) County property tax administrative fees; (ii) portion of the tax increment required by law to be set aside in the Agency's Affordable Housing Fund; (iii) statutory pass-through payments; and (iv) the portion of the tax increment revenues equal to the percentage of such revenues that the State may mandate the Agency to pay from time to time in the future, including, for example, any payments that the Agency may be required to pay to the Education Revenue Augmentation Fund pursuant to Section 33681 et seq. of the CRL. (In addition to dedicating certain tax increment revenues, the Cooperative Agreement also provides that the Redevelopment Plan be structured to dedicate the gross proceeds from the sales of the Stated Owned Parcels to the new Transbay Terminal after the adoption of the Redevelopment Plan.)

[20] ***The Agency administration cost estimate was revised to $31.4 million from $35.7 million by the Agency in April 2005. The tax increment projections listed in Appendix E were not updated and include the previous figure of $35.7 million.***

allocation bonds to undertake projects when annual tax increment revenues are not sufficient to support project costs on a pay as you go basis, particularly in the early years of a redevelopment plan.

5. Calculation of Pass-Through Payments

Each taxing entity will receive its proportionate share of pass-through payments, calculated for three tiers.[21] Each taxing entity receives an amount equal to its property tax levy times the increase in assessed value above the relevant pass-through base assessed value, then times a mandated pass-through percentage for each of three tiers (Refer to Appendix E for pass-through payment calculations for the State-Owned and Non State-Owned Parcels):

- <u>Tier One</u>
  20 percent of the gross tax increment received by the Agency from assessed value growth above the frozen base (equivalent to 25 percent of the net tax increment after the Agency's 20 percent of the housing set-aside is deducted). The annual payment begins when the Agency first receives tax increment revenues. Pass-through payments are the same as the Agency's contribution to the Housing Set-Aside for the first ten years of tax increment collection. The tier one pass-throughs continue through the life of the Transbay Redevelopment Project.

  Under the CRL, the City can elect to receive the tier one pass-through (its proportionate share of 20 percent of gross tax increment). However, it cannot participate in the tier two and tier three pass-throughs. The decision to elect tier one is made by the Board of Supervisors prior to the adoption of the Redevelopment Plan. This report assumes that the City will elect to receive its share of the pass-through.
- <u>Tier Two</u>
  The total of tier two pass-throughs is equal to 16.8 percent of the gross tax increment received by the Agency from assessed value growth above the second tier pass-through assessed value base, equal to the Project Area assessed value in the tenth year of tax increment collection. This annual payment begins in the eleventh year during which the Agency receives tax increment revenue, projected to be FY 2015/16. This tier two pass-through is added to the tier one payment and continues through the life of the Transbay Redevelopment Project.
- <u>Tier Three</u>
  The total of tier three pass-throughs is equal to 11.2 percent of the gross tax increment received by the Agency from assessed value growth above the tier three assessed value base, equal to the Project Area assessed value in the thirtieth year of tax increment collection. This annual payment begins the thirty-first year during which the Agency receives tax increment revenue. This tier three pass-through is added to the tier one and tier two payments and continues through the life of the Transbay Redevelopment Project.

[21] The pass-through payments will be paid over the projected 45 year tax increment collection period of the Redevelopment Plan for the Project Area.

Based on its share of property taxes generated from the Project Area, unadjusted for contributions to the Educational Revenue Augmentation Fund (ERAF), the City of San Francisco is projected to receive approximately $420.5 million in pass-through payments over the tax increment collection period of the Project Area from the State Owned Parcels and Non-State Owned Parcels (equivalent to $97.7 million in constant FY 2004/05 dollars).[22] The total amount of pass-through payments from the Project Area to all affected entities from tax increment revenue generated by the State Owned Parcels and Non-State Owned Parcels is projected to be $492.5 million over 45 years, or $113.0 million in constant FY 2004/05 dollars. (See Appendix E for projected pass-through payments, as well as the distribution of the unallocated tax revenues to each entity.)

E. Tax Increment Projections

The tax increment projections are intended only as estimates, based on the best available information. Actual tax increment revenues may be higher or lower. The development projections shown in Appendix E, Tables A-2A, A-2B and A-2C, are not intended to predict future development, but rather to provide a reasonable estimate, on an average annualized basis, of potential tax increment growth based on the increase in assessed value resulting from new development. These projections are based on the best available information and analysis techniques and actual tax increment generated in each year will vary.

