

City of Brisbane

Agenda Report

TO: Honorable Mayor and City Council

FROM: Community Development Director via City Manager

SUBJECT: **Brisbane Baylands Planning Applications (Concept Plans, Specific Plan Case SP-01-06, General Plan Amendment Cases GP-01-06/GP-01-10) and Related Final Environmental Impact Report (SCH #2006022136) – Economics, Development Feasibility, Municipal Cost/Revenue and Related Policy Issues**

DATE: Meeting of April 6, 2017

Introduction:

Tonight's public hearing will focus on fiscal impacts, economics and related policy issues. The City hired an independent economic consultant (Keyser Marston Associates-KMA) to evaluate fiscal/economic issues associated with potential future development of the Baylands. Specifically KMA was directed to specifically evaluate the potential financial impacts of Baylands development at buildout on the City of Brisbane's general fund. The purpose of this analysis is to assess whether project buildout would generate more revenue to the City than the cost of providing services and maintaining public facilities, or if the costs to the City would exceed revenues generated by the project. Separate from this fiscal impact analysis, KMA was requested to provide contextual information regarding broader economic feasibility considerations associated with implementing a large scale development as proposed for the Baylands.

KMA has prepared "*A Preliminary Assessment of Fiscal Impacts*" dated March 2016, and a memorandum entitled "*Baylands: Economic Feasibility Considerations*" dated March 22, 2016. An excerpt from the Fiscal Impact Analysis is attached to this report, as is the feasibility memo. Both documents are also available in their entirety on the City's website at <http://brisbaneca.org/baylands-fiscal-and-economic-information>.

In the course of the Baylands public hearings, the City Council has requested further information regarding various financing tools that might be available for funding infrastructure improvements, as well as to fund the costs of providing public services and/or the operations and maintenance of public infrastructure/ facilities on an ongoing basis. KMA has provided a summary of various mechanisms which is attached to this staff report.

Earlier in the Baylands review process, the National Renewable Energy Laboratory (NREL) prepared a feasibility study for the potential installation of a solar photovoltaic power generation on the Baylands. The Executive Summary of the NREL report is attached for reference and the report is available for review in its entirety at <http://www.nrel.gov/docs/fy13osti/57357.pdf>.

Discussion:

Fiscal Impact Analysis (FIA)

Provisions of the Brisbane General Plan require that development generate sufficient revenue to pay for the cost of providing public services on an ongoing basis, so Keyser Marston was hired by the City to prepare the FIA of the Developer-Sponsored Plan (DSP) and Community Prepared Plan (CPP) and variants analyzed in the Baylands environmental impact report. The FIA addresses fiscal impacts to the City of Brisbane general fund and does not evaluate fiscal impacts to other outside agencies. The FIA addresses conditions at full project buildout. Given the lack of specificity regarding project phasing, the FIA does not attempt to address fiscal impacts on a phase-by-phase basis.

In summary, the majority of city costs for all land use scenarios studied in the FIA relate to providing public safety (police and fire), public works, and recreation. The FIA identifies property tax as the primary source of revenue accruing to the City of Brisbane from the DSP. Transient occupancy tax (TOT), sales tax, and franchise fees are other identified revenue sources. In regard to the CPP, TOT is the primary revenue source, followed by property tax, sales tax, and franchise fees. The FIA concludes that all scenarios studied would be fiscally positive to the City of Brisbane, assuming full project buildout. However, if the hotel component within any of the land use programs failed to develop as proposed, the loss of projected TOT would alter this conclusion and 3 of the 4 scenarios studied in the FIA would be fiscally negative for the City. Only the CPP-V (Recology Variant) which includes modernization and expansion of the Recology facility and associated increase in business license tax would be fiscally positive for the City.

Economic Feasibility Considerations

Aside from fiscal impacts to the City of Brisbane, Keyser Marston also provided a memorandum that outlines broad market-based economic feasibility considerations related to the potential future development of the Baylands. The memo outlines some of the fundamental factors which will heavily influence any developer's decisionmaking in considering how or whether to develop the Baylands. It identifies a fundamental developer expectation that developing the property will generate revenues that exceed the cost of land development. If the land use program fails to exceed this threshold it is not expected that the development would proceed under traditional market conditions. In the case of the Baylands, cost factors associated with land development relate to grading, remediation and landfill closure, and the installation of roads and utilities. Potential project revenues are heavily influenced by the mix and intensity of permitted land uses.

Tools for Financing Infrastructure and Ongoing Operational Costs

Given the complexity and anticipated high cost of site preparation as discussed above, the City Council requested additional information regarding some of financial tools that are available to fund these activities. The City Council further requested information on potential financial tools which ensure that ongoing costs associated with providing public services and maintaining public infrastructure/facilities within the project site are borne by the development and not by the City as a whole. The attached memo from Keyser Marston identifies and describes a variety of financing tools.

Tools for financing infrastructure include both privately-funded and publicly-funded mechanisms. Mello-Roos Community Facility Districts, which are a special tax on private property within the district, are widely used to fund infrastructure improvements to serve large new developments. With respect to publicly-funded sources, there are numerous state and federal grant programs and new tax increment financing (TIF) tools. The TIF tools are funded through a voluntary diversion of property tax increment and could potentially be a significant source of funding if both the City of Brisbane and the County of San Mateo participated in the District. The challenge of the TIF tools is to ensure that municipal service remain adequately funded after the diversion of tax revenue to fund infrastructure.

The primary mechanisms to ensure fiscal neutrality are implemented through development agreements and city tax policy. One of the most widely used tools is establishing a Community Facility District (CFD) special tax on property owners to fund public works maintenance costs and a portion of public safety expenses. An effective “process” tool is to require that each phase of development demonstrate fiscal neutrality before the next phase can commence. Other tools include measures to ensure that Brisbane captures all of the use tax revenue generated by the Baylands and establishing new, targeted taxes.

NREL Feasibility Study

As indicated in the executive summary, the NREL feasibility study concludes that solar power generation at the site is feasible at a variety of scales. The study included an assumption that environmental conditions at the site are not constraining. The NREL study focused on the amount of energy that could be generated and whether the sale of such energy could justify the costs of constructing and operating the renewable energy generation facilities. The study did not address issues of land cost, site remediation or landfill closure costs, or how commitment of a large land area within the Baylands to renewable energy generation might affect costs for development on the balance of the Baylands.

PLANNING COMMISSION RECOMMENDATION

The Planning Commission recommendation addressed fiscal and economic issues in a variety of ways. By reducing the development footprint and incorporating a large-scale solar generation facility, particularly in light of the NREL study conclusions, the Commission felt there was an

opportunity to reduce both infrastructure needs and ongoing operations and maintenance costs of development while still accommodating economically viable uses.

The Commission further recommended that the General Plan policies requiring the development to pay for the costs of providing public services and facilities be clarified to ensure that any future development of the Baylands meet this provision on a phased basis as well as upon project completion.

Attachments

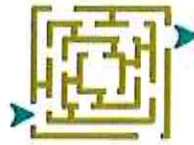
1. Preliminary Assessment of Fiscal Impacts- Brisbane Baylands (excerpt), March 2016
2. Memorandum, Baylands: Economic Feasibility Considerations, March 2016
3. Potential Funding Sources for Infrastructure and Ongoing Municipal Services To Serve Brisbane Baylands, March 2017
4. Executive Summary, Feasibility Study of Solar Photovoltaics at Brisbane Baylands, April 2013
5. Baylands Hearing Schedule



John Swiecki, Community Development Director



Clay Holstine, City Manager



KEYSER MARSTON ASSOCIATES

**Preliminary Assessment of Fiscal Impacts
Brisbane Baylands
Brisbane, California**

Prepared for:
City of Brisbane

Prepared by:
Keyser Marston Associates, Inc.

March 2016

III. ANNUAL FISCAL IMPACTS ON THE CITY OF BRISBANE

A. Net Annual General, Gas Tax, and Measure A Fund Impact Upon Build-out

The four conceptual development scenarios are estimated to generate an annual net fiscal surplus to the City of Brisbane ranging from a \$1.1 million to \$8.7 million. This wide range reflects a number of factors, which will be reduced over time as the project concept is refined. Some of the key factors are as follows:

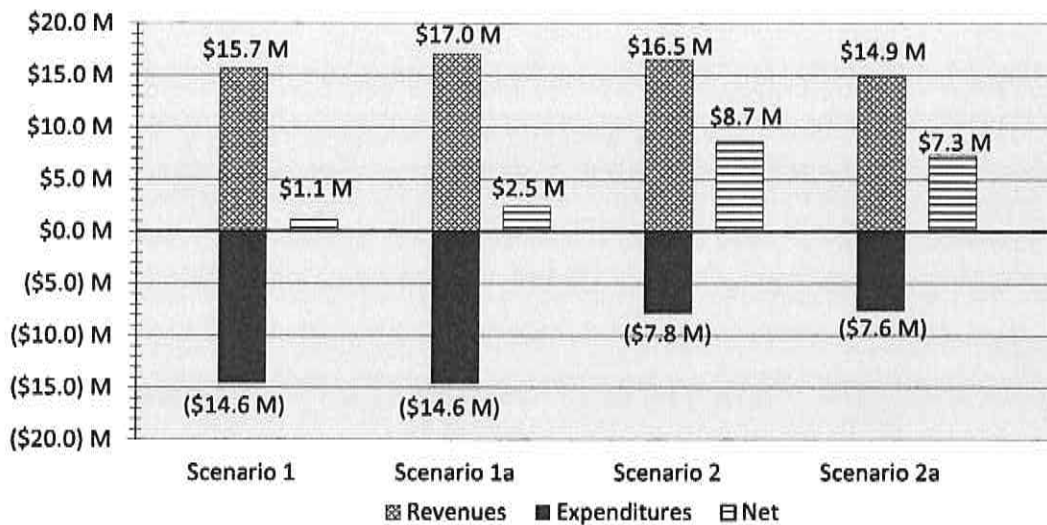
- The conceptual nature of the land use program and lack of specificity regarding tenant mix and end-users;
- The analytical assumption that there is market support for the entire development program regardless of scale or land use, and that each scenario will reach build-out in a similar time frame
- The preliminary assumption that the City will fund all maintenance and service costs rather than private property owners bearing a portion of the costs; and

The importance of the factors can be illustrated by considering the impact of the hotel component on the overall fiscal findings. While a market analysis has not been undertaken to determine the number of hotel rooms that would be supported by the marketplace, each Scenario includes hotel rooms, ranging from 369 under Scenario #1 to 1,990 under Scenario #2. If successful, the hotel component will generate a tremendous amount of tax revenue to the City. Conversely, if the hotel component is not fully developed, less revenue will be generated, which will have a material impact on the overall fiscal feasibility of each scenario. If the hotel component is eliminated from each scenario, three of the four scenarios are anticipated to generate an annual fiscal deficit to the City ranging from \$637,000 to \$937,000 per year.

Given the current conceptual nature of the development scenarios, the findings of this analysis should be viewed as providing an order of magnitude indicator of fiscal impacts rather than conclusions about the project's ultimate impacts to the City of Brisbane. The preliminary findings do, however, highlight issues to be addressed as the planning process proceeds.

Preliminary Estimate of Annual General, Gas Tax, and Measure A Fund Impact Upon Build-out

<i>Annual General, Gas Tax, and Measure A Fund Impact Upon Buildout</i>	<i>Scenario 1 Developer Plan</i>	<i>Scenario 1a Entertainment Variant</i>	<i>Scenario 2 Community Proposed</i>	<i>Scenario 2a Recology Variant</i>
General, Gas Tax, Meas A Revenues	\$15,673,000	\$17,043,000	\$16,503,000	\$14,923,000
General Fund Expenditures	\$14,550,000	\$14,580,000	\$7,840,000	\$7,600,000
Annual Net Impact With Hotels	\$1,123,000	\$2,463,000	\$8,663,000	\$7,323,000
Annual Net Impact Without Hotels	(\$637,000)	(\$937,000)	(\$777,000)	\$203,000



The Developer Sponsored Plan (DSP) is estimated to generate a \$1.1 million annual fiscal surplus to the City of Brisbane, upon build-out. This projection should be viewed as an indication of the project's impacts at this preliminary planning stage and a starting point for addressing service costs and refining the land use program. Mechanisms that are often appropriate for projects with large residential components include privatizing internal streets, establishing assessment/ community facility districts for maintaining public streets, and establishing community facility districts for funding other municipal services. If a portion of services are privately funded, the DSP could generate an annual fiscal surplus even without the hotel component.

The Entertainment Variant (DSP-V) is estimated to generate an annual surplus of \$2.5 million upon buildout. The surplus reflects the assumption that the market will support the development of 719 hotel rooms and a one million square foot entertainment complex, including an arena. Without the hotel rooms and the entertainment variant would generate an estimated deficit of \$937,000 per year. This deficit could be addressed through the privatization of a portion of city service costs.

The Community Proposed Plan (CPP) and Recology Expansion Variant (CPP-V) are estimated to generate an annual fiscal surplus to the City, ranging from \$7.3 million under the Recology Variant to \$8.6 million under the Community Proposed Plan. The estimated large surpluses are attributable to the transient occupancy tax revenues to be generated by the 1,500 to 1,900 hotel rooms programmed in those scenarios. Without the hotel components, the CPP would generate an estimated annual deficit of \$777,000 and the CPP-V would generate a slightly positive fiscal impact of \$203,000 per year.

While this preliminary analysis addresses impacts upon full build-out, it should be noted that the initial years of development will create interim fiscal issues that will need to be addressed. For example, it is estimated that the removal of the soil processing business and other enterprises

from the property will result in a loss of \$1.05 million of City tax revenue. Another near-term issue is that the former redevelopment agency has a \$9 million debt obligation and a portion of the future property tax revenue to be generated by the project must be used to repay the debt. Approximately one third of gross tax increment will be used to repay this debt. On a cumulative basis, it is estimated that \$1.6 million of the City's share of property taxes will be diverted to repay this existing obligation and not available for funding city services. Potential structures for mitigating this loss include relocating the soil processing facility to other areas on the site that are not slated for near-term development and/or requiring a financial contribution from the project's developer. Another solution is maximizing tax revenues to be generated during the construction process, including use tax revenues from the purchase of construction materials and periodic increases in property tax revenues.

B. Impacts by Land Use Component and Implications on Fiscal Feasibility

As highlighted in the following chart, the hotel, office, retail, and industrial and entertainment components of each scenario are estimated to annually generate a net fiscal surplus to the City. Hotels are estimated to generate the largest surplus, approximating \$4,700 per room per year, due to the large amount of transient occupancy tax revenue generated by hotels. The critical impact of the hotel component is evidenced by the finding that without the programmed hotel units, three of the four scenarios would generate a fiscal deficit upon buildout. Non-residential uses typically generate fiscal surpluses because they do not require the same level of city services as required by residents. The entertainment/civic/cultural component of Scenarios 2 and 2a are estimated to generate a fiscal deficit due to the assumed tax-exempt status of the civic and cultural uses in those two scenarios. The residential component is estimated to generate an annual deficit of \$2.1 million, which approximates \$475 per unit, per year. As noted in Section IV, financing tools, such as privatizing internal residential streets and privatizing the funding of parks maintenance are commonly adopted for projects with residential components to render these projects financially beneficial to communities.

Annual General, Gas Tax, and Measure A Fund Impact by Land Use Type

<i>Annual General, Gas Tax, and Measure A Fund Impact by Land Use Upon Buildout</i>	<i>Scenario 1 Developer Plan</i>	<i>Scenario 1a Entertainment Variant</i>	<i>Scenario 2 Community Proposed</i>	<i>Scenario 2a Recology Variant</i>
Residential	(\$2,140,000)	(\$2,130,000)	\$0	\$0
Commercial / Office / R&D	\$3,090,000	\$2,500,000	\$2,660,000	\$2,480,000
Retail	\$1,310,000	\$660,000	\$610,000	\$600,000
Institutional	(\$60,000)	(\$60,000)	\$0	\$0
Resource Recovery / Industrial	\$0	\$0	\$30,000	\$1,250,000
Hotel	\$1,760,000	\$3,400,000	\$9,440,000	\$7,120,000
Entertainment / Civic / Cultural	(\$20,000)	\$910,000	(\$90,000)	(\$90,000)
Revenue Loss from Existing Businesses	(\$1,047,000)	(\$1,047,000)	(\$1,047,000)	(\$1,047,000)
Fixed Expenses	(\$1,770,000)	(\$1,770,000)	(\$2,940,000)	(\$2,990,000)

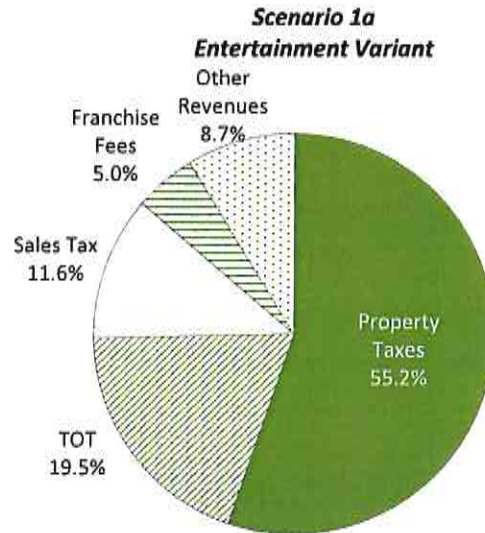
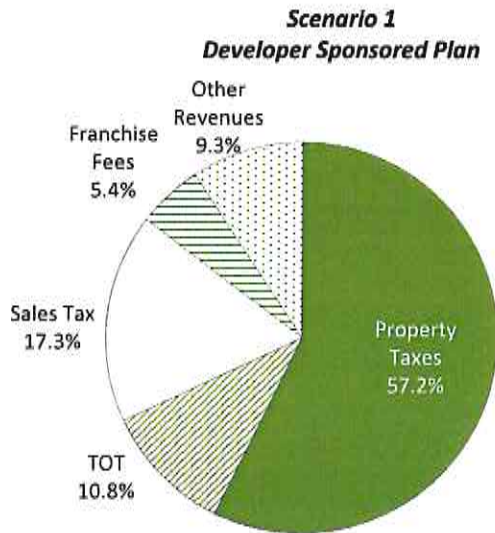
C. Recurring Annual General, Gas Tax, and Measure A Fund Revenues

1. Developer Sponsored Plan and Entertainment Variant Revenues

Upon build-out, the Developer Sponsored Plan and Entertainment Variant are estimated to annually generate \$16.7 million to \$18.1 million, respectively, of total revenues to the City of Brisbane. The most significant source of City revenue is property taxes, estimated at \$9.6 million to \$10.0 million annually², which represents over 55% of total revenues. The second largest source of City revenue expected to be generated by the DSP is sales and use tax revenue, accounting for 17.3% of total revenues. Sales tax is estimated to account for \$1.6 million of the total and use tax revenue from business to business sales is estimated to generate \$1.3 million. For the DSP-V scenario, transient occupancy tax is the second largest source of revenue, accounting for \$3.5 million or 20%. Remaining revenue sources are anticipated to generate approximately \$2.5 million of annual revenue and are comprised of franchise fees, business license tax, fines and forfeitures, property transfer tax, gas tax, and Measure A tax.

Brisbane is currently collecting approximately \$810,000 of revenue from the existing rock crushing and soils processing businesses and advertising billboard on the site. These uses will not be integrated into the new development, resulting in a potential loss of \$810,000 of tax revenue to the City of Brisbane once the Baylands project is under construction unless the operations are temporarily moved to another location on the development site and lost revenue is replaced by future development or a mitigation. Additionally, the City will forego an annual payment of approximately \$237,000 from Tuntex once the property's assessed value exceeds a threshold. The loss of these revenues will be significant to the City unless mitigation measures are adopted. As noted previously, possible mitigation measures include temporarily relocating these uses to other locations on the property that are not slated for near term development, and maximizing tax revenues generated by the construction of the project, including use tax revenues from the purchase of materials and annual increases in property tax revenues.

² Includes reimbursement of any ERAF diversion, or "excess ERAF." The amount of property tax revenue to be retained by the General Fund, particularly in the project's early years, will be impacted by the requirement to repay debt owed by the former Redevelopment Agency to the City and Housing Successor. On a cumulative basis, it is estimated that \$1.6 million of the City's share of property taxes from the project will be diverted to repay the prior obligations of the former redevelopment agency.



<i>Annual General, Gas Tax and Measure A Fund Revenues Upon Buildout</i>	<i>Scenario 1 Developer Plan</i>	<i>Scenario 1a Entertainment Variant</i>
Property Tax	\$9,570,000	\$9,990,000
Transient Occupancy Tax	\$1,810,000	\$3,520,000
Sales and Use Tax	\$2,890,000	\$2,100,000
Franchise Fees	\$900,000	\$900,000
Business License Tax	\$840,000	\$860,000
Fines and Forfeitures	\$220,000	\$220,000
Property Transfer Tax	\$230,000	\$240,000
Total General Fund Revenues	\$16,460,000	\$17,830,000
Gas Tax	\$260,000	\$260,000
Measure A	\$0	\$0
Total Annual Revenues	\$16,720,000	\$18,090,000

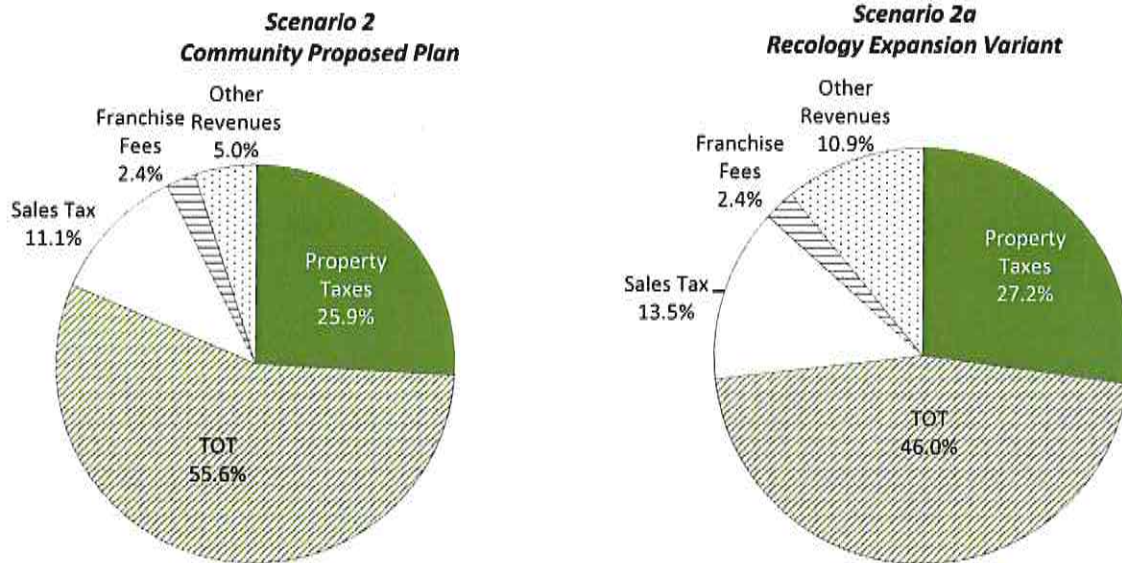
2. Community Proposed Plan and Recology Expansion Variant Revenues

The Community Plans are anticipated to generate annual revenues upon build-out of \$17.6 million under Scenario 2 and \$16.0 million in Scenario 2a. Transient occupancy taxes are the single largest revenue source for these scenarios, and are expected to range from \$7.4 to \$9.8 million annually (46% to 56% of total revenues). Property taxes are the second largest source of annual revenue, accounting for 26% to 27% of annual revenue³. Remaining revenue sources include

³ The amount of property tax revenue to be retained by the General Fund, particularly in the project's early years, will be impacted by the requirement to repay debt owed by the former Redevelopment Agency to the City and Housing Successor. On a cumulative basis, it is estimated that \$1.6 million of the City's share of property taxes from the project will be diverted to repay the prior obligations of the former redevelopment agency.

sales and use taxes, franchise fees, and business license taxes. In the Recology Expansion Variant, business license tax revenues are estimated at \$1.6 million, which is significantly more than the other scenarios due to the revenues that would be generated by an expansion to Recology.

Soil processing and recycling, billboard fee revenue, and the Tuntex payment totaling \$1.05 million would also be lost in the community plan scenarios.



Annual General, Gas Tax and Measure A Fund Revenues Upon Buildout	Scenario 2 Community Proposed	Scenario 2a Recology Variant
Property Tax	\$4,550,000	\$4,340,000
Transient Occupancy Tax	\$9,750,000	\$7,350,000
Sales and Use Tax	\$1,950,000	\$2,150,000
Franchise Fees	\$420,000	\$390,000
Business License Tax	\$710,000	\$1,570,000
Fines and Forfeitures	\$100,000	\$100,000
Property Transfer Tax	\$70,000	\$70,000
Total General Fund Revenues	\$17,550,000	\$15,970,000
Gas Tax	\$0	\$0
Measure A	\$0	\$0
Total Annual Revenues	\$17,550,000	\$15,970,000

D. Net Annual General, Gas Tax, and Measure A Fund Expenditures upon Build-out

1. Developer Sponsored Plan and Entertainment Variant Expenditures

The annual cost to Brisbane to provide services to the Baylands at buildout is anticipated to approximate \$14.6 million in the developer sponsored plans. The single largest annual expenditure is expected to be for fire and emergency medical services, at \$4.2 million or over 29% of total expenses. The second largest anticipated expenditure is for services provided by the public works department to mitigate additional wear and tear on existing City infrastructure and facilities, and to maintain new public roads required to serve the project. Public works expenditures are estimated to annually total \$3.0 million (20% of total expenses). Police service costs are estimated to total \$2.4 million and parks and recreation costs are estimated to total \$2.1 million. Remaining services are estimated to total \$2.9 million. These include general government administration, operational costs of a new library, community development expenses, and non-departmental / central services.

It has been assumed that 100% of the streets, open spaces and parks will be publicly owned and maintained by the City of Brisbane. Maintenance cost estimates for the following improvements have not been included in the analysis: PG&E street light maintenance costs, equipment, and the long-term maintenance of Tunnel and Geneva Avenue overhead structures. Cost estimates for these improvements have not yet been prepared.

As detailed in Section IV, financing tools are commonly adopted to reduce the city service costs associated by residential and office developments, including privatizing streets, adopting assessment or community facility districts for maintaining public infrastructure, and adopting community facility districts for providing other municipal services. The adoption of these tools would enhance the fiscal benefit of the DSP to the City of Brisbane.

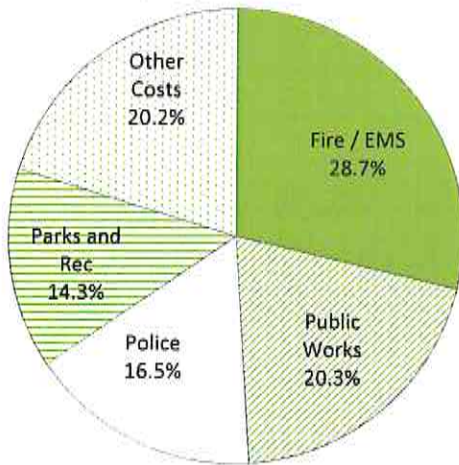
2. Community Proposed Plan and Recology Expansion Variant Expenditures

The annual cost of providing city services to the Baylands is estimated at \$7.8 million for the Community Proposed Plan and \$7.6 million for the Recology Expansion Variant. Costs are nearly \$7 million less than in the developer plans because there are no residents in the Community Plans.

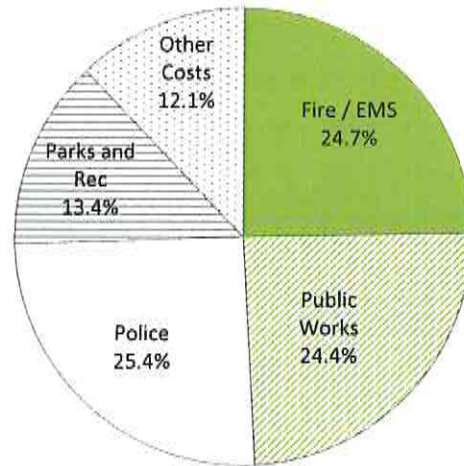
Based on the EIR's assessment of police staffing needed to serve the Baylands, police services are estimated to be the leading expense category at \$2.0 million per year or close to 25% of total expenses. Fire / EMS and public works costs are each anticipated to total \$1.9 million, and parks and recreation costs are estimated to total \$1.1 million. The remaining service costs are comprised of general government administration, community development, and non-departmental / central services. As with the analysis of the Developer's plan, the analysis of the Community's plan reflects the assumption that 100% of the streets, open spaces, and parks will

be publicly owned and maintained by the City of Brisbane. The cost estimates for the public works department exclude PG&E street light maintenance costs, equipment costs, and the long-term maintenance of Tunnel and Geneva Avenue overhead structures. Cost estimates for these improvements have not yet been prepared.

**Scenarios 1 and 1a
Developer Sponsored Plans**



**Scenario 2 and 2a
Community Proposed Plans**



	<i>Scenario 1 Developer Plan</i>	<i>Scenario 1a Entertainment Variant</i>	<i>Scenario 2 Community Proposed</i>	<i>Scenario 2a Recology Variant</i>
Annual General Fund Expenditures				
Fire/EMS	\$4,180,000	\$4,190,000	\$1,940,000	\$1,820,000
Public Works	\$2,950,000	\$2,960,000	\$1,910,000	\$1,850,000
Police	\$2,400,000	\$2,400,000	\$1,990,000	\$1,990,000
Parks and Recreation	\$2,080,000	\$2,080,000	\$1,050,000	\$1,050,000
General Government	\$1,330,000	\$1,340,000	\$620,000	\$580,000
New Library	\$920,000	\$920,000	\$0	\$0
Community Development	\$380,000	\$380,000	\$180,000	\$170,000
Non-Departmental/Central Services	\$310,000	\$310,000	\$150,000	\$140,000
Total Annual General Fund Expend.	\$14,550,000	\$14,580,000	\$7,840,000	\$7,600,000

IV. MECHANISMS TO ENHANCE FISCAL BENEFITS

This fiscal impact analysis provides a preliminary indication of the potential fiscal impacts to the City of Brisbane to be generated by each conceptual development scenario. As noted in the report, the analysis reflects a number of assumptions and factors, which will likely change as the project is refined. Given this consideration, the findings of this analysis should be viewed as providing a starting point for exploring a range of potential mechanisms to implement that will ensure that public infrastructure is adequately maintained, that future residents receive quality municipal services, and that the project generates a net fiscal surplus to the City of Brisbane.

Mechanisms that are commonly adopted to enhance fiscal impacts include the following:

1. **Capture construction use tax revenue.** Large developments generate a tremendous amount of use tax revenue from the purchase of construction materials. A Development Agreement can include provisions that ensure that Brisbane will be identified as the point of sale for the purchase of materials, which will enable Brisbane to directly collect the use tax revenue generated by the project's construction. The collection of use tax revenue can be a very effective measure for off-setting the interim loss of revenue during a project's early years.
2. **Privatize funding of a portion of municipal services.** A development agreement (DA) can require that certain municipal service costs be funded privately. For example, an Assessment District or a Community Facility District (CFD) could be established for maintaining public roads, public entryways, landscaped areas, trails, and parks. Some communities also fund a portion of public safety services by establishing a Community Facilities District. A CFD is a special tax, secured by a lien on private property.
3. **Privatize roads.** In many communities, the system of internal streets that serve residential neighborhoods or business campuses are privately owned and maintained. This reduces the cost of providing municipal services, which improves the fiscal balance of the project.
4. **Maximize capture of use tax and sales tax revenues.** Each of the proposed concepts includes over 4.8 million square feet of space for commercial, office, and R&D tenants. There is a wide variation in the amount of use tax revenue generated by these types of businesses, but a development agreement can be structured to maximize the allocation of these revenues to the City of Brisbane.
5. **Land use metering.** A development agreement can require that land use components be metered based on their fiscal impacts to ensure that the project is fiscally positive. For example, the office components and the hotel components are anticipated to generate fiscal surpluses while residential uses are anticipated to generate fiscal deficits. The project could be required to develop office and hotel uses prior to or in conjunction with residential uses to ensure that the project generates a fiscal surplus. Often the

metering is expressed as tying residential building permits to start and completion dates for non-residential components.

6. **Relocation requirements.** A development agreement can require that existing tax-generating uses, such as the soils processing business be relocated to undeveloped portions of the site to maintain tax revenue from these businesses for as long as possible. This is an effective tool for addressing fiscal issues that will occur during the construction of the project.
7. **Developer payments.** A development agreement can require the project's developer to provide cash payments to the City to off-set the loss of tax revenue from closing businesses until the new development generates sufficient tax revenue to fund municipal services and off-set the losses.
8. **Fiscal Analysis prior to each development phase.** One of the major challenges of evaluating the fiscal impacts of a large multi-phase project early in the planning process is that market conditions will likely change dramatically between the time that the project receives entitlements and construction starts on the all phases subsequent to the first phase. To address this issue, a development agreement can require a fiscal analysis be undertaken prior to starting each increment of development and that the construction of each increment be conditioned upon the fiscal analysis' determination that the project's cumulative fiscal impact will be positive upon the completion of the subject increment. This approach also enables each fiscal analysis to take into account the actual impacts of the prior phase and to reflect changes in legislation and other conditions that will impact the analysis. For example, if in the future, the City resumes receiving an allocation of property taxes in-lieu of motor vehicle license fees, then the future fiscal analysis could reflect this change.
9. **Consider new taxes.** Adopting new taxes is another tool to explore. For example, some cities have adopted admission taxes on entertainment venues that have the capacity to generate very large sums of revenue. Another example is a construction tax on new construction.



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

To: Clay Holstine
City Manager

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KEIRN
REED T. KAWAHARA
DAVID DOEZEMA

From: Tim Kelly

Date: March 22, 2016

Subject: Baylands: Economic Feasibility Considerations

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMEO

The purpose of this memorandum is to discuss in general terms the financial and economic parameters that influence if and how a project of the proposed scale and complexity of the Brisbane Baylands might move forward, both on the part of the developer and the City. Given the early stage of the planning process, this discussion addresses "macro-level" economic and market issues and is primarily qualitative in nature. However, this memorandum utilizes quantitative information from the Baylands Developer Sponsored Plan (DSP) as a case study to illustrate these broad concepts and how they might apply to the future development of the Baylands. It should be noted that this discussion is not intended to provide a quantitative critique of the developer's pro forma.

SAN DIEGO
PAUL C. MARRA

Underlying Macroeconomic Factors

At the direction of City staff, this memorandum attempts to address two critical economic considerations that would apply to any prospective future development of the site:

1. Can fundamental factors be identified which influence the developer's perception of economic "feasibility" in considering whether to move forward and develop whatever land use program is approved for the site?
2. How can the City ensure that a project has a fiscally positive impact on the City's General Fund? In a separate report prepared by KMA, a preliminary assessment of fiscal impacts is presented for the DSP and other land use variants. The report includes measures on how the City can ensure that a project has a fiscally positive impact on the City's General Fund.

To: Clay Holstine
Subject: Baylands: Economic Feasibility Considerations

March 22, 2016

Page 2

Fundamental factors which influence the developer's perception of economic "feasibility" for any approved land use plan.

Locational Characteristics

The Baylands site has a number of positive attributes for a developer as a potential development site. Baylands is one of largest remaining developable sites along the west shore of San Francisco Bay, has excellent regional access, close proximity to San Francisco and to San Francisco International Airport, transit access via Caltrain, and identity from US 101, all of which are valuable assets in today's economy. Real estate market opportunities for the Baylands continue to improve with the economy.

Feasibility Considerations

The developer will be measuring feasibility in terms of a return on its investment. Simply stated, under existing conventional market conditions, revenues must cover costs to motivate a developer to proceed with a project. For purposes of this memorandum, high level investment is grouped into three distinct components:

1. Horizontal development costs (remediation/landfill closure, grading, infrastructure, etc.)
2. Predevelopment costs (CEQA, planning, legal, engineering studies, and the like)
3. Land cost (net of revenues earned by current operations)

The net revenues must yield a profit. Primary revenues in a development plan can come from several sources, including:

1. Land sales
2. Vertical development profits (commercial and residential land use development projects, for example)
3. Bond proceeds from community facilities districts (CFD) for financing public improvements are commonly used in large scale projects to offset horizontal development costs and to fund public facilities
4. Public funding (Federal, State and local funding) to offset horizontal development costs

To: Clay Holstine
Subject: Baylands: Economic Feasibility Considerations

March 22, 2016
Page 3

Ultimately, the timing of the development program will be market driven and influenced by a number of variables, including timing of delivery of the Project developable sites to market in the context of:

1. National and regional economies
2. Competitive environment
3. Regulatory environment
4. Cost to deliver buildable sites

Of course, other perspectives on potential feasibility of a development plan can exist depending on specific objectives. For example, some potential end users of the site, such as an institutional user, may not be motivated by return on investment as the basis for their interest in the property.

Case Study-DSP: Feasibility Considerations

To illustrate the implications of the basic concepts described above pertaining to feasibility, this memorandum utilizes the DSP as a case study. UPC submitted a preliminary feasibility analysis for the DSP, which focused on the costs incurred or to be incurred by UPC to create development sites and the relationship of costs to revenues plus potential sources of funding.

There are many variables and caveats in projecting both revenues and costs for a project with the scale and complexity of Baylands. Such a financial analysis is highly complex and includes many speculative assumptions. Therefore, in addressing the fundamental feasibility issues, it is our view that an appropriate approach for this case study is to address the following question: can revenues from land sales for sites with land use entitlements (i.e. approved specific plan and CEQA) cover the horizontal development cost (excluding land and predevelopment costs)? While the developer can choose to develop commercial and residential projects instead of selling land, the "vertical" development still needs to support a land value and, in our view, the land value needs to support the cost to create developable sites.

To allow for this simplified case study to be prepared, there are a number of key assumptions that need to be made. They are:

Horizontal Development Costs: Costs for remediation/landfill closure, grading, Infrastructure (utilities and roads), and the like are referred to as horizontal development costs. The cost estimates have been generated by the Project sponsor's technical team. In regard to detail on the horizontal development costs, information provided was aggregated for the Project and several large phases. As a

result, it is not known to what extent these costs are 'fixed' irrespective of land use type, development intensity and/or location. It is also not known which costs are 'variable', dependent on land use type, development intensity, and/or location. This case study assumes for simplicity that costs are fixed.

Based on information submitted by UPC and its technical team, the horizontal development costs are estimated to be \$1.1 billion through buildout. For purposes of this simplified case study based on UPC inputs, significant horizontal development costs are front-loaded and need to be funded with the initial development phases. This simplified case study further assumes that all horizontal development costs will be borne by the applicant.

Scale of Development: Another factor in evaluating feasibility is the scale of development. UPC indicates that site conditions require significant horizontal development costs to be front-loaded and, since the dollar amount of the investment is so large, the scale of development must be on a scale large enough to absorb the costs. The result is that existing conditions of Baylands require large pieces of land be developed at one time; a series of small individual parcels cannot do that, as KMA understands the information provided by UPC.

Additional key inputs and assumptions in preparing the DSP case study include:

1. This case study represents a snap shot in time based on current market conditions. Continued feasibility analysis in combination with the strengthening economy and the diminishing supply of large sites in the marketplace, particularly when entitlements are in place, can affect the conclusions of this planning level analysis.
2. This case study only considers horizontal development costs. It does not attempt to capture land costs, predevelopment costs, or developer profit expectation. Achieving a threshold in which revenues from land sales cover horizontal development costs might be an acceptable minimum return to commence development only if the overall development program enables the property owner to recover all costs and earn a profit. Without the ultimate expectation that revenues will cover all costs and yield a profit, timing of development would be delayed until market conditions support moving forward.
3. Costs and values are stated in today's dollars; future increases in costs and values are not projected. All values and costs are a rough approximation and on an "order of magnitude" basis.

4. Site development conditions after the remediation/land fill closure and other required regulatory obligations will allow for development of both commercial and residential (if approved) land uses.
5. Analysis is not an appraisal of land values in the Project, either for the Project land area as a whole or for individual development parcels. KMA has relied upon publicly available information on land values supported in the marketplace by various land uses.
6. Independent market analysis of commercial and residential land uses is not part of this effort.

Analysis

In completing the case study, the following factors were considered:

1. **Entitled development acreage:** The primary income producing asset in the DSP to recover costs and generate a profit is entitled development acreage. The overall land area in the Project is approximately 684 acres. Of this area, approximately 384 acres are estimated to be dedicated for such uses as open space (170 acres), solar farm (25 acres), and roads. The result is roughly 300 net entitled development acres. The revenues from these 300 acres are the primary source of income in this analysis.
2. **Horizontal development costs:** These costs need to be expended to open up the Project for development. The horizontal development costs are projected by UPC to be approximately \$1.1 billion through build out of the Project. The \$1.1 billion does not include costs of predevelopment, financing, and land. The figure does not include a developer profit. The \$1.1 billion cost converts into approximately \$3.67 million per entitled developable acre (\$1.1 billion divided by 300 net acres), or \$84 per square foot of land area.
3. **Land value per entitled acre supported by scale of development necessary to fund horizontal development costs:** Site conditions require large scale developments. Even if divided into phases, the primary land uses most likely to support development costs will be campus office or residential. Based on current market conditions, land values are anticipated to be:
 - Campus office = +/- \$4 M per acre
 - Residential = +/- \$4.5 M per acre: both low density (for sale) and high density

Other commercial land uses, such as hotel and retail, can complement the primary land uses; but it is not expected that either hotel or retail will be the primary land use for a large scale development. The reason is that these land uses are in competitive real estate environments that either do not support large acreage developments and/or do not support land values to fund the major horizontal development costs. To illustrate, the hotel development environment is competitive and there are multiple sites in the marketplace, including the Sierra Point hotel site. The DSP includes a limited amount of hotel rooms, with approximately 369 keys, and would require a small site, in the range of 5 to 10 acres. For a retail shopping center requiring a large scale development site, the market for such a major development appears to be very competitive (subject to confirmation by a market study) and impacted by several factors, including: new shopping centers (Candlestick for example) and the impact of the internet on retail bricks and mortar projects. The retail component in the DSP is 566,000 square feet and includes first floors in buildings in which primary land uses are commercial or residential. In summary, neither hotel development or a major retail shopping center development are expected to be the primary land use can that can fund the initial phases major horizontal development costs.

Case Study Conclusions:

- Horizontal development costs allocated over 300 entitled acres averages \$3.67 million per acre, or \$84 per square foot of land area.
- Campus office land value approximates the rough estimate of the cost to create a developable site. Campus office opportunities at the Baylands are increasing as major developable parcels are removed from the market. Examples of decreasing supply of sites would be: at Mission Bay, the major parcels are now committed; and on the Peninsula, developers are now redeveloping former industrial sites, such as in South San Francisco, where redevelopment of older industrial buildings with major office development is occurring on Oyster Point Boulevard and additional redevelopment plans are in place.
- Residential land values approximate the rough estimate of the cost to create a developable site. However, residential land values are affected by several factors including the intrinsic value of the location, increasing construction costs, and affordable housing requirements. These factors would need to be further evaluated to refine the residential land value supported.
- Revenues from land sales for campus office and residential large scale development would cover horizontal development costs; however, land sale

To: Clay Holstine
Subject: Baylands: Economic Feasibility Considerations

March 22, 2016
Page 7

revenues at today's values would not cover all costs, i.e. land, predevelopment and horizontal costs.

- Achieving a threshold in which revenues from land sales cover horizontal development costs might be an acceptable minimum return to commence development only if the overall development program enables the property owner to recover all costs and earn a profit. Without the ultimate expectation that revenues will cover all costs and yield a profit, timing of proceeding would be delayed until market conditions support proceeding.

Future Planning Considerations

The DSP case study above illustrates a number of factors the city might want to take into account, to the extent that economic feasibility is a consideration in the decision making process for the Baylands.

Development footprint/intensity: Assuming that the horizontal development costs are relatively fixed, a significant reduction in net developable acres would spread these costs over fewer revenue producing acres. This would require the remaining income producing acres to support a high land value to cover costs. For example, if the net developable acreage is reduced to 250 acres, then the cost is approximately \$4.4 million per developable acre. If the net developable acreage is 200 acres, then the cost is approximately \$5.5 million per developable acre. If the net developable acreage is 150 acres, then the cost is approximately \$7.33 million per developable acre.

If the development footprint is reduced, can the value be maintained by increasing the density/intensity on a reduced developable footprint? For example, would the value of the DSP be maintained if the entire DSP land use program was developed on 150 acres instead of 300 acres? Increased density on a reduced amount of developable acres does not necessarily translate into higher land sale revenues. For example, taller, high rise structures will result in higher construction costs. Additionally, market acceptance of large scale development programs may have a faster rate of absorption with lower density than a program with taller structures, higher construction costs, and higher land value. For residential, two to three story projects as well as four to six story projects are expected to be economically feasible; commercial, four to six stories on average are anticipated. Even if the property were planned and zoned for taller commercial structures, there is no demonstrated demand under current market conditions for a more intense, large scale development program in a location such as this.

To: Clay Holstine
Subject: Baylands: Economic Feasibility Considerations

March 22, 2016
Page 8

Land Use Mix: As noted in the case study analysis, under current market conditions the range of land uses with values that support significant front loaded horizontal development costs is relatively limited. Given the site's unique characteristics such as size and location, there may be potential users for whom the site's "value" is not based on its potential to support market-driven development. For purposes of this memorandum, it is not possible to identify or evaluate who these end users or what these uses might be.

Horizontal Development Costs: As discussed above in the case study, horizontal development costs are a key driver in determining feasibility. As such, significant reductions in horizontal development costs could influence what might be considered a feasible development program. For, example if the horizontal development costs could be reduced from \$1.1 billion to \$600 million based on reduced development density, value engineering or other factors, and spread over the assumed 300 acre DSP developable footprint, the cost per acre is approximately \$2 million.



KEYSER MARSTON ASSOCIATES

POTENTIAL FUNDING SOURCES FOR INFRASTRUCTURE AND ON-GOING MUNICIPAL SERVICES TO SERVE BRISBANE BAYLANDS

Prepared for:
City of Brisbane

Prepared by:
Keyser Marston Associates, Inc.

March 28, 2017

TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. INFRASTRUCTURE FINANCING TOOLS	4
A. Special Assessment and Special Tax Districts	4
1. Mello Roos/Community Facilities Districts	4
2. Special Assessment Districts	5
B. Tax Increment Financing.....	6
1. Infrastructure Finance Districts (IFDs, EIFDs and IRFDs)	7
2. Community Revitalization and Investment Authorities (CRIAs)	8
C. Developer Funding, Financing and Incentives	10
1. Development Impact Fee Credits and Reimbursements.....	10
2. Development Agreements and Enhanced Zoning.....	10
3. Economic Incentive Agreements.....	11
D. Federal and State Programs	11
1. Investment Incentives.....	11
2. Loan Programs.....	12
3. Grant Programs	13
4. Brownfield Assistance	14
III. MUNICIPAL SERVICES FINANCING TOOLS	16

I. INTRODUCTION

The following report summarizes commonly-used financing tools that could potentially be used to enhance the feasibility of developing the Brisbane Baylands project. The funding mechanisms are organized under two broad categories:

1. Infrastructure Financing Tools
2. Municipal Service Financing Tools

The key attributes of surveyed infrastructure financing tools and municipal service financing tools are provided in Exhibits 1 and 2, respectively.

Exhibit 1 – Potential Infrastructure Financing Tools

Funding Mechanism	Target Improvements	Source of Funding
Special Assessment and Special Tax Districts		
Special Assessment Districts	<ul style="list-style-type: none"> - Off-Site Infrastructure - Public Facilities - Certain Maintenance/Services 	Assessment on property
Mello Roos Community Facilities Districts	<ul style="list-style-type: none"> - Off-Site Infrastructure - Public Facilities - Certain Maintenance/Services 	Special Tax on property
Tax Increment Financing		
Infrastructure Finance Districts (EIFD and IRFD)	<ul style="list-style-type: none"> - Off-Site Infrastructure - Public Facilities - In-Tract Improvements - Brownfields Remediation - Affordable Housing 	Voluntary diversion of portion of property tax increment by participating taxing agencies
Community Revitalization and Investment Area (CRIA)	<ul style="list-style-type: none"> - Off-Site Infrastructure - Public Facilities - In-Tract Improvements - Brownfields Remediation - Affordable Housing - Certain Vertical Improvements - Property Acquisition/Transfer - Direct Business Assistance 	Voluntary diversion of portion of property tax increment by participating taxing agencies
Developer Funding, Financing and Incentives		
Impact Fees	<ul style="list-style-type: none"> - Off-Site Infrastructure - Public Facilities 	Fee credit for improvements funded by Developer
Value Capture from Zoning and Code Changes	<ul style="list-style-type: none"> - Off-Site Infrastructure - Public Facilities 	Real estate value created and/or cost reductions can be used to fund needed improvements
Incentive Agreements	<ul style="list-style-type: none"> - In-Tract Improvements - Vertical Improvements - Direct Business Assistance 	City shares tax revenues generated by Project
Federal/ State Programs		
Investment Incentives	<ul style="list-style-type: none"> - In-Tract Improvements - Brownfields Remediation - Vertical Improvements - Property Acquisition/Transfer - Direct Business Assistance 	Federal/State
Grant/ Loan Programs	<ul style="list-style-type: none"> - Off-Site Infrastructure - In-Tract Improvements - Brownfields Remediation - Vertical Improvements - Property Acquisition/Transfer - Direct Business Assistance 	Federal/State
Brownfield Assistance	<ul style="list-style-type: none"> - Brownfields Remediation 	Federal/State

Exhibit 2 – Potential Tools to Ensure Fiscal Benefits/Neutrality

Mechanism	Description	Source of Funding
Development Agreement		
Privatize infrastructure	Interior roadways; Small parks	Property owners own infrastructure and are responsible for maintenance
Community Facilities District (CFD)	Funds maintenance of: streets; Parks and plazas; Portion of public safety expenses	Special Tax on Property
Developer payments	Cash payments to mitigate loss of tax revenue from closed businesses until revenue is replaced by new development	Developer
Land Use Metering	Require that each phase of development contain mix of land uses to achieve fiscal neutrality	No direct expense
Relocation Requirements	Require existing tax-generating uses be relocated to undeveloped portions of site	Developer funds relocation expense
Fiscal Analysis prior to each phase	Condition construction of each phase on analysis demonstrating cumulative fiscal neutrality/benefit	No direct expense
Tax Policy/Management		
New Taxes	Adopt new construction taxes or business taxes, such as an admissions tax	Developer or businesses
Capture construction use taxes	DA requires Brisbane be point of sale	No new expense
Capture on-going use taxes	DA require that Brisbane be point of sale	No new expense

II. INFRASTRUCTURE FINANCING TOOLS

A. Special Assessment and Special Tax Districts

The intent of special assessment and special tax districts is to fund public capital facilities to serve new development. Districts adopt a new special assessment or special tax paid by property owners within a defined area, which can be used to issue debt for capital improvements that benefit the district. Pursuant to Proposition 218, special assessments must be assigned to property owners in direct proportion to the benefits received from targeted improvements. Special tax formulas are not subject to the same standard and allow for a variety of property characteristics – other than property value – to determine tax apportionment. Both special assessments and special taxes are subject to approval by voters (if 12 or more are registered in the district) or affected property owners (in all other cases). A simple majority is required for special assessments, whereas special taxes must be approved by a two-thirds majority.

The scope of eligible activities in special tax districts is broader than in special assessment districts. While facilities or services funded by special assessment districts must confer “special benefits” upon affected property owners, special tax districts must only ensure that new capital facilities and services supplement, rather than supplant, existing levels of service in the district. Due to their greater flexibility, special tax districts are more commonly utilized than special assessment districts.

Special tax districts are typically authorized under the Mello-Roos Communities Facilities Act of 1982¹ and are referred to as Community Facilities Districts (CFDs). A variety of special assessment districts are authorized under state law, including the Municipal Improvement Act of 1913, Landscape and Lighting Act of 1972, and Benefit Assessment Act of 1982. A comparison of the two structures follows.

1. *Mello Roos/Community Facilities Districts*

- **Process:** CFD may be initiated by two members of the sponsoring legislative body, 10 percent of district voters, or 10 percent of landholders (measured by acreage owned). Proposed districts may include non-contiguous areas. Adoption of the special tax requires a public hearing and an affirmative vote by two-thirds of the qualifying electorate. If there are twelve or more registered voters within the proposed geographic area of the district, then the formation election is an election of registered voters. If there are less than 12 registered voters, then the formation election is an election of property owners, with each owner receiving one vote per acre of owned property. The same approval requirements apply to the issuance of bonds. Bonds are limited to a 40-year

¹ Government Code §53311

maturity and are secured by special tax payments. CFD taxes are paid concurrently with ad valorem property taxes. Throughout the life of the district, an annual report must be produced upon request of property owners.

- **Use of Funds:** CFDs can be used to fund the planning, design, construction, rehabilitation or acquisition of a broad range of public facilities. Examples of eligible improvements include:
 - Streets and public right of way improvements;
 - Park, recreation, and open-space facilities;
 - School sites and structures;
 - Libraries, childcare facilities;
 - Water, wastewater and utility infrastructure;
 - Flood infrastructure; and
 - Seismic retrofitting.

In addition, districts may fund certain public services provided that services are not funded with bond proceeds and services do not supplant those offered prior to the formation of the district. Examples of eligible services include fire and police protection and the maintenance of new infrastructure or parks.

- **Evaluation:** CFDs are a widely used tool and are an effective source of funding infrastructure improvements, particularly for developments with a large ownership residential component. They are most commonly used in circumstances in which approval is limited to a small group of land holders.

2. **Special Assessment Districts**

- **Process:** Special assessments districts require the preparation of an engineer's report that demonstrates that planned improvements will confer a "special benefit" upon the district. The report must also allocate the costs of proposed improvements in proportion to benefits received from services and improvements. Affected property owners vote on the assessment, with voting weighted proportionally to each property owner's proposed assessment. A simple majority is required for the assessment to take effect. Once established, the sponsoring public agency may issue bonds secured against assessment revenue, pursuant to the Improvement Bond Act of 1915.²
- **Uses of Funds:** The many variants of special assessment districts under state law authorize the construction of public facilities such as landscaping, lighting, streets, water, wastewater and storm water infrastructure, parks and public facilities. Most assessment districts also

² Streets & Highways Code §8500

allow funding of maintenance costs associated with public facilities. However, assessment bonds are not authorized to pay for ongoing services.

- **Evaluation:** Special assessments are appropriate for funding maintenance and infrastructure when benefits can be clearly measured and apportioned among landholders. The revenue capacity of special assessment districts is relatively limited given that assessments may only account for benefits conferred on specific property owners that go beyond standard levels of service.

B. Tax Increment Financing

Tax increment financing permits local agencies to finance infrastructure and other community improvements by issuing bonds secured by growth in an area's property tax revenues. Tax increment financing was approved by California voters in 1952 and later became a widely used tool of redevelopment agencies. Following the dissolution of Redevelopment in 2012, the State has bolstered alternative means of tax increment finance, through the approval of legislation that permits the creation of "Enhanced Infrastructure Finance Districts" (EIFDs), Infrastructure and Revitalization Districts (IRFDs) and Community Revitalization and Investment Authorities (CRIAs).

The key distinctions between these new tools and Redevelopment are as follows:

- Redevelopment Agencies were funded by a statutory dedication of property tax increment from all taxing agencies to the adopted Redevelopment Agency whereas participation is voluntary for the new districts;
- School districts cannot participate in the new TIF districts;
- Because participation is voluntary and school districts cannot participate, the new TIF districts generate less revenue than former Redevelopment agencies;
- Eligible uses of funds under the new TIF districts are generally more limited (with the exception of the CRIA).

While not as robust as Redevelopment, these tools can serve as an important funding source for infrastructure, parks, and public facilities. Once established, infrastructure finance districts and CRIAs are authorized to receive tax increment revenues from a defined area with the consent of affected taxing entities, excluding school districts. The financing capacity of the districts is driven by the portion of the base 1% tax levy that is voluntarily dedicated to the district. It is an effective tool when either a sponsoring city receives a large share of the 1% property tax levy and only a portion of General Fund property tax revenue is needed to fund municipal services or if the county agrees to contribute a portion of the county increment to the

district. All affected taxing agencies serving properties within the district other than school districts can participate and contribute a portion of its share of property tax increment.

The primary objective of infrastructure finance districts is to finance capital projects of "communitywide impact" Districts may include any area, including non-contiguous areas, within a sponsoring city or county. In contrast, CRIAs are specifically focused on improving conditions within disadvantaged communities³. Eligible projects are generally restricted to the boundaries of the CRIA, and 25% of tax revenues must be allocated to affordable housing.

The adoption process, eligible uses of funds and terms of each tool are summarized in Table 1.

1. Infrastructure Finance Districts (IFDs, EIFDs and IRFDs)

- **Process:** Cities and counties may select from three distinct regulatory authorities to form an infrastructure finance district. Infrastructure Finance Districts (IFDs) are governed by the original Infrastructure Finance District Act of 1990.⁴ Enhanced Infrastructure Finance Districts (EIFDs)⁵ and Infrastructure and Revitalization Financing Districts (IRFDs)⁶ are recent variants of the base IFD legislation. Cities and counties with a redevelopment successor agency must receive a finding of completion from the Department of Finance (DOF) prior to forming an EIFD or IRFD; the same requirement applies to IFDs that overlap with the boundaries of a former redevelopment area.

The structures vary with respect to governance, process and term (see Table 2). IRFDs are governed by the legislative body of the sponsoring local agency. EIFDs are governed by a separate entity known as the Public Finance Authority. Members of the Public Finance Authority are chosen by the sponsoring agency and are to include three members of the legislative body as well as two members of the public.⁷ The governing entity oversees the preparation of the infrastructure finance plan, which must specify the boundaries of the district, the projects to be financed, tax revenues to be captured over time, a plan for debt financing, a fiscal analysis, and the district term. The term of an EIFD is 45 years from voter approval of bond issuance. To adopt the plan, there must be a public hearing, a vote of the governing body, and concurring resolutions by the legislative bodies of affected taxing entities. In addition, plans of IRFDs are subject to a public vote of two-thirds of affected voters or landowners (if there are fewer than 12 registered voters). Both structures require a public vote to issue debt. IRFD require 2/3

³ Based on the socio-economic eligibility requirements for a CRIA, it is unlikely that the Baylands is eligible for the formation of a CRIA.

⁴ Government Code §53395

⁵ Government Code §53398.5

⁶ Government Code §53369

⁷ Additional legislative appointees may be added in cases where multiple taxing entities sponsor the district.

voter approval to issue debt. EIFDs require the support of 55% of voters or landowners in order to issue debt.

- **Use of Funds:** At a minimum, infrastructure finance districts are eligible to fund public facilities of “communitywide significance” that are necessary to accommodate new development. Such facilities may include transportation infrastructure, water and wastewater infrastructure, solid waste facilities, and community amenities including parks, libraries, and childcare centers. All three structures are also authorized to reimburse developers for permitting and affordable housing costs associated with a Transit Priority Project, pursuant to Government Code §65470.⁸ The scope of EIFDs and IRFDs extends to other forms of private development assistance, including brownfield restoration, projects located on former military bases, Sustainable Communities Strategy projects, industrial structures for private use and affordable housing. IRFDs may additionally fund the construction or acquisition of commercial structures for private use and site work necessary for private development. While not required to build housing, infrastructure finance districts must replace any affordable units destroyed or removed in the course of the district's activities; a portion of market rate units that are removed must also be replaced as affordable units (20% for IFDs/IRFDs, 25% for EIFDs).
- **Evaluation:** Assuming that the Brisbane Successor Agency has received a finding of completion from the DOF, either an EIFD or an IRFD could be formed at the Baylands. While a district would not generate as much revenue as a Redevelopment project area, it is likely that it could generate revenue on par with a CFD, and it could be layered with a CFD and other financing tools.

Brisbane receives approximately 18% of property tax increment and San Mateo County receives approximately 20%. If, for example, both agencies contribute 25% of their tax increment, the district could receive 9.5% of tax increment, which would yield over \$200 million of revenue over a 40 year term, assuming the DSP development program.

2. Community Revitalization and Investment Authorities (CRIAs)

As noted previously, it does not appear that Brisbane Baylands would meet the eligibility requirements for the formation of a CRIA. The CRIA and other TIF tools are summarized in Table 1.

⁸ A Transit Priority Project must be located within a half mile of a major transit stop, contain at least 50 percent residential uses, and reserve at least 20 percent of units for families with moderate incomes or less.

Table 1: Overview of Tax Increment Financing Tools

EIFD		CRIA		IRFD
Governing Body	Public Finance Authority	Community Revitalization Investment Authority	Governing body of jurisdiction	
Qualification Criteria for Area	No	80% of revitalization area income must be less than 80% statewide median income Must also meet 3 or 4 tests: 1. Unemployment rate 3% higher than state rate 2. Crime rate 5% higher than state rate 3. Deteriorated/inadequate infrastructure 4. Deteriorated commercial and residential buildings	No	
Voter Approval to form District	No	If 25-50% of property owners/residents protest, an election must be held. If more than 50% protest, adoption proceedings are terminated	Yes – 2/3	
Planning Documents Required	Infrastructure Financing Plan	Community Revitalization and Investment Plan	IFP	
Other Formation Requirements	If a redevelopment project area is involved, Successor Agency must meet certain requirements including finding of completion	If City or county involved has a Successor Agency, the SA must meet certain requirements including finding of completion	Same	
Duration	Max 45 years from approval to issue bonds	Max 45 years from formation	40 years from adoption or specified date	
Reporting Requirements	Audit every 2 years after issuance of bond debt	Substantive annual report, five year audit of housing expenditures; ten year protest proceeding which can stop all further action with majority protest	Annual report of expenditures and progress toward goals	
Affordable Housing Set Aside	No, but can build/rehab units if affordability covenants exist or are installed	Yes, 25% of tax increment	None	
Inclusionary Housing Requirement	If housing is financed, units restricted to low and moderate income	Covenants: 55-year rental, 45-year owner occupied, 15-year mutual self-help. Proportional expenditure limits apply	If district constructs housing then 20% must be low/limited income	
Voter Approval to Issue Bonds	Yes – 55%	No	Yes – 2/3	
Additional Funding Sources	Property taxes in lieu of VLF Residual RPTTF Assessment District	Same	None	
Eligible Uses	<ul style="list-style-type: none"> ▪ Road, transit facilities ▪ Brownfield restoration ▪ Parks, libraries ▪ Sewer/ water/ flood improvements ▪ Affordable housing 	<ul style="list-style-type: none"> ▪ Infrastructure ▪ Affordable housing ▪ Convey property for economic development ▪ Eminent domain ▪ Business assistance 	Same as EIFD	

C. Developer Funding, Financing and Incentives

Developers of property typically bear the primary responsibility for funding in-tract improvements necessary to complete their projects. In contrast, the path to delivery of infrastructure that serves a broader area requires greater coordination among public and private stakeholders. The mechanisms reviewed below offer ways of engaging developers in the funding and financing of off-site improvements necessary for accommodating new development and spurring further economic growth. A final tool, incentive agreements, provides a vehicle for local agencies to fund a portion of in-tract costs in cases where private development would not otherwise be feasible.

1. Development Impact Fee Credits and Reimbursements.

Pursuant to the Mitigation Fee Act,⁹ local agencies may assess impact fees to cover incremental service and capital costs of new development. Fees are typically paid at the time of building permit issuance or recording the final subdivision map and are placed into a reserve fund for specific improvements. Parking or traffic mitigation fees are examples of development impact fees. A technical analysis is required to demonstrate the proportional relationship between the fee and the incremental costs to the agency, prior to adoption by the legislative body. Local agencies may also consider market factors when setting fees, in particular, whether fee levels stand to impact development feasibility.

Many local agencies permit developers to construct area-serving infrastructure such as streets, utilities, parks and open space in lieu of paying certain impact fees. Local agencies may also enter into agreements to reimburse developers for investments in area-serving infrastructure in cases where the value of the investment exceeds fees otherwise owed by the project. Local agencies may pledge future development-based revenues, such as impact fees, assessments or special taxes towards the reimbursement agreement; however, pursuant to Government Code §53190, the general fund must not be liable for repayment of obligations. All special levies and assessments are subject to approval by property owners and voters, as described in the previous section.

2. Development Agreements and Enhanced Zoning

It is common for local agencies to enter into a development agreement when conferring long-term entitlements for a major project. As part of the negotiation process, developers may offer to provide extraordinary benefits, including infrastructure and other public facilities. These commitments are agreed upon at the discretion of negotiating parties and as such are not subject to the Mitigation Fee Act. The nature and magnitude of benefits provided will depend on local market conditions, the entitlements, and the development economics of the project.

⁹ Government Code §66000

Providing favorable entitlements can be an effective means for funding infrastructure and public facilities. Examples include: permitting residential development, reducing parking requirements, increasing permitted floor to area ratios, etc. By increasing the value of the private development, additional "value" is created for infrastructure improvements.

3. Economic Incentive Agreements

Incentive agreements provide the private sector a form of gap funding in situations where the development economics do not support the full cost of a commercial project with the potential to deliver substantial community benefits. Local agencies may enter into incentive agreements pledging to rebate a portion of sales taxes generated by new businesses locating to an area that designate the jurisdiction as the point of sale. Incentive agreements may also track and rebate a portion of Transient Occupancy tax revenues generated by the suppliers, customers, and employees of new businesses. Developers or tenants can leverage such agreements to finance site or tenant improvements in private capital markets secured by anticipated tax rebates. Pursuant to Section 53083 of the California Government Code, jurisdictions providing economic development subsidies must specify in a public hearing the amount of the subsidy and the projected benefits prior to entering into an incentive agreement valued above \$100,000.

D. Federal and State Programs

Federal and state grants, loans and incentive programs are valuable sources of gap financing and funding for local infrastructure and economic development projects. Many programs are competitive and emphasize investments in areas of economic need. Funding opportunities are myriad and subject to change; what follows is a selection of the most widely used and most applicable sources. The attributes of the programs are summarized in Table 2.

1. Investment Incentives

The Federal government sponsors several programs which incentivize private investment in qualifying economic development projects. Qualifying projects in turn gain access to a source of low cost financing, subsidized by federal incentives. The most widely used incentive programs are the following:

- **New Market Tax Credits:** The federal New Market Tax Credit Program (NMTC) provides a source of low-interest financing to businesses located in low-income Census tracts or serving low-income residents via tax credit allocations to financial intermediaries. The Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of Treasury awards approximately \$3.5 billion annually in tax credit allocation authority to local, mission-oriented financial intermediaries referred to as Community Development Entities (CDEs). Private individuals and firms earn income tax

credits for investing in CDEs provided that CDEs direct investments to qualified projects. Qualified projects include commercial and mixed-use developments located in low-income Census tracts. Low-income Census tracts are characterized by median incomes less than 80% of the metropolitan median or a poverty trade above 20%. Businesses located in moderate income communities (up to 120% of the metropolitan median income) may qualify if a substantial share (40%-50%) of their employees, customers, or owners are low-income. Federal standards set minimum eligibility requirements. CDEs apply additional criteria in selecting from qualified projects, based on the organization's mission and area of focus. Creditworthiness of the borrower is another important factor, since NTMC investments are typically structured to leverage debt financing.

- **Historic Preservation Tax Incentives:** The Historic Preservation Tax Incentives program administered by the U.S. Department of the Interior and the Department of the Treasury provides an income tax credit equal to 20% of eligible costs to rehabilitate certified historic buildings and 10% of costs to rehabilitate other commercial buildings built before 1936. Certified historic buildings must be listed in the National Register of Historic Places, or demonstrate a contribution to a listed historic district. Rehabilitation is subject to detailed standards for preserving the property's historic character. Project sponsors meeting the requirements may then use awarded tax credits to leverage favorable financing from a third party.

2. Loan Programs

Loan programs provide local agencies and private partners with loan guarantees, access to tax exempt bond pools, or other forms of debt financing with favorable rates and terms. Commonly utilized loan programs include:

- **HUD Section 108 Loan Program:** The U.S. Department of Housing and Urban Development administers the Section 108 program, which allows local governments to use future CDBG allocations (up to five times their annual allocation) as a loan guarantee to assist in financing economic development projects. Through Section 108, local governments gain access to flexible terms and lower rates from third-party lenders. While CDBG funds serve as security, local agencies typically use another revenue stream to repay the loan, including revenues generated by the project. Consistent with CDBG rules and requirements, projects may include acquisition and rehabilitation of public infrastructure and private property to the extent the project benefits low- and moderate-income residents, eliminates blight, or responds to other community priorities. Starting in FY2016, borrowers are subject to a one-time administrative fee of 2.56% of the principal borrowed. Section 108 applications are received on an ongoing basis.
- **State Infrastructure Bank: Industrial Development Bonds:** The State Infrastructure Bank's Industrial Development Bonds program funds the acquisition, construction and

rehabilitation of manufacturing facilities. Bonds are issued by the State Infrastructure Bank, local Industrial Development Authorities, or Joint Power Authorities. Applications are submitted for specific projects rather than for community wide improvements. . IDB financing provides projects up to \$10 million in long-term financing at favorable interest rates. Terms of maturity are limited to 120% of the life of the assets financed. The majority of funds must be dedicated toward production purposes; no more than 25% may support investments in office or warehouse space. Applications are accepted on an ongoing basis.

- ***State Infrastructure Bank Revolving Loan Program:*** The State Infrastructure Bank Revolving Loan Fund provides favorable loans of up to \$25 million to local agencies to finance a range of infrastructure projects. Eligible projects include public facilities such as streets, water and waste water infrastructure, as well as private development assistance including the construction of industrial and commercial facilities and related infrastructure. Local agencies determine the revenue source for loan repayment. Applications are accepted on an ongoing basis.

- ***Statewide Community Infrastructure Program:*** The Statewide Community Infrastructure Program is a tax exempt financing pool administered by the California Statewide Communities Development Authority. Thirty-year, tax-exempt bonds issued by CSCDA are secured by special assessments or a special tax levy. Proceeds may be used to fund public facilities, advance impact fees payable to a local agency, or reimburse developers for the cost of public improvements. The SCIP achieves favorable interest rates by pooling smaller financings into a single bond issuance. SCIP can also assist local agencies in the establishment of special assessment or community facility districts. Any local agency that is a member of CSCDA is eligible to participate; applications are accepted on an ongoing basis.

3. Grant Programs

State and federal grants generally prioritize projects in areas of economic need, or that reflect other priorities of sponsoring agencies. A common source of grant funding for economic development projects is the U.S. Economic Development Administration (EDA). The EDA's largest grant program is the Public Works program, which awards competitive grants to local agencies of up to \$3 million toward infrastructure investments necessary to carry out a regional economic development strategy. Eligible projects include water and wastewater infrastructure, industrial parks, and business incubators. Applicants must demonstrate economic distress either through: (1) an unemployment rate above the national rate; (2) incomes below the national median; or (3) special circumstances. Special circumstances arise with the need to prevent the loss of a major or respond to a military base closure, for example. Grant applications are accepted on an ongoing basis.

4. *Brownfield Assistance*

State and federal agencies offer various grants and loans to assess and remediate brownfields sites for development purposes (Table 2). Local agencies may target privately owned parcels with permission of the property owner. The California Department of Toxic Substances control offers grants of approximately \$75,000 for site assessment and low-interest loans of up to \$900,000 for site cleanup conducted after an environmental assessment. The EPA offers grants of up to \$200,000 for both assessment and cleanup; cleanup funds require a 20% local contribution.

Table 2. Summary of Federal and State Grant Programs

Category	Program	Administrator	Type/ Amount	Primary Uses
Investment Incentives	New Market Tax Credits	U.S. Department of Treasury	39% tax credit over seven years	Commercial projects in low-income communities
	Historic Preservation Tax Incentives	U.S. Dept. of the Interior, Department of Treasury	10% or 20% tax credit upon occupation	Rehabilitation of historical structures
Loan Programs	Section 108 Loan Program	U.S. Department of Housing and Urban Development	Loan guarantee up to 5X annual CDBG allocation	Infrastructure and commercial projects primarily in areas of economic need
	Revolving Loan Program	State Infrastructure Bank	Favorable loans up to \$25 million	Infrastructure and commercial projects
	Industrial Development Bonds	State Infrastructure Bank	Favorable loans up to \$10 million	Manufacturing facilities
	Statewide Community Infrastructure Program	California Statewide Communities Development Authority	Tax exempt bond financing	Public facilities
Grant Programs	Public Works Program	Economic Development Administration	Up to \$3 million	Infrastructure and commercial projects in areas of economic need
Brownfield Assistance	Targeted Site Intervention Program	California Department of Toxic Substances Control (DTSC)	Grants of \$75,000/site	Environmental site assessment
	Revolving Loan Fund	California Department of Toxic Substances Control (DTSC)	Favorable loans, up to \$900,000/site	Site clean-up
	Assessment Grants	Environmental Protection Agency	Grants up to \$200,000/site	Environmental site assessment
	Cleanup Fund	Environmental Protection Agency	Grants up to \$200,000/site; 20% match	Site clean-up

III. MUNICIPAL SERVICES FINANCING TOOLS

It is standard practice for cities to include provisions in Development Agreements that ensure that a proposed development will, at a minimum, achieve fiscal neutrality. Widely used tools include the following:

1. **Capture construction use tax revenue.** Large developments generate a tremendous amount of use tax revenue from the purchase of construction materials. A Development Agreement can include provisions that ensure that Brisbane will be identified as the point of sale for the purchase of materials, which will enable Brisbane to directly collect the use tax revenue generated by the project's construction. The collection of use tax revenue can be a very effective measure for off-setting the interim loss of revenue during a project's early years.
2. **Privatize funding of a portion of municipal services.** A development agreement (DA) can require that certain municipal service costs be funded privately. For example, an Assessment District or a Community Facility District (CFD) could be established for maintaining public roads, public entryways, landscaped areas, trails, and parks. Some communities also fund a portion of public safety services by establishing a Community Facilities District. A CFD is a special tax, secured by a lien on private property.
3. **Privatize roads.** In many communities, the system of internal streets that serve residential neighborhoods or business campuses are privately owned and maintained. This reduces the cost of providing municipal services, which improves the fiscal balance of the project.
4. **Maximize capture of use tax and sales tax revenues.** Each of the proposed Baylands concepts includes over 4.8 million square feet of space for commercial, office, and R&D tenants. There is a wide variation in the amount of use tax revenue generated by these types of businesses, but a development agreement can be structured to maximize the allocation of these revenues to the City of Brisbane.
5. **Land use metering.** A development agreement can require that land use components be metered based on their fiscal impacts to ensure that the project is fiscally positive. For example, the office components and the hotel components are anticipated to generate fiscal surpluses while residential uses are anticipated to generate fiscal deficits. The project could be required to develop office and hotel uses prior to or in conjunction with residential uses to ensure that the project generates a fiscal surplus. Often the metering is expressed as tying residential building permits to start and completion dates for non-residential components.
6. **Relocation requirements.** A development agreement can require that existing tax-generating uses, such as the soils processing business be relocated to undeveloped

portions of the site to maintain tax revenue from these businesses for as long as possible. This is an effective tool for addressing fiscal issues that will occur during the construction of the project.

7. ***Developer payments.*** A development agreement can require the project's developer to provide cash payments to the City to off-set the loss of tax revenue from closing businesses until the new development generates sufficient tax revenue to fund municipal services and off-set the losses.
8. ***Fiscal Analysis prior to each development phase.*** One of the major challenges of evaluating the fiscal impacts of a large multi-phase project early in the planning process is that market conditions will likely change dramatically between the time that the project receives entitlements and construction starts on the all phases subsequent to the first phase. To address this issue, a development agreement can require a fiscal analysis be undertaken prior to starting each increment of development and that the construction of each increment be conditioned upon the fiscal analysis' determination that the project's cumulative fiscal impact will be positive upon the completion of the subject increment. This approach also enables each fiscal analysis to take into account the actual impacts of the prior phase and to reflect changes in legislation and other conditions that will impact the analysis. For example, if in the future, the City resumes receiving an allocation of property taxes in-lieu of motor vehicle license fees, then the future fiscal analysis could reflect this change.
9. ***Consider new taxes.*** Adopting new taxes is another tool to explore. For example, some cities have adopted admission taxes on entertainment venues that have the capacity to generate very large sums of revenue. Another example is a construction tax on new construction.



Feasibility Study of Economics and Performance of Solar Photovoltaics at the Brisbane Baylands Brownfield Site in Brisbane, California

A Study Prepared in Partnership with the Environmental Protection Agency for the RE-Powering America's Land Initiative: Siting Renewable Energy on Potentially Contaminated Land and Mine Sites

James Salasovich, Jesse Geiger, Victoria Healey, and Gail Mosey

Produced under direction of the Environmental Protection Agency (EPA) by the National Renewable Energy Laboratory (NREL) under Interagency Agreement IAG-08-0719 and Task No. WFD3.1001.

NREL is a national laboratory of the U.S. Department of Energy, Office of Energy Efficiency & Renewable Energy, operated by the Alliance for Sustainable Energy, LLC.

Technical Report
NREL/TP-7A40-57357
April 2013
Contract No. DE-AC36-08GO28308

Executive Summary

The U.S. Environmental Protection Agency (EPA), in accordance with the RE-Powering America's Land initiative, selected the Brisbane Baylands site in Brisbane, California, for a feasibility study of renewable energy production. The U.S. Department of Energy's National Renewable Energy Laboratory (NREL) provided technical assistance for this project. The purpose of this report is to assess the site for a possible photovoltaic (PV) system installation and estimate the cost, performance, and site impacts of different PV options. In addition, the report recommends financing options that could assist in the implementation of a PV system at the site. This study did not assess the current environmental conditions at the site but assumes that conditions are not constraining.

The Brisbane Baylands site is located in the western part of San Francisco Bay and the site is divided into two areas. The west side of the site was used by the Southern Pacific Railroad for freight rail operations from 1914 to 1960, and the east side of the site was used as a municipal landfill for household waste from the 1930s until its closure in 1967. Since the landfill closure, the site has been used as a clean fill operation for construction sites in the area.¹ The City of Brisbane and the owner of the property understand that on-site renewable energy generation will be integral to the development of the land.²

The feasibility of a PV system installed is highly impacted by the available area for an array, solar resource, distance to transmission lines, and distance to major roads. In addition, the operating status, ground conditions, and restrictions associated with redevelopment of the brownfield site impact the feasibility of a PV system. Based on the current assessment of these factors, the Brisbane Baylands is suitable for deployment of a large-scale PV system.

The Brisbane Baylands site is approximately 684 acres, and there are two options for developing the site that include the Universal Paragon Corporation's (UPC) "Developer Option" and the Committee for Renewable Energy on the Baylands' (CREBL) "Renewable Energy Alternative." The Developer Option has more area allotted for rooftop PV and the Renewable Energy Alternative has more area allotted for ground-mounted PV. The Developer Option has approximately 24.7 acres appropriate for installation of a ground-mounted PV system and 257.4 acres appropriate for constructing buildings, which is derived from the pre-design drawings provided by the UPC. Of the 257.4 acres available for buildings, 50% is assumed to be useable for the installation of roof-mounted PV, and the remaining 50% is assumed to be used for roads, green space, and rooftop mechanical equipment.

The Renewable Energy Alternative has approximately 134.2 acres appropriate for installation of a ground-mounted PV system and 60.7 acres appropriate for constructing buildings, which is derived from pre-design drawings provided by CREBL. Of the 60.7 acres available for buildings, 38% (1 million square feet) is assumed to be useable for the installation of roof-mounted PV, and the remaining 62% is assumed to be used for roads, green space, and rooftop mechanical equipment.

¹ <http://www.brisbanebaylands.com/environmentalcleanup/>. Accessed July 2012.

² http://www.epa.gov/oswercpa/docs/r09-11-004_brisbane.pdf. Accessed July 2012.

While this entire area does not need to be developed at one time due to the feasibility of staging installation as land or funding becomes available, calculations for this analysis reflect the solar potential if the total feasible area is used for both the Developer Option and the Renewable Energy Alternative. These options are considered the broadest range of PV implementation for the site under the two development scenarios and do not represent all of the intermediate options available. It should also be noted that the purpose of this report is not to determine how to develop the site but to investigate both options and present the results in an unbiased manner.

The economic feasibility of a potential PV system on the Brisbane Baylands site depends greatly on the purchase price of the electricity produced and incentives available to the PV project. The economics of the potential system were analyzed using the average Pacific Gas and Electric Company (PG&E) June 2012 electric rate schedule of \$0.1179/kWh for commercial entities. There are currently three incentives available to the project from the state and federal levels. Table ES-1 shows the current incentives considered with the incentive amount and the indicated ending criteria for each incentive.

Table ES-1. Summary of Incentives Evaluated³

Incentive Title	Modeled Value	Expected End
California Property Tax Incentive	100% of Property Value	12/31/2016
California Solar Initiative	\$0.025/kWh	Re-funded in 12/2011
Business Energy Investment Tax Credit (ITC)	30% of installed cost	12/31/2016

The community net-metering incentive was not included in the feasibility study but will certainly improve economics if developed further. The California Energy Commission's (CEC) New Solar Home Partnership was excluded from the analysis because its applicability is uncertain. If this option were pursued and attained, the economics for each scenario would greatly improve. The combined quantitative amounts for these incentives are applied to each scenario in Table ES-2.

All scenarios considered for the site were economically attractive; the Renewable Energy Alternative scenario with a single-axis tracking PV system for the ground-mounted portion has the highest net present value (NPV). Table ES-2 summarizes the system performance and economics of a potential system that would use all available areas that were surveyed at the Brisbane Baylands site. Each scenario in the table includes the maximum utilized roof area associated with the specified development option and the specified ground-mounted system. The table shows the annual energy output from the system along with the number of average American households that could be powered by such a system and estimated job creation.

As indicated in Table ES-2, the different systems are expected to have a payback of 12.68–13.72 years and an NPV of \$1.5 million to \$4.1 million for a 23–28 MW PV system producing

³ DSIRE: Database of State Incentives for Renewables and Efficiency. <http://www.dsireusa.org/>. Accessed July 2012.

approximately 42.4–45 GWh annually. This includes the current cost of energy, expected installation cost, site solar resource, and existing incentives for the proposed PV system. This savings and payback is deemed reasonable and as such, a solar PV system represents a viable reuse for the site.

Table ES-2. Brisbane Baylands PV System Summary

Tie-in Location	System Type	PV System Size ^a (kW)	Array Tilt (deg)	Annual Output (kWh/year)	Number of Houses Powered ^b	Jobs Created ^c (job-year)	Jobs Sustained ^d (job-year)
	Renewable Energy Alternative Rooftop PV System	4,000	20	6,018,006	1,056	101	1
	Renewable Energy Alternative Fixed Axis Ground Mounted System	23,380	20	35,175,244	6,171	590	7
	Crystalline Silicon (Fixed-Axis Ground System) - Renewable Energy Alternative, Developer Owned	27,380	20	43,129,543	7,567	691	8
	Renewable Energy Alternative Rooftop PV System	4,000	20	6,018,006	1,056	101	1
	Renewable Energy Alternative 1-Axis Ground Mounted System	19,281	20	37,007,662	6,493	649	6
	Crystalline Silicon (1-Axis Ground System) - Renewable Energy Alternative, Developer Owned	23,281	20	44,961,961	7,888	750	7
	Developer Rooftop PV System	23,876	20	35,921,477	6,302	603	7
	Developer Fixed Axis Ground Mounted System	4,303	20	6,473,870	1,136	109	1
	Crystalline Silicon (Fixed-Axis Ground System) - Developer Option, Developer Owned	28,179	20	42,395,347	7,438	711	9
	Developer Rooftop PV System	23,876	20	35,921,477	6,302	603	7
	Developer 1-Axis Ground Mounted System	3,548	20	6,809,978	1,195	119	1
	Crystalline Silicon (1-Axis Ground System) - Developer Option, Developer Owned	27,424	20	42,731,455	7,497	722	8

Tie-in Location	System Type	System Cost	Maximum Incentive Amount	PPA Price c/kWh	Net Present Value 2012\$	Annual O&M (\$/year)	Payback Period with Incentives (years)
	Renewable Energy Alternative Rooftop PV System	\$ 13,690,000	\$ 4,840,444	13.25	\$ 169,556	\$ 108,889	13.89
	Renewable Energy Alternative Fixed Axis Ground Mounted System	\$ 75,066,000	\$ 26,806,783	13.06	\$ 1,375,151	\$ 636,453	13.69
	Crystalline Silicon (Fixed-Axis Ground System) - Renewable Energy Alternative, Developer Owned	\$ 88,756,000	\$ 31,883,213	13.09	\$ 1,544,707	\$ 745,342	13.72
	Renewable Energy Alternative Rooftop PV System	\$ 13,690,000	\$ 4,840,444	13.25	\$ 169,556	\$ 109,749	13.89
	Renewable Energy Alternative 1-Axis Ground Mounted System	\$ 77,990,992	\$ 27,907,606	11.92	\$ 3,942,864	\$ 529,019	12.43
	Crystalline Silicon (1-Axis Ground System) - Renewable Energy Alternative, Developer Owned	\$ 91,680,992	\$ 32,984,037	12.11	\$ 4,112,420	\$ 638,768	12.68
	Developer Rooftop PV System	\$ 80,473,360	\$ 28,519,938	13.05	\$ 1,406,007	\$ 620,776	13.69
	Developer Fixed Axis Ground Mounted System	\$ 14,708,080	\$ 5,201,427	13.23	\$ 188,405	\$ 111,878	13.87
	Crystalline Silicon (Fixed-Axis Ground System) - Developer Option, Developer Owned	\$ 95,181,440	\$ 33,721,365	13.08	\$ 1,594,412	\$ 732,654	13.72
	Developer Rooftop PV System	\$ 80,473,360	\$ 28,519,938	13.05	\$ 1,406,007	\$ 620,776	13.69
	Developer 1-Axis Ground Mounted System	\$ 14,555,536	\$ 5,196,627	12.09	\$ 660,859	\$ 92,248	12.60
	Crystalline Silicon (1-Axis Ground System) - Developer Option, Developer Owned	\$ 95,028,896	\$ 33,716,565	12.90	\$ 2,066,866	\$ 713,024	13.55

a Data assume a maximum usable area of 684 acres

b Number of average American households that could hypothetically be powered by the PV system assuming 5,700 kWh/year/household.

c Job-years created as a result of project capital investment including direct, indirect, and induced jobs.

d Jobs (direct, indirect, and induced) sustained as a result of operations and maintenance (O&M) of the system.

(Version 3/16/17) Council Baylands Hearing Schedule

September 29, 2016: Project Overview, EIR Summary, Overview of Planning Commission Recommendation

November 17, 2016: Site Remediation, Title 27 Landfill Closure, and related policy issues

December 15, 2016: Site Remediation, Title 27 Landfill Closure, and related policy issues (continued from November 17, 2016)

January 24, 2017: Traffic, Noise, Air Quality, Greenhouse Gas (GHG) emissions, and related policy issues

February 16, 2017: Noise, Air Quality, Greenhouse Gas (GHG) emissions, and related policy issues

February 28, 2017: Water Supply, Public Services and Facilities, and related policy issues

March 16, 2017: Other Environmental Issues: Biological Resources; Cultural Resources; Geology/Soils/Seismicity; Hydrology; Recreation; Energy; and related policy issues

April 6, 2017: Economics, Development Feasibility, Municipal Cost/Revenue, and related policy issues

May 4, 2017: Land Use, Planning, Aesthetics, Housing and Population, and related policy issues

May 23, 2017: Applicant and Community Group Presentations

June-July 2017 TBD : Council deliberations