1. Total Tax Increment

The Project Area is projected to generate $2.3 billion in incremental tax revenues in nominal dollars (approximately $542.7 million in constant FY 2004/05 dollars) over the life of the Redevelopment Plan. The County Controller is not projected to charge for the administration of property tax related to the Project Area, pursuant to its current practice. After the Agency first uses portions of its allocated future tax increment revenue to pay $492.5 million in nominal dollars ($113.0 million in constant FY 2004/05 dollars) in pass-through obligations and $776.3 million in nominal dollars ($178.2 million in constant FY 2004/05 dollars) for the obligation to the TJPA for the Transbay Terminal and Caltrain Extension Project, approximately $1.1 billion in nominal dollars, equivalent to $251.5 million in constant FY 2004/05 dollars, will be available to accomplish the Agency's Redevelopment Program (both the Affordable Housing Program and the Non-Housing Program other than the contribution for the Transbay Terminal and Caltrain Extension Project). Table VII-2 summarizes the total tax increment revenues available to the Agency over the assumed 45-year life of the Redevelopment Plan in constant FY 2004/05 dollars.[23] Graph VII-1 presents the distribution of projected tax increment. Tables B-1, B-2A and B-2B in Appendix E provide the detailed tax increment projections for the State Owned Parcels. Tables C-1, C-2A and C-2B in Appendix E provide the tax increment projections for the Non-State Owned Parcels. Tax increment revenues will accrue over time, with limited revenues in the early years of implementation that will grow as the assessed value of the Project Area increases.

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[22] County fiscal officers are required to make contributions to the Educational Revenue Augmentation Fund (ERAF) on behalf of certain taxing entities within their jurisdiction. In order to make these payments, a controller may adjust the levies of taxing entities, so that their share of the total property tax decreases. Then the remainder of property tax is forwarded to ERAF. Not all entities must contribute a share of their property tax to ERAF in this way; for example, school districts and taxing entities whose boundaries extend across multiple counties are not affected. According to the County Controller's office, in the City and County of San Francisco, the ERAF contribution is approximately 25 percent of the total property tax. The City and County's General Fund share of property tax is approximately 65 percent when adjusted for ERAF (and approximately 90 percent when not adjusted for ERAF). Based on discussions with the Controller's office, the Agency's pass-through obligation is calculated based on levies for each entity unadjusted for ERAF (totals to the basic 1 percent property tax levy).

[23] Appendix E presents the total tax increment revenues available to the Agency over the assumed 45-year life of the Redevelopment Plan in both nominal and constant FY 2004/05 dollars.

2. Tax Increment Available for Affordable Housing Activities

The Agency will deposit 20 percent of gross tax increment revenues from the Non-State Owned Parcels and the State Owned Parcels in the Project Area to the Agency's Affordable Housing Fund, equivalent to $108.5 million in constant FY 2004/05 dollars ($60.3 million for the State Owned Parcels and $48.2 million for the Non-State Owned Parcels). The 20 percent housing set-aside will be a primary source of funding for affordable housing in the Project Area.

As dictated by the Agency's 1989 Housing Policy goals, the Agency will also utilize tax increment revenues available for the Non-Housing Redevelopment Program for affordable housing activities. The 1989 Housing Policy goals, approved by Board of Supervisors Resolution 499-89, dedicate 50 percent of total tax increment funds that are allocated for Agency activities by the Mayor and the Board of Supervisors for affordable housing. As a result, approximately $17.2 million in constant FY 2004/05 dollars of tax increment will be available for affordable housing activities in addition to the $108.5 million in constant FY 2004/05 dollars from Housing Set-Aside Fund, for a total of approximately $125.8 million in constant FY 2004/05 dollars.

3. Tax Increment Available for the Agency's Non Housing Activities

After fulfilling its obligations to affected taxing entities, the Housing Set-Aside Fund and ***additional revenues for affordable housing based on the Agency's 1989 Housing Policy goals***, the Transbay Terminal and Caltrain Extension Project, and meeting the Agency's administration costs, it is projected that tax increment revenues available to fund the Agency's Non-Housing Redevelopment Program would be about ***$94.3 million*** in constant FY 2004/05 dollars.

F. Financial Feasibility of the Proposed Transbay Redevelopment Project

This section demonstrates why tax increment financing made possible through the Redevelopment Plan will be a necessary part of the overall financing program to eliminate blighting conditions in the proposed Project Area and why, with such tax increment revenue, the Agency has a feasible plan for financing the Redevelopment Program to eliminate such blight. Together with other public and private revenue sources, tax increment revenues will be a critical funding component in helping the City and Agency to meet the costs required to implement the Redevelopment Program. The cost of redevelopment projects and activities designed to overcome documented blighting conditions (as detailed in Chapters IV and V) exceeds the level of funding resources reasonably available from other public and private financing mechanisms by a substantial margin. Together with other public and private revenue sources, tax increment will be the critical funding component in meeting the cost of redeveloping the Project Area.

To evaluate the feasibility of the Redevelopment Plan, this analysis compares the costs and revenues from tax increment after statutory obligations and other funding sources applicable to the Redevelopment Program. Table VII-2 shows that approximately $251.5 million would be required to complete the Agency's responsibilities in the Transbay Redevelopment Project over the life of the Redevelopment Plan, documented in Chapter VI. This includes ***$108.5 million*** in constant FY 2004/05 dollars for the affordable housing set-aside required by the CRL ***and $17.2 million in constant FY 2004/05 dollars for additional affordable housing activities based on the Agency's 1989 Housing Policy goals***, and excludes the $178.2 million in constant FY 2004/05 dollars of the tax increment obligation for the Transbay Terminal and Caltrain Project.[24]

Over 45 years, the Agency is projected to receive about $251.5 million (in constant FY 2004/05 dollars) in tax increment revenue for the Agency's Redevelopment Program (after pass-through obligations and the tax increment contribution to the Transbay Terminal and Caltrain Extension Project). As described in Chapter VI, the Agency budget to complete the proposed Agency Redevelopment Program (including administration costs) is projected at $251.5 million (in constant FY 2004/05 dollars). The Agency is expected to have sufficient funds to support its Redevelopment Program, but no surplus is budgeted, as shown in Table VII-3.

Although the estimated project costs and the revenues will vary over time from those set forth in the estimates and projections presented in this section, it is reasonable to conclude that the Redevelopment Program is financially feasible within the 45 year duration of the Redevelopment Plan. The Agency will adopt an annual budget and adopt an Implementation Plan every five years to assure that the Transbay Redevelopment Project is financially feasible throughout the life of the Redevelopment Plan.

[24] The $108.5 million (in constant FY 2004/05 dollars) housing set aside is generated from State Owned and Non-State Owned Parcels combined.

Table VII-2
Summary of Projected Tax Increment Revenues
Transbay Redevelopment Project

	Constant FY 2004/05 Dollars[a]
Gross Incremental Tax Revenues	$542,672,698
Less: County Property Tax Administration Fee	$0
Less: Pass-through Payments to Taxing Entities	$112,978,734
Less: TI Covenanted to Transbay Terminal and Caltrain Extension	$178,157,464
TI Available to Agency for After Obligations	$251,536,500
Less: 20% Set-Aside for Affordable Housing	$108,534,540
Less: Additional TI for Affordable Housing[b]	***$17,233,711***
TI Available for Non-Housing Activities	***$125,768,250***
Less: Agency Administration Costs (Non-Housing)[c]	***$31,442,063***
Net TI Available for Agency Non-Housing Projects[*]	***$94,326,187***

*Note: totals may not precisely add or subtract due to rounding.
a. Equal to net present value of future revenue stream discounted at 5.5 percent per year, assuming Agency would issue bonds.
b. Based on the Agency's 1989 Housing Policy goals, which dedicates 50 percent of total tax increment funds that are allocated for Agency activities for affordable housing.
c. The Agency Administration Cost figure was revised to $31.4 million from $35.7 million by the Agency in April 2005. The tax increment projections listed in Appendix E were not updated and include the previous figure of $35.7 million.
Source: Seifel Consulting and San Francisco Redevelopment Agency

Table VII-3
Comparison of Estimated Tax Increment Revenues and Agency Funding Requirements
Agency Redevelopment Program
(Constant FY 2004/05 dollars)

Tax Increment Available for Agency Projects[a]	$251.5 million
Less: Agency Non-Housing Program[b]	***$94.3 million***
Less: Agency Administration Cost for Non-Housing Program[c]	***$31.4 million***
Less: Agency Affordable Housing Program[d]	***$125.8 million***
Funding Surplus	**No Surplus Budgeted**

a. Excludes tax increment obligation for Transbay Terminal and Caltrain Extension Project.

b. Refer to Tables VI-2 for Redevelopment Program budget breakdown.

c. The Agency Administration Cost figure was revised to $31.4 million from $35.7 million by the Agency in April 2005. The tax increment projections listed in Appendix E were not updated and include the previous figure of $35.7 million.

d. ***Includes administrative costs for Agency Housing Program and additional tax increment revenues dedicated to affordable housing activities based on the Agency's 1989 Housing Policy goals.***

Source: Seifel Consulting and San Francisco Redevelopment Agency

Graph VII-1
Distribution of Tax Increment Revenus
Over the 45 Year Life of the Project
Proposed Transbay Redevelopment Project Area
(Constant FY 2004/05 Dollars